

UNIVERSITY OF CAPE COAST

ASSESSMENT OF INTERNAL CONTROL PRACTICES AT ST.
DOMINIC HOSPITAL, AKWATIA AT DENKYEMBOUR DISTRICT -
EASTERN REGION

BY

DICKSON BOAKYE

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Business, College of Humanities and Legal Studies, University of Cape Coast,
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DECLARATION

Candidate's Declaration

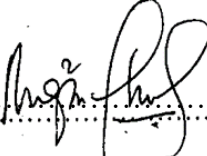
I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate Signature..... Date.....

Name: Mr. Dickson Boakye

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation was supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature:  Date:.....

Name: Mr. Augustine Addo

ABSTRACT

The study sought to assess the internal control practices in areas of responsibilities of internal control setting, implementation and monitoring at St. Dominic Hospital (SDH). Good internal control practices positions an organization on high performance and boost the trust of both internal and external clients. St. Dominic Hospital is the biggest institution of Christian Health Association of Ghana (CHAG) and therefore selected for this study. The methodology employed in the study was administering questionnaire that serves as a primary source of data gathered. The sources of secondary data were SDH 40th and 50th Anniversary Celebration books, Management Report, Audit Report, Human Resource management policy, and Accounting, Treasury and Financial Reporting of Ministry of Health. Interview guide was also used to collect data. The researcher adopted simple random and purposive sampling techniques to administer questionnaires to 217 respondents. The responses were analyzed using ratio analysis, descriptive, frequency with percentages and the results were presented in charts and tables. The findings revealed that ST. Dominic Hospital has impressive internal control practices in place which has impacted on its performance positively. It is recommended that staff strength of internal audit should be increased and well resourced. Also the head of internal audit should report directly to Audit Report and Implementation Committee (ARIC) as management can manipulate or hijack of auditors' reports.

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DEDICATION

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CHAPTER ONE

INTRODUCTION

Background to the Study

More often than not, we hear reports regarding huge sums of money and other valuable assets getting missing by individuals, partnership, charitable organizations and government. All these practices are attributed to insufficient internal controls. Money and other properties are the blood of all economic activities and where internal controls are extremely weak within an organization or society, resources leakage is high-flying. So this leads to a question of ‘what controls are in place?’ Each one of these explanations for losses is at the heart every economic activity (Wallace 2004).

Internal control is defined as systematic measures (such as reviews, checks and balances, methods and procedures) instituted by a business to (1) carry out a business in an efficient and effective way, (2) safeguard resources and assets (3) identify and prevent mistakes/errors, theft and fraud (4) ensure accurate and complete accounting information (5) produce timely and reliable financial and management information (6) adhere to its policies and plans (<http://www.businessdictionary.com/definition/internal-control.html>).

Internal control is a means by which an organization’s resources are directed and controlled. It performs an essential role in detecting and preventing fraud and misappropriation of funds (COSO 2011). At the organization level, the objectives of an organization’s internal control relates to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations.

In the particular transactional levels, internal controls make reference to those things delivered to accomplish particular objective. Internal controls methods decrease procedure assessment resulting in a more predictable outcome or results (Anderson 2008). Internal control have existed from ancient times. Within Hellenistic Egypt, there was clearly the double management, where one group of bureaucrats was responsible for collecting taxes whereas other group had supervisory responsibility (Van-Creveld 2000). Within the Republic of China, the control of Yuan is in the hands of one of the five arms of government, charge as investigatory agency that monitors the other arms of government (https://en.wikipedia.org/wiki/Government_of_the_Republic_of_China).

International Standard of Auditing (ISA 315) describes internal controls to include five unified components that are essential for the objectives to be accomplished. They are control environment, risk assessment, control activities, information and communication, and monitoring (Audit and Internal Review, 2006).

According to the Committee of Sponsoring Organization (COSO) framework, to some degree, everybody within an business offers obligation with regard to internal control. Almost all employees in an organization provide vital information required to impact or affect controls. Furthermore, almost all staff should be charged for communicating information of operational problems, non-compliance of code of conduct and some other plan infractions or even unlawful activities.

In cooperate governance; each majority entity has a particular role to play. For instance the Chief Executive Officer (CEO) of the organization has

strategic responsibility for designing and affecting a sound internal control. This could be achieved by providing good leadership and directions to senior management and monitoring and reviewing the way they control the resources.

Internal controls exist to prevent fraud occurring or to reduce the particular effect associated with fraud. Even if controls are in existence, files or documents may still find a way out or transportable property may get lost. The level and extent of internal control required depends on what the risks are if controls fail (Audit plus Inner Evaluation, 2006). Every internal control in all business set ups aims to generate a reliable management and financial reporting and appreciable compliance with legal requirements. Nevertheless, the total accomplishment of organizational strategic and operational objectives may depend on environmental factors like competition and technological innovations. Internal controls are limited to these outside factors and as such, effective internal control provides only timely information or feedback on progress towards the achievement of operational and strategic objectives but cannot guarantee their success (INTOSAI, 1992).

Statement of the Problem

St. Dominic Hospital is the only referral hospital in Denkyemba District in the Eastern Region. A review of the internal controls in the hospital revealed that despite being the only referral hospital and a major health facility in five surrounding districts do not have any administration manual on its own. Under capital budgeting, there were huge actual expenditure over and above budgeted expenditure. This shows weak budgetary control.

It is also obvious for long time that the internal audit unit is completely

under staffed and most often saddled with loads of work looking at the size of the hospital. It is therefore the wish of the researcher to determine how auditing and internal controls can manage the huge capital inflows in such a busy and reputable hospital. It will also be interested to know how the internal mechanism put in place to manage claims of national health insurance following delayed in reimbursement by the scheme managers. It is also equally important to find out how the hospital manages its scarce financial resources in meeting the health needs of the huge population without compromising with accounting standards.

Objectives of the Study

The general aim of the study is to assess the internal control practices at the St. Dominic Hospital- Akwatia.

The specific objectives are to:

- Determine the internal control practices of the Hospital;
- Analyse the problems associated with internal control practices;
- Determine employee's perception on internal control system.
- Ascertain staff adherence to the Hospital's internal control system.

Research Questions

The study will aim at finding answers to the following questions;

1. What are the internal control practices adopted by Hospital?
2. What are the problems associated with internal controls of the Hospital?
3. What perceptions do the staff hold on internal control systems in the Hospital?
4. Are the provisions of the internal control structures effective and adhered to?

Significance of the Study

The significance of this particular research is to help organization identify strength and weakness of its controls in place and to develop a sound internal controls to improve financial and operational performance. The study will help board of directors, management and other staff to appreciate the need to strengthen and adhere to internal controls which will translate into higher performance.

Internal control is a process instituted by an organization's board of directors, management alongside with other staff to offer reasonable assurance concerning the accomplishment of objectives in a manner that are in the following categories: efficiency and effectiveness of operational procedures, reliability of financial reporting and conformity along with relevant legal guidelines (DiNapoli, 1999).

The research will also help the facility's accounting system to meet International Accounting Standard and Ministry of Health (MOH) treasury accounting by the use of MOH Accounting, Treasury and Financial Reporting Rules and Regulations. The research will even assist management to check excesses and waste materials within the establishment. Effective internal control and Auditing are the best defense against excesses and waste in the hospital.

Another significance of the research is to detect fraudulence practices and financial malfeasance in the hospital. Fraudulence practices can never be prevented rather it can be managed when adequate control measures are instituted. Internal controls would help detect fraudulent practices and financial malfeasance if both management and other employees of the facility

understand the violations of the ethical standards and if the senior management will leave by strict ethical standards and consistently demonstrate high integrity, fraudulent practices will be difficult to rationalize and will help to improve on quality standard. The study would be beneficial to students who would like to specialize especially in the field of accounting and management all over the world.

Scope of the Study

The study will be limited to staff of the St. Dominic Hospital and particularly on the audit staff.

Limitations of the Study

The main problem envisages would be the difficulty in obtaining information on internal control systems. Many at times, Auditors have the responsibility to be confidential with audit observations. This is the third standard of the regulatory body that instituted internal auditors, the global auditing body (Institute of Internal Auditors 2012).

Difficulty of getting audit report and queries for study. Even though this research is to assess audit internal control practices in the Eastern Regional Hospital, there are constraints in terms of getting external and internal audit reports since, it is believed that audit reports are for management consumption. There are also resource constraints, in terms of time and logistics as well as the difficulties in getting other staff from other departments especially finance to interview on financial control practice.

Organization of the Study

The study was divided into five chapters. The first chapter was for the introduction and background of the study. The second chapter also reviewed

relevant literature related to internal control practices whilst the third chapter dealt with the methods used for the study. The last two chapters dealt with data presentation and analysis as well as conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter seeks to review the relevant works done on the topic. This consists of the theoretical literature, empirical literature and the conclusion. The theoretical literature which exposes and criticizes the various theories presented by various authors consists of the theory of internal control, objectives of internal control system, types of internal controls and challenges of internal control systems. The empirical literature also aims at introducing the various practical experiments carried out on the study by various bodies, and with findings, internal control practices, effectiveness of internal controls, audit of entity's internal control and effect of internal control.

Theoretical Literature

The Concept of Internal Control

According to Chung, Lee Chong and Jung (1997), controls may be divided into two- external and internal, those might help to equalize authority or concern party's attitude to some organization controls. Internal controls entail the particular best business control mechanisms and enterprise shareholders, where external controls encompass power in the market or branch, competitive environment or state business regulation.

Internal control includes plans and all the techniques employed in an organization to safeguard its assets and resources, examine the reliability and accuracy of its accounting data processing, promote functional effectiveness and efficiency, motivate faithfulness and support adherence to recommended decision-making policies. This definition recognizes that the structure of

internal control is really a trend beyond those matters which relates specifically to the functions of accurate department (Dennis *et al*, 1998).

Hevesi (2005) defined internal control as the harmonization of actions, strategies, behaviour, policies and attempts from the individuals of the organization working together to provide reasonable assurance that the organization will certainly accomplish its the objectives and mission. Thus, it is the methods set up by company directors to guarantee the integrity of accounting information, meet operational and profitability targets and transfer management policies all over the organization.

In accounting and auditing, internal control is defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives (COSO, 2012). It is a means by which an organization's resources are directed, monitored, and measured in other to prevent organization's resources and to detect fraud.

At the organizational level, internal control objectives recount to the financial reporting reliability, timely feedback on the accomplishment of strategic or operational objectives, and compliance with legal guidelines. At the specific transactional level, internal control describes particular actions used to acquire a specific objective. Internal control is really a key factor in Foreign Corrupt Practices Act (FCPA) of 1977 and the Sarbanes-Oxley Act of 2002, which usually needs enhancements within internal control in United States Public Corporations.

Internal controls have existed from ancient times. In Hellenistic Egypt there was a dual administration, with one set of bureaucrats charged with

collecting taxes and another with supervising them (Van Creveld, 2000). There are numerous meanings associated with internal control, since it impacts the different constituencies (stakeholders) of the business in a variety of methods with various amounts of aggregation.

Internal control is generally defined by the Committee of Sponsoring Organization as a process impacted by the entity's board of directors, management and other staff intended to provide reasonable assurance relating to the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of financial reporting;
- Compliance with laws and regulations.

The COSO definition pertains to a combine control system of a business that is made up of numerous individual system of control. Discrete control procedures defined by the Securities and Exchange Commission's as: "...a specific set of policies, procedures, and activities designed to meet an objective. Control can be found inside a specified functionality or even exercise inside a process. The effect of control may possibly be specific to class of transactions, an account balance or the entire operations of an entity (SEC Interpretive Guidance).

According to Millichamp (2002), Internal Control System is understood to be the whole structure of controls, financial and otherwise, designed by management to carry on a business in order to ensure adherence to policies, safeguard the assets and to secure as far as feasible the completeness and accuracy of the financial records. The definitions of internal control systems stated above have the main objectives that internal controls

give assurance that organizational resources will be put to economic, efficient and effective use in order to achieve the objectives for which the organization was set up.

The term 'internal control' includes all the techniques, procedures and measures used within an organization to ensure as far as possible the safeguarding of assets, the completeness, accuracy and reliability of the accounting records and the promotion of operational efficiency and adherence to management policies (Okai, 1996). However, in the context of this work, internal control shall be defined as recommended by COSO that it is a process affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories.

- Effectiveness and efficiency of operations in the Eastern Regional Hospital
- Reliability and accuracy of financial reporting
- Compliance with applicable laws and regulations.

Internal Control Objectives

Internal Control objectives are desired goals or conditions for a specific event cycle which, if achieved, minimize the occurrence of waste, loss, unauthorized use or misappropriation will occur. They are conditions which we want the system of internal control to satisfy. For a control objective to be effective, compliance with it must be measurable and observable. (Mercers University, 2010).

Internal Audit examines Mercer's approach to internal control simply by being able to assess the capability of individual procedure of control to

attain the seven pre-defined control objectives. The objectives of controls include authorization, completeness, accuracy, validity, physical safeguards and security, error handling and segregation of duties.

Authorization: Authorization as a control objective is to ensure that all financial and operational transactions are approved by designated personnel in accordance with specific or general authority before the transaction is effected and recorded.

Completeness: The objective is to make sure that all the necessary legitimate transactions have been included in the books of accounts. **Accuracy:** The object of this control is to ensure that all legitimate transactions are correct, consistent and from its original sources and timely recorded.

Validity: The transactions which have been recorded should fairly represent the existence of economic events which are valid, and have been executed in line with management's policies. **Physical Safeguards & Security:** The object is ensure that access to physical assets and information systems are controlled and properly restricted to authorized personnel.

Error Handling: The objective of this control is to ensure that immediate corrective action is given to any error detected and report is made to the appropriate authority.

Segregation of Duties: The objective is to ensure that duties are separated and allocated to separate individuals such that no one person can perform both recording and processing transactions.

Internal Controls and Firm's Performance:

There are two distinct schools of thought when dealing with the relationship between the internal controls and firm's performances. The first

school of thought argues that rigid internal controls will contribute more to the success of a firm. It further argues that higher market valuation of companies comes as a result of rigid controls (Lipton & Lorsch, 1992).

However, the second school of thought considers that flexible internal controls will improve a firm's performance (Pfeffer, 1972; Klein, 1998; Coles *et al.*, 2008). These studies indicate that flexible controls will be more effective because of a complex nature of business environment and an organizational culture (Klein, 1998).

Types of Internal Controls

There are many writers with different views on internal control systems. Milichamp (2002) has identified forms of internal controls as; Security of Assets, Separation of duties, Supervision, Verification, Approval and Authorization, Documentation, Safeguarding Assets, and Reporting. Nevertheless, several writes such as Lousteau (2006), the State University of New York and Napoli (2005) have common views that the types of internal control are directive controls, preventive controls, compensating controls, detective controls, and corrective actions. Control activities consist of approvals, authorizations, verifications, reconciliation, performance review, security of assets, segregation of duties, and controls over information systems (Dinapoli 1999). Below are the explanations of these types of internal controls.

Directive Controls: Directive Control relates to policies established by management to uphold compliance with independence rules. To ensure compliance with directive controls, understandable and regular information from management that policies and procedures are important and must

permeate the organization. They provide evidence that a loss has occurred but do not prevent a loss from occurring. Examples of detective controls are reviews, analyses, variance analyses, reconciliation, physical inventories, and audits.

Preventive Control: Preventive controls connect with steps used by an organization in order to prevent non-compliance with policies and procedures. These controls are practical and help to prevent a loss from occurring. Preventive controls could be separation of duties, authorization, sufficient documentation and physical control over assets, Lousteau (2006). The combination of detective and preventive controls provide adequate protection. Computer systems need preventive controls via suitable access control.

Compensating Controls: This control may be considered when organizations are unable to fulfill the requirement clearly mentioned, because of genuine specialized or even recorded company restrictions, yet has adequately alleviated the risk associated with the requirement through implementation of other controls (Syngress, 2009). For instance, companies having an electronic database can preserve a hard copy from the customer listing at the office collection. This type of listing might make up for down time within electronic techniques and difficulties within finding customer credentials within the electronic system. As the list would need to be reprinted from time to time to add new clients would mitigate some of the obsolescence that exists with hard copies.

Detective Controls: State University of New York (2000) explained that detective controls are designed to discover problems after they have occurred. Detective controls hardly ever work well as a deterrent in the

absence of severe penalties.

Corrective Controls: Corrective controls are used to rectify and restore the system when errors or harmful events have been discovered, Lousteau (2006).

Components of Internal

COSO explained five components of internal controls included in its definition of internal control. They are:

Control Environment: This control sets the tone for the organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control. The control environment reflects the top management's commitment to internal control. It provides discipline and structure to the control system. Elements of the control environment include the organization structure of the institution, management's philosophy and operating style, the integrity, ethics and competence of personnel. It also states the external influences that affect the organization's operations and risk management practices, the attention and direction provided by the board of directors and its committees and the effectiveness of human resources policies and procedures (Administrator of National Banks, Comptroller's Hand Book 2001). Hevesi (2005) however considers the control environment to be the attitude toward internal control and control awareness established and maintained by the management and employees of an organization.

This is an item associated with management's governance which is the style, philosophy, attitude together with the proficiency, ethical values, honesty and well-being of the individuals in the business. There must be a code of conduct and ethical policy and this should be properly disseminated to

all stages of organization. Furthermore there has to be the suitable structure that is not really centered simply by one or selected individuals but highly effective oversight by the board of directors or audit committee. Top management should also put a system in place that would frequently educate and communicate the importance of internal controls to both management and employee, in order to increase their level of understanding of controls.

Risk Assessment

Risk assessment is a systematic process for adding experts and professional view regarding possible undesirable conditions and events, and assessing the possibilities of possible losses from both financial and non-financial resulting from their occurrence. This is actually the recognition and evaluation of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed, Lannoye (1999).

According to Lannoye (1999) this element of internal control shows the significance of management's carefulness in identifying and evaluating aspects that may preclude this through attaining its mission. A requirement to risk assessment is the formulation of simple, consistent goals and when objectives have been set, all that the agency needs to do is to identify the risks that may hinder the achievement of objectives of organization.

Internal controls should give a good evaluation of the entity's risk in both the internal and external environment. As soon as risks have been detected, they should be analyzed for their feasible impact. Management then has to design an appropriate risk management and choose the internal control actions necessary to reduce all those risks to achieve the internal control objectives with efficient and effective operations, reliable financial reporting,

and compliance with laws and regulations (AICPA, Professional Standard vol.1).

Risk Identification: Risk identification relates to the objective of reliable financial reporting, which involves identification and analysis of the risks of material misstatement. Management should perform a comprehensive analysis of identifiable risk, including all risks associated with departments and operational level objectives. The activities analyzed should include those that support both financial and non-financial objectives, (Advance Auditing and Assurance 2015).

Management must reflect on the important interactions with both internal and external organizations to their organization at both the department-wide and activity levels. There are numerous methods to be used in risk identification. This may include management planning conferences, strategic planning, periodic reviews at departmental levels, changing needs or expectations of agency officials or the public and natural catastrophes. (Lannoye, 1999).

Risk Analysis: After identifying the entire department and operational level risk, management should perform the following risk analysis:

- Estimating risk significance
- Assessing the possibility of its occurrence
- Considering how to handle the risk.

Risk with little significance and low probability of occurrence may require special attention. After assessing the significance and likelihood of risk, management must determine how to control it.

Approaches to control risk may differ among organizations, but they

must be designed to maintain risk within levels deemed appropriate by management, considering the concepts of reasonable assurance and cost-benefit. After the implementation, monitoring for effectiveness should be continually done (Lannoye, 1996).

Managing Risk during Change: Change usually affects the control activities when it occurs in an organization. In order to properly manage risk, management should monitor any change to ensure that each risk is continuously managed as change occurs. Management should properly inform staff who manage the organization's most critical risks areas about any proposed changes that may affect their ability to manage those risks.

Managers should continually monitor the factors that can affect the risks they have already identified as well as other factors that could create new risks (Walker 1999).

Information and Communication

Information and Communication are essential to effective controls. According to the fourth internal control standard, for an agency to run and control its operations, it must have relevant and reliable information, both financial and non-financial, from both internal and external events.

That information must be documented and disseminated to management and other employees in the organization who need it. It should be understandable and be delivered at the appropriate time frame to enable staff to carry out their internal control and operational responsibilities (Steinhoff, 2001). Information about an organization's plans, control environment, risks, control activities, and performance must be communicated vertically and horizontally across an organization.

Reliable and relevant information must be identified, captured and processed from its original sources and then communicated in the form that is useful to the users of that information. According to the Comptroller's Handbook (2001), accounting, information and communication systems capture and impart pertinent and timely information in a form that enables the board of directors, management and the entire staff to carry out their responsibilities.

Accounting systems are the methods that identify, assemble, analyze, classify, record and report accurate and timely accounting information to its users. Information and communication systems allow almost all staff to comprehend their own functions within the control system, exactly how their own functions connect with other people, and their own responsibility. The board of directors and management need to make sure that they get accurate and timely information to enable them to fulfill their own obligations.

Control Activities: They are policies and procedures that assist management to ensure that directives are carried out. This helps ensure that required activities are delivered to tackle risks in order to achieve the objectives of an entity. According to the Administrator of National Banks, (2001), control activities are the policies, procedures, and practices established to help ensure that an organization's personnel carry out board and management directives at every business level of organization.

These activities assist the board of directors and management to manage risks that could thwart an organization from accomplishing its objectives. The New York State Comptroller (1999) defined control activities as tools – both manual and automated – that help identify, prevent or reduce

the risks that can impede accomplishment of the organization's objectives. Therefore management should design an effective and efficient controls that will be able to mitigate risk in order to accomplish its objectives.

According to Walker (1999) control activities occur at all levels of an entity. They include a variety of activities such as approvals, authorizations, verifications, reconciliations, overall performance evaluations, protection as well as the creation and maintenance of related records which offer proof of performance of those actions and also suitable documentation.

He provided the following as example of control activities:

- Top level reviews of actual performance,
- Reviews by management at the functional or activity level,
- Management of human capital,
- Controls over information processing,
- Physical control over vulnerable assets,
- Establishment and review of performance measures and indicators,
- Segregation of duties,
- Proper execution of transaction and events,
- Accurate and timely recording of transactions and events,
- Access restrictions to information and accountability for resources and records, and
- Appropriate documentation of transactions

Monitoring: Internal controls system needs to be monitored. Monitoring is the evaluation of internal control performance over time; it is achieved by the continuous checking of activities through separate assessments of internal control such as self-assessments, peer reviews, and

internal audits. The reason for the monitoring is to establish whether the controls are adequately developed, properly executed, and effectively working. Internal control is adequately developed and properly executed if all five internal control components (Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring) are present and functioning as designed (Springer, 2004).

Management should implement internal control suggestions made by independent internal auditors, rectify errors and deficiencies on a timely basis, and respond appropriately to reports and recommendations. Furthermore, there must also be proper functioning of internal auditing that management may use to assist in monitoring its activities. In Ghana Health Service (GHS) and Christian Health Association of Ghana (CHAG), there is the internal audit and monitoring units that carry out the functions of monitoring internal controls.

Internal Control Evaluation: Di Napoli (1999) defined evaluation as the process management uses to assess whether an organization's operations are effective in achieving its mission. The purposes of evaluation are to provide management with a reasonable assurance that; the organization's internal control system are functioning effectively; and they can discover risks associated with an organization and opportunities for improvement.

According to Louwers (2002) the five components of internal control are believed as the requirements with regard to analyzing financial reporting controls and the bases for the auditors' assessment of control risks in terms of;

- Understanding a client's financial reporting controls and documentation

- Preliminarily evaluating the control risk
- Testing the controls

Empirical Literature

Internal Control Practices: In Ghana, it has been recognized that small businesses enhance their performance and thrive through the use of sound internal controls (Kyereboah-Coleman & Biekpe, 2005). Okozie (2009) echoed the above findings in firms listed in Singapore and Malaysia when they found that internal controls in small businesses are far effective and boast their performance relative to large and public institutions.

In a study in Nigeria, according to Sanda, Mukaila, and Garba (2003) found that firms' performance is positively related to implementation and maintenance of good internal controls. Yermack (1996) finds empirical evidence that internal controls and firm value are positively related. It provides evidence that controls in small businesses are more effective than those in large and complex businesses.

Given the inconsistent empirical results on controls in large and small organisations, Coles, Daniel & Naveen (2006) conjecture and show that one method on internal control does not fit all organizations. No two entities are likely to have the same internal control system or entities may not respond to similar risks in the same way, the basic components contributing to an entity's being in control need to be satisfied. An entity's internal controls are based on the extent to which the components are present and operating effectively.

Effectiveness of Internal Control

There is absolutely no specific outline of good internal controls recommendation for all organizations. However, in any establishment,

effective internal controls depend on the monitoring ability of the board of directors on controls. Internal controls may be described as being effective to achieve internal control objectives if the board of directors and management have realistic guarantee that they understand the operations of organizational objective, reliable financial statement is published and comply with applicable regulations or standards (ASX 2003, p. 22).

Effectiveness of internal control depends on the presence of all the components of internal control working together. The Cadbury Report 1992 said the board requires constant monitoring and assessment of internal controls to ensure full utilization of mandate vested in them. For the financial reporting objective, there is a more detailed criterion, namely, the material weakness concept. According to Cadbury Report 1992, material weakness is described as follows: A condition in which the design or operation of one or more components of internal control does not reduce to a relatively low level, the risk that errors or irregularities in amount that would be material to the financial statements may occur and not be detected and corrected in a timely period by employees in the normal course of performing their assigned duties.

Audit of Entity's Internal Control

The aim of every firm is to achieve operational efficiency and auditing firms are not exempted. This means each firm wants to use minimum resources to perform work to obtain high-quality output. Basically, the more auditors become familiar with client's internal controls, the less substantive test they need to do at the end of the year audit (Nyarko 2001).

Nevertheless, it is not necessarily and mandatory for auditors to determine the actual quality of a client's internal control (CIMA, 2006). They

should plan their work well such that they can obtain maximum understanding of a client's control, assess high risk areas, and perform extensive substantive audit work.

However, where there is a report of suspicion of fraud, the auditor is expected to obtain full understanding of all the internal controls and performs audit work in all financial and non-financial areas. This means that auditors have to acquaint themselves with management's risk assessment, the accounting information system, the design of the client's activities and the control environment to obtain information and understanding from several sources.

Internal Control Procedures and Internal Auditors

Internal control procedures are policies that the board of directors, management, audit committee and other personnel design and implement to give reasonable assurance that the entity achieves its objective in relation to reliable financial reporting, operating efficiency and compliance with laws and regulations.

Internal auditors are personnel employed in an organization to test the designed and implementation of the internal control procedures of an entity and the reliability of its financial reporting. Internal governance is based on specific methods and measures taken by individual firms to enforce control and accountability. Documentation of Internal Control Audit working papers will contain information from accounting records, private observations, the results of interviews and inquiries, and other available sources.

Audit working papers may also include engagement details, copies of correspondence, extract from entity's management minutes, organization

charts, copies of written policies and procedures, and other substantiating documentation. Working paper documentation is essential and required to show understanding of the control by the audit team. Strengths and weaknesses should be documented in a working paper. This can be abridged in the form of questionnaires, narratives and flowcharts.

Internal Control Questionnaires. This is an effective means of gathering evidence about an entity's control structure as a formal interview with knowledgeable personnel, using the checklist type of internal control questionnaire. For the auditors to be assured of complete control environment, the accounting transactions and control activities, internal control questionnaires must carefully be designed to assist auditors in assessing risk areas. **Narrative Descriptions.** One way to tailor the inequity procedures to a particular company is to write a narrative description of each important control subsystem.

Such a narrative would simply describe all the environmental elements, the accounting system, and the control activities. The narrative description may be efficient in audits of very small businesses.

Flow Chart: It is a simple way of illustrating system of controls in a diagram form to represent workflow or processes. It shows the steps used to obtain data in a visually pleasing way in analyzing, designing, documenting or managing a process or program in various fields.

Perform Test of Controls - Audits Procedures

At this stage the auditors can perform test of controls procedures to determine how well the company's controls actually functioned during the period under review. A test of controls procedure is a two part statement

(Agyei, 2006).

Part one is an identification of the data population from which sample of items will be selected for audit. Part two is an expression of an action taken to produce relevant evidence. In general, the action is to determine whether the selected item correspond to a standard and determine whether the selected items agree with information in another data population. Some test of control procedures involves re-performance.

Again, the auditor performs arithmetical calculations and the comparison the company employees were supposed to have performed. Test of controls procedures, when performed should be applied to transactions that have been sampled and control activities carried out during the period under review. The brain behind this is that, the conclusions drawn about controls will be generalized at the whole period under review.

Assessing the Control Risk After obtaining an understanding of control and designing a preliminary audit program, the audit team should be able to make a preliminary assessment of the control risk to make decisions. One best way to make the assessment is to analyze the strengths and weaknesses of the internal controls. Strengths are specific features of good general and application controls. Weaknesses are the lack of controls in the operational system and its environments.

The auditor's findings and preliminary conclusions should be written up for the working papers files. The final evaluation of a company's internal control is the assessment of the control risk (CR) related to each assertion. Control risk is the element in the audit risk model. $AR = IR * CR * DR$, where AR is defined as audit Risk, IR as Inherent risk and DR as detection risk.

These assessments of risks are auditors' expression for the effectiveness of internal control for preventing, detecting and correcting specific errors and frauds in management's final statement assertions (Gross. I. (2006). The final account balance audit plan includes the specification of substantive audit procedures to detect material misstatements in account balances and foot notes disclosures.

Parties responsible for internal controls though all members in an organization are an integral part of internal control, certain parties of the members merit higher levels of attention on internal controls. These include the board of directors (including the audit committee), management, internal auditors and external auditors. The primary responsibility for the development, implementation and maintenance of internal control rests with an organization's management.

Due to the environmental factors that need to be controlled, the focus of internal control has shifted from policies and procedures to an overriding philosophy and operating style within the organization. Focus on these types of intangible elements shows the significance of top management's participation within the internal control system. As management's responsibility, top management at a publicly owned organization will include in its annual financial report to the shareholders a declaration showing the establishment of a sound system of internal control that management believes is effective (The Institute of Chartered Accountants in England & Wales, 1999).

The particular declaration might also offer particular information about the company's internal control system. Internal control should be examined to

be able to offer management with some high level of assurance regarding its effectiveness. Internal control evaluation entails every effort management does to control the organization in the effort to attain its objectives.

Internal control would be judged as effective if its components are present and function effectively for operations, financial reporting and compliance. The boards of directors and its audit committee have responsibility for making sure the internal control system within the organization is adequate (Coles, Daniel & Naveen, 2007). This responsibility includes determining the extent to which internal controls are evaluated.

Two parties involved in the evaluation of internal control are the organization's external and internal auditors. The responsibilities of internal auditors include ensuring adequate system of internal control, the reliability of data, and the efficient use of the organization's resources. Internal auditors identify control problems and develop solutions for improving and strengthening internal controls.

American Institute of Certified Public Accountants (AICPA) laments that internal auditors are concerned with the entire range of an organization's internal controls, including operational, financial, and compliance controls. External auditors assess the effectiveness of internal control within an organization to plan the financial statement audit. In contrast to internal auditors, external auditors basically concern with the controls that affect financial reporting. They owe duty of internal control weaknesses as well as reportable conditions about internal control to the audit committee of the board of directors.

Problems of Internal Controls

There is absolutely no completely perfect internal control systems under this sun. Regardless of how nicely internal controls are designed, they could just offer reasonable assurance that objectives have been achieved. The top management is needed to set up internal control system however the internal control system for various organizations varies significantly from one another, based on aspects like their size, nature of operations, and objectives (Mawanda, 2008). Consequently, there are some problems intrinsic in all internal control systems. They are:

Judgment

The potency of controls will be restricted to choices created using human being view under pressures to carry business based on the information at hand. According to Lannoye (1999) effective internal control may be restricted to the particular facts associated with human being view

Decisions are often made within a limited time frame, without the benefit of complete information, and under time pressures of conducting agent business. These judgment decisions may impact accomplishment of objectives, with or without good internal control. Internal control may become ineffective when management does not reduce the particular event or occurrence of mistakes such as negligence, misunderstanding instructions, fatigue, or even errors.

Breakdowns

Even well designed internal controls may break down. Workers occasionally misunderstand instructions or simply make mistakes. Software is neither intelligent nor easily changed. Errors may also result from new

technology and the complexity of computerized information systems. Whenever employees do not have an obvious understanding in the segmentation of duties, they cannot actually follow the control in place or they may go beyond the intent of the controls. This particularly limits flexibility and decreases efficiency (Sarbanes-Oxley Act of 2002).

Management Override

Top management members and high level might be able to override the recommended policies and procedures for individual advantage. According to Lannoye (1999), management may override or ignore recommended policies, procedures, and controls for improper purposes. Override practices consist of misrepresentations of state officials, personnel from the central control agencies, auditors or others. Management override must not be baffled management intervention. Intervention may be required in order to process non-standard transactions that otherwise will be managed wrongly with by the internal control system.

Collusion

Control systems can be circumvented simply by staff collusion. Collective individuals with common ideas can alter financial or other management information to their advantage such that internal controls system cannot detect or identify it. The potency of segregation of duties is based on individuals' carrying out just their own designated jobs or in the overall performance of one person being checked by another. There is always a risk that collusion and conniving between individuals will destroy the effectiveness of segregation of duties. For example an individual received cash receipts from customer can collude with the one who records these receipts in the

customers' records in order to steal cash from the entity.

Effects of Weak Internal Control Practices

Albrecht (2006) mentions that symptoms of poor internal control boost the probability of waste materials. The frequent occurrence of misappropriation, theft and fraud of funds has led uncertainty and fear in the minds of the general stakeholders and customer (e.g. banks and other service rendering business) of the organization. Furthermore, poor or weak internal control in an organization results in an increase in loss of fixed asset and other kind of assets of that organization. "Firms which have solid internal controls are rewarded with significantly lower cost of capital while those behaving opaquely will suffer" Ashbaugh-Skaife, *et al* (2006).

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter focused on the research processes and methods that will be used in obtaining data for the research. The research design made up of the sampling and sampling techniques. This chapter will make use of data collection tools and procedures as well as the analysis of the information that will be collected and the various forms that the data collected will be presented.

Research Design

For this study, data was gathered across the population through sampling and focused on cross sectional element. St. Dominic Hospital being the biggest mission hospital among Christian Health Association of Ghana (CHAG) was basically selected. The researcher purposely selected St. Dominic Hospital- Akwatia among Christian Health Association of Ghana (CHAG) institutions for gathering data due to time and cost constraints. Simple random sampling and purposive sampling technique were used to administer questionnaires to 217 respondents.

The researcher also adopted purposive sampling technique to administer questionnaires to Board of Directors, Management members and staff of the Internal Audit unit. The contributions of the Board and Management members, who are charged with establishment and implementation of sound internal controls, were key to this study and for that matter the researcher purposively sampled all of them to obtain their responses on the subject matter under study. Internal Audit unit on the other hand is

blood wire of internal controls within an organization as it reviews and makes recommendation on internal controls. Internal audit unit of the hospital is run by only two able staff. This made the researcher deemed it suitable and purposively selected these two personalities to make their inputs.

For the rest of the staff within all the departments and units of the hospital, simple random sampling technique was employed in order not to be bias but to ensure that each staff has equal chance of being selected in the sample in order to ascertain the necessary information for the study. According to Krejcie and Morgan (1970), when the population is 500 with a confidence level of 95% and margin of error of 5%, the sample size should be 217 therefore 217 respondents were chosen.

Population

For this study, the main targeted populations were St. Dominic hospital Board of Directors, Management members and other staff. The total population of St. Dominic Hospital is 500 employees. This consists of Board, Management, Internal Audit, Administration, Accounts/Finance, Out Patient Department (OPD), Health Information, Construction/Estate/Maintenance, Pharmacy, Transport/ Security/ Orderly, /Laboratory /X-ray/Physiotherapy, Surgical Ward, Female Ward, Children's ward, Male ward, Maternity Ward, Casualty/Emergency Ward, Fevers/Counseling, Eye Clinic, Dental Clinic and Theater/Endoscopy.

Sample Size

The total population of St. Dominic Hospital is 500 employees and therefore a sample size of 217 was used. Two hundred and seventeen (217) sample size was chosen. Thus, according to Krejcie and Morgan (1970), when

the population is 500 with a confidence level of 95% and margin of error 5% the sample size should be 217. The members of the Board and Management were eight (8) and seven (7) respectively and each personality was given a questionnaire to respond. The rest of the sample which is 202 was selected across all departments which comprised other staff. The other staff represented a large percentage of the entire population. Aside a sample size of 217 being a representative of the entire population, limited time factor and financial constraints were the other issues that made the researcher to use such a sample size. The table below represents the category of units and their sample size.

Table 1: Number of Staff in each Department

Respondents	Total Category of Respondents	Sample Size
Board of Directors	8	8
Management Members	9	7
Audit	2	2
Administration	4	4
Accounts/Finance	28	11
Health Information	23	10
Out Patient Department (OPD)	26	9
Construction/ Estate/Maintenance	33	10
Pharmacy	23	11
Transport/Security/Orderly	27	9
Laboratory/X-ray/Physiotherapy	25	10
Eye Clinic	25	13
Dental Clinic	18	5
Surgical Ward	31	14
Female Ward	22	12
Children's Ward	27	12
Male Ward	40	14
Maternity	36	15
Casualty/Emergency	30	14
Fevers/Counseling	24	12
Theater/Endoscopy	39	15
Total	500	217

Sample Procedure

The study selected 217 out of the total number of 500 staff. 202 staff out of the sample size of 217 was sampled randomly from the various units of the Hospital. Self-administered questionnaires were given to respondents for their knowledge and understanding to answer willingly, not to satisfy the researcher. The Simple Random Sampling was purposely used in order for each staff within every department had an equal opportunity of being selected. Also Simple Random Sampling was used to do away with biasness in relation to age, religion, gender and all other socio-economic classifications. All staff therefore fall within the sample frame.

The remaining 17 was allocated to the Board of Directors, Management members and Internal Audit unit using Purposive Sampling procedure. The Purposive Sampling was meant for these categories because the contributions from each of these personalities within these noble categories were much needed. Also the views from each of them were supreme to this study. The Hospital's Management is made up of: Hospital Administrator, Medical Superintendent, Human Resource Manager (as Health Services Administrator), Nursing Administrator, Financial Controller, Head of Finance, Head of Pharmacy, and Clinical Coordinator.

Sources of Data Collection

For this study, the data was collected from both the primary and secondary sources. The researcher made a field work to acquire the primary data. To obtain the data he sought to elicit from the field exercise for the study, the researcher used questionnaires as guidelines.

Secondary data were acquired from the Hospital's 40th and 50th Anniversary Celebration brochures, 10th Anniversary Celebration of Eye Clinic brochures, Annual Financial reports, Audit reports, Management reports and Human Resource Management policy. A copy of the questionnaire is attached as Appendix 1.

Instrument for the Research

Before the beginning of the actual research, the researcher made consultation with his supervisor and through which a number of research instruments were built-up and tested. A total of five (5) drafted questionnaires were administered to ensure the effectiveness of the questionnaires. Before the commencement of the actual exercise, necessary corrections were made to rectify the inconsistencies arising from the pre-testing exercise.

The questionnaires are made in three sections. Section A' extracted answers to the age and gender of respondents. Section B' column of the questionnaires gathered information from management and staff on the basis of department they belong to, their educational background and the number of years they have served in the facility.

What is more, Section C' also meant to elicit information from all respondents including board of directors on the main objectives of the study as follows: (a) Determination of Internal Controls Practices in the Hospital, (b) Determine staff perception on Internal Controls, (c) Analyzing Problems Associated with Internal Controls, (d) Adherence to Internal controls.

Administration of Instrument

The researcher personally interviewed the Hospital Administrator, Human Resource Manager (as Health Services Administrator and Head of

Finance to ascertain the Hospital's internal control practices. The interview was also extended to the Secretary to the Board to extract in-depth understanding of the Hospital's internal controls practices. All the Board of Directors and Management members were given questionnaires to answer and submit to the researcher at their own convenience. Through the interviews, all the appropriate departments were given questionnaires for them to support the data collected. A total number of 217 questionnaires were circulated through all departments using purposive and randomly sampling procedures. The researcher allowed the respondents enough time to answer the questionnaires.

Method of Data Presentation and Analysis

The data collected from the field was rationalized and put together. The Statistical Package for Social Sciences (SPSS) was used to code all responses from the questionnaires. The statistical tools used to analyze the data on the questionnaire were descriptive (with use of mean and standard deviation), frequency with percentages and chi-square test (non-parametric) and results were presented in tables and charts. Data validity and reliability were tested. Cronbach's Alpha was used to test for data reliability.

In addition, Microsoft Excel was used to analyze the secondary data and results were presented in tables and charts. Ratio analyses on the financial statements were utilized. Issues such as age, sex, and departments of respondents, respondent's conviction of governance and internal controls at SDH, impact of the various variables on performance at SDH were analyzed.

Brief History of St. Dominic Hospital

St. Dominic Hospital, the biggest mission hospital in Ghana, and a member of the one hundred and eighty-six (186) Christian Health Association

of Ghana (CHAG), is located at Akwatia, the Denkyembour District of the western part of the Eastern Region of the Republic of Ghana. The total landscape of this Hospital is 3.8km. Currently, the Hospital has a total workforce of over 480. It takes care of 120,000 clients in its Out-Patient Department (OPD) attendance, using over 450 beds for In-Patients.

St. Dominic Hospital was built by the Akwatia traditional council and was taken over by the Dominican Sisters and operated as local community clinic. The Dominican Sisters, Sr. Theresita Ohmer, Sr. Fatima Schmitt and Sr. Irmina Radke from Speyer of Germany, arrived at Akwatia in the then Kwaebibirem District but now the Denkyenbour District of the Eastern Region of Ghana on the 26th May 1960. Their aim was to provide health care services to the people of Akwatia and its environs. The Hospital started with a hall and two small rooms. Since 1989, St. Dominic Hospital is now operating as a full District Hospital and Referral Centre in the Denkyembour, Kwaebibirem, Oda Districts and Asamankese Municipal of the Eastern Region, providing health care services to a population of over 200,000.

This local community clinic has grown over the years and has attained secondary status. Over the past six years, the Hospital trained about eleven (11) Medical House Officers every year. Furthermore, as part of its corporate social responsibility, it has trained over One Hundred and Fifty health staff in various institutions over the past ten years. Through its Primary Health Care and Community Development, and by the help of its Social Welfare Unit which believe against the backdrop that health is not the mere absence of disease, it has involved in community development, such as digging of

boreholes, planting of trees, building homes for the poor but needy and caring for the poor in society.

The facility in its current status provides quality health services including Internal Medicine and Pediatrics, Obstetrics and Gynaecology, General Surgery, Out Patients Department services, Eye care, Dental care, Endoscopy, Physiotherapy, Reproductive and Child Health / Family Planning, Counseling and Testing and Preventive of Mother to Child blood transmission as well as a vibrant Primary Health Care and Community Development. Diagnostic services include automated laboratory services and blood transfusion, X-ray, ultrasound scanning and mortuary service. Diabetes and Sickle Cell Clinics are also specialized clinics that the facility runs.

Core Business

The core business activity is summarized in the phrase “CENTRE OF HOPE AND EXCELLENCE” for both the sick and the poor. This stemmed from Matthew 10:7-8 “..... Preach and heal the sick.....” and Matthew 25:35-40 “.....I was sick, and ye visited me.....”

Vision Statement

From Mathew 10:7-8 and 25:35-40 has a vision “To be a dynamic partner in healthcare delivery in Ghana, providing holistic quality service that meets the need of the people of Eastern Region in particular and the nation at large, in fulfillment of the Healing Ministry of Christ”.

Mission Statement

In order to fulfill the vision statement, the Hospital is dedicated “To provide high quality, holistic healthcare, which is accessible and affordable to the rural population, as well as provide Primary Health care programs, which

help in health promotion and disease prevention, and to encourage operational research as a means of identifying new treatment regimes and the promotion of high quality healthcare”.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presents and discusses the results of the study. The chapter was divided into sub-headings to throw specific light on objectives and questions of the study. The sub-headings were presented as follows; information of the respondents; managements and staffs of the hospital, followed by the determinants of internal controls practices of the hospital, determinants of staff perception on internal controls, analysing problems associated with internal controls and adherence to internal controls. Basic frequencies with percentages and descriptive statistics were used as statistical tools to analyse the data. Statistical software used for the estimations were Statistical Package for Social Science (SPSS), version 23 and Microsoft Excel. Results were presented in tables and figures (charts).

General Information of Respondents

This section of the study discussed the general information of the respondents. The information comprised both management and staff of St. Dominic Hospital-Akwatia.

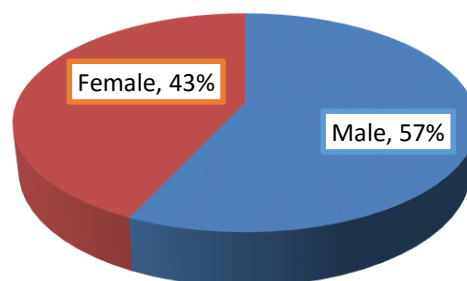


Figure 1: Gender of respondents

Source: Field Study, 2016

Figure 1 presented the gender of the respondents covered in the study. There were 115 (57 percent) male respondents and 87(43 percent). It was observed that, greater percentage of the respondents were male.

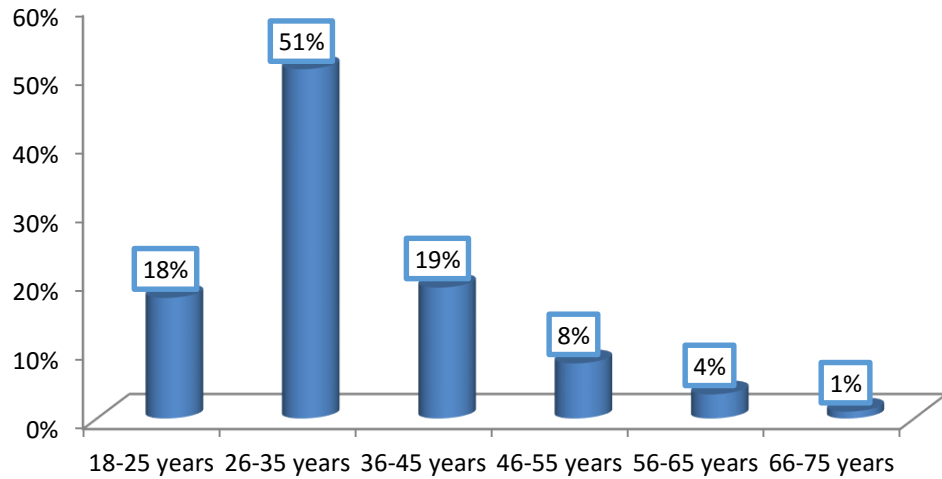


Figure 2: Age of respondents

Source: Field Study, 2016

The age group of the respondents was presented in Figure 2 above. The study observed 101(51%) of the respondents were in the age bracket of 26-35 years, majority, then 38(19%) of the respondents in the age group of 36-45 years, followed by respondents in the age bracket of 18-25 years who were 35(18%). The study observed few percentages of the respondents in the age group above 55 years.

Table 2: Educational Level

	Frequency	Percent
BECE	2	1.0
SSCE/WASSCE	12	6.0
O' Level	3	1.5
A' Level	2	1.0
HND	31	15.6
Diploma	48	24.1
1st Degree	70	35.2
2nd Degree	22	11.1
Professional Qualification	9	4.5
Total	199	100

Source: Field Study, 2016

The educational level of the respondents were 1st degree holders, 70(35.2%) followed by diploma holders 48(24.1%), Higher National Diploma 31(15.6%) and 2nd degree 22(11.1%). Respondents who hold professional qualification were 9(4.5%). There were few workers at the hospital whose educational levels were below HND. Respondents were asked to specify the type of professional course and it was observed the following; ACCA, Institute of Chartered Accountant, medical doctor and officer and Obstetrics and Gynecologist.

Table 3: Years of Experience in the Institution

	Frequency	Percent
1-5 years	68	34.0
6-10 years	83	41.5
11-15 years	26	13.0
16-20 years	13	6.5
21-25 years	3	1.5
26-30 years	5	2.5
31-35 years	2	1.0
Total	200	100

Source: Field Study, 2016

The number of years staffs and managements have been in the institution is also important as far as the quantum of information and experience they have in the institution is concerned. Drawing from Table 3 above, 1-5 years 68(34%), 6-10 years 83(41.5%) and 11-15 years 26(13%) have been in the institution for at most 15 years. This goes to explain that the years of experience they have acquired will also affect the quality of information that respondents would provide in this research study.

Table 4: Department/Category of the Respondents

	Frequency	Percent
Audit	2	0.9%
Administration	4	2%
Finance/Accounts	11	5%
Health Information	10	5%
OPD	9	4%
Construction/Maintenance/Estate	10	5%
Pharmacy/Dispensary	9	4%
Security/Transport/Orderly	8	4%
X-Ray/Physiotherapy/Laboratory	10	5%
Eye Clinic	12	6%
Dental Clinic	5	2.5%
Surgical Ward	13	6%
Female Ward	11	5%
Children's Ward	9	4.5%
Male Ward	12	6%
Maternity	11	5%
Casualty/Emergency	14	7%
Fevers/Counseling	12	6%
Theatre/Endoscopy	15	7%
Management member	7	3.5%
Board Directors	8	4%
Total	202	100%

Source: Field Study, 2016

The study covered fourteen department of the Hospital; audit, administration, finance/accounts, health information, OPD, construction/maintenance/estate, pharmacy/dispensary and wards (surgical, female/male, children). Other departments were X-ray/Physiotherapy, eye and dental clinic, casualty/emergency, fevers/counseling and theatre/endoscopy.

Determination of Internal Controls Practices in the Hospital

This section of the analysis discussed the determinant of internal controls practices in the hospital. In this section, the study sought to investigate the responsibility for setting up internal controls, whether board of directors periodically review overall policies and procedures of the hospital or not, whether management implement policies and procedures approved by the board of directors, whether the hospital have internal audit unit and frequent use of management check and review of polices. It also sought to find out whether the hospital have appropriate policy on segregation of duties and the procedures used to make distribution of stock items.

Table 5: Internal Control Practices in the Hospital

Variables	Categories	Frequency	Percent
Responsibility for setting up internal controls in the Hospital	Board of Directors/Management	184	91%
	Internal Auditor	11	5%
	Head of Finance	5	2%
	Medical Superintendent	2	1%
	Total	202	100%
Does the Board of Directors periodically review the overall policies and procedures of the hospital?	Yes	188	94%
	No	12	6%
	Total	200	100%
Does the management implement policies and procedures approved by the Board of Directors?	Yes	188	96%
	No	7	4%
	Total	195	100%
Does the Hospital have internal audit unit?	Yes	163	98%
	No	4	2%
	Total	167	100%

How regularly does Management check and review policies?	Weekly	7	4%
	Monthly	12	6%
	Quarterly	31	16%
	Semi-annually	23	12%
	Annually	124	63%
	Total	197	100%
Does the Hospital have appropriate policy on segregation of duties?	Yes	159	82%
	No	8	4%
	No Idea	27	14%
	Total	194	100%
What stores procedure is used to make distribution of stock items?	By requisition	190	96%
	By application	5	3%
	By personal	3	2%
	Total	198	100%

Source: Field Study, 2016

The respondents were asked to indicate those who are responsible for setting up internal controls in the hospital. It was found that, 184(91%) said board of directors/management are responsible for the setting up of internal control system in the hospital. It was observed that, 11(5%) indicated internal auditors are responsible for setting up internal control system, 5(2% said head of finance and 2(1%) said medical superintendent.

Respondents were asked whether the board of directors periodically review the overall policies and procedures of the hospital. It was indicated by majority of the respondents 188(94%) that board of directors periodically review the overall policies and procedures of the hospital. Few percentages of the respondents 12(6%) said board of directors do not review the overall policies and procedures periodically.

Again, respondents were asked whether the management of the hospital implements policies and procedures approve by the board of directors. It was indicated by 188(96%) out of 195 respondents who answered the question, that management implement policies and procedures approved by the Board of Directors while 7(4%) indicated management do implement policies and procedures approved by the Board of Directors.

It was indicated by almost all the respondents 163(98%) out of 167 indicated the hospital have internal audit unit. The study in terms of the period the management checks and review policies, majority of the respondents indicated they check and review policies annually 124(63%). It was indicated by 31(16%) that management check and review policies quarterly and 23(23%) check and review policies semi-annually. Few percentages, 7(4%)

and 12(6%) of the respondents respectively indicated management of the hospital check and review policies weekly and monthly.

The study found out from the respondents, if the hospital has appropriate policy on segregation of duties. It was observed that majority of the respondents 159(82%) indicated the hospital has appropriate policy on segregation of duties. However, 27(14%) had no idea whether the hospital has appropriate policy on segregation of duties or not, while 8(4%) indicated the hospital has no appropriate policy on segregation of duties.

The respondents were asked to indicate the stores procedure used to make distribution of stock items in the hospital. It was indicated 190(96%) of the respondents that the hospital uses requisition procedure to make distribution of stock items. It was also indicated by 5(3%) and 3(2%) respectively that, application and personal procedures are used to make distribution of stock items in the hospital. It was revealed that, the hospital uses requisition to make distribution of stock items.

Determine Staff Perception on Internal Controls

This section of the analysis measured the staff perception on internal controls in the hospital.

Table 6: Staff Perception on Internal Controls

Variables	Categories	Frequency	Percent
The presence of the Board of Directors is an impetus for Hospital Management to implement effective controls	I strongly agree	26	13%
	I agree	103	51%
	I strongly disagree	37	18%
	I disagree	35	17%
	Total	201	100%
Does the Board have an audit committee to ensure implementation of internal audit recommendation?	Yes	120	60%
	No	36	18%
	No Idea	43	22%
	Total	199	100%
Are the internal controls adequate in the Hospital?	Yes	166	83%
	No	34	17%
	Total	200	100%
The internal audit staff are independent in the performance of their duties	I strongly agree	48	24%
	I agree	135	67%
	I strongly disagree	16	8%
	I disagree	2	1%
	Total	201	100%
Perception on the effectiveness of the internal control of the Hospital?	Very good	39	20%
	Good	130	65%
	Average	26	13%
	Very bad	4	2%
	Bad	1	1%

The Hospital relies greatly on its internal control	Total	200	100%
	I strongly agree	29	14%
	I agree	145	72%
	I strongly disagree	2	1%
	I disagree	26	13%
How will you rate the internal control policies and procedures at the various service points in ensuring quality healthcare delivery?	Total	202	100%
	Excellent	25	12%
	Very good	86	43%
	Good	78	39%
	Average	13	6%
	Total	202	100%

Source: Field Study, 2016

Respondents were asked about their level of agreement on issue that, the presence of the board of directors is an impetus for hospital management to implement effective controls. It was strongly agreed by 26(13%) of the respondents. Majority of the respondents 103(51%) agreed that the presence of the board of directors is an impetus for hospital management to implement effective controls. This result showed that about 129(64%) of the respondents at least agreed to the assertion that the presence of the board of directors is an impetus for hospital management to implement effective controls.

The study inquired from the respondents whether the board of directors has audit committee to ensure implementation of internal audit recommendation. It was observed that, 120(60%) of the respondents indicated that the board of directors have an audit committee to ensure implementation of internal audit recommendation. However, 36(18%) and 43(22%) of the respondents respectively said no and no idea on the issue that the board of directors have an audit committee to ensure implementation of internal audit recommendation.

Respondents were asked whether the internal control system is adequate in the hospital. It was found out that, 166(83%) of the respondents indicated the internal controls are adequate in the hospital. The internal audit staff are independent in the performance of their duties was strongly agreed by 48(24%) of the respondents and 135(67%) agreed. The study observed greater percentage of the respondents agreed that the internal audit staffs are independent in the performance of their duties. It was indicated that at least 169(91%) of the respondents agreed the internal audit staff are independent in the performance of their duties.

The perception of the respondents on the effectiveness of the internal control of the Hospital was sought in the study. It was observed that, 39(20%) indicated it is very good, 130(65%) said is good and 26(13%) perceived its average. About 86 percent of the respondents at least agreed that the hospital relies greatly on its internal control. It was agreed by 145(72%) of the respondents and 29(14%) of the respondents agreed that the hospital relies greatly on its internal control.

Finally, respondents were asked to rate the internal control policies and procedures at the various service points in ensuring quality healthcare delivery. It was found out that majority of the respondents at least rated the internal control and procedures as good. It was rated as excellent by 25(12%) of the respondents, 86(43%) rated it as very good and 78(39%) rated it as good. The remaining 13(6%) rated the internal control policies and procedures at the various service points to ensure quality healthcare delivery as average. Generally, respondents perceived that internal control policies and procedures at the various services points in ensuring quality healthcare delivery.

Analyzing Problems Associated with Internal Controls

This section of the analysis delved to find out the problems associated with internal controls in the hospital.

Table 7: Problems Associated with Internal Controls

Variables	Categories	Frequency	Percent
The Hospital has adequate internal audit staff to monitor and assess internal controls regularly	I strongly agree	20	10
	I agree	119	59
	I strongly disagree	13	6
	I disagree	50	25
	Total	202	100
The Hospital banks all cash receipt intact on daily basis	Yes	126	63
	No	6	3
	No Idea	69	34
It is easy and simple to get the overview of the appropriate internal controls of the Hospital	Total	201	100
	I strongly agree	53	27
	I agree	101	51
	I strongly disagree	14	7
	I disagree	32	16
The Head of Internal Audit reports directly to	Total	200	100
	Management	175	87
	Board of Directors	4	2
	Audit Committee	15	7
	No Idea	8	4
	Total	202	100

Source: Field Study, 2016

The Hospital has adequate internal audit staff to monitor and assess internal controls regularly was agreed to by the majority 119(59%) of the respondents and 20(10%) of the respondent strongly agreed. About 63(31%)

of the respondents disagreed that the Hospital has adequate internal audit staff to monitor and assess internal controls regularly.

Respondents were asked whether, the Hospital banks all cash receipt intact on daily basis or not. It was indicated by 126(63%) of the respondents that the Hospital banks all cash receipt intact on daily basis. On the other hand, only 6(3%) of the respondents said the Hospital does not banks all cash receipt intact on daily basis. Greater percentage of the respondents also expressed that, they have no idea. The respondents who indicated that the Hospital does not bank all cash receipt intact on daily basis were asked to state the period that it takes to bank all cash receipt.

Table 8: Problems Associated with Internal Controls

Variables	Categories	Frequency	Percent
Patient long waiting time for accessing the facility is as a result of inadequate medical officers in the facility	True	102	51
	False	98	49
	Total	200	100
An insured patient with expired insurance can access the facility without detection of expired insurance	Yes	19	10
	No	171	86
	No Idea	10	5
	Total	200	100
	Daily	7	4
	Weekly	43	22
How often does internal audit unit make physical checks of dead bodies in the morgue	Monthly	70	36
	Quarterly	42	22
	Not at all	30	16
	Total	192	100
Is the Hospital's accounting information system adequate to capture all accounting information?	Yes	153	77
	No	25	13
	No Idea	22	11
	Total	200	100
	I strongly agree	21	11
The annual financial report is issued on time for internal audit department to review it.	I agree	151	76
	I strongly disagree	23	12
	I disagree	3	2
	Total	198	100

Source: Field Study, 2016

The study assessed that patient long waiting time for accessing the facility is as a result of inadequate medical officers in the facility. Respondents were to indicate whether the assertion is true or false. About 102(51%) said the assertion is true and 98(49%) said false. The 102(51%) of the respondents

who indicated patient long waiting time for accessing the facility is as a result of inadequate medical officers in the facility were asked to state the cause of it. The followings were the causes; lack of motivation, staff attitude towards working environment, delay in lab, lateness of doctors to OPD, patients not been able to pay bills on time and dispensing of drugs.

Greater percentage of the respondents 171(86%) indicated an insured patient with expired insurance cannot access the facility without detection of expired insurance. How often does internal audit unit make physical checks of dead bodies in the morgue was inquired from the respondents. It was indicated that, 7(4%) said they do it daily, 43(22%) said weekly, 70(36%) said monthly and 42(22%) indicated quarterly. The study further investigated whether the hospital accounting information system is adequate to capture all accounting information or not. It was indicated by 153(77%) of the respondents that the Hospital's accounting information system adequate to capture all accounting information. However, 25(11%) of the respondents indicated that the Hospital's accounting information system is not adequate to capture all accounting information.

The study observed that respondents 151(76%) agreed that the annual financial report is issued on time for internal audit department to review it. About 21(11%) of the respondents strongly agreed that the annual financial report is issued on time for internal audit department to review it. The results suggested respondents at least agreed the annual financial report is issued on time for internal audit department to review it.

Adherence to Internal Controls

This section of the analysis presented the adherence to internal control of the hospital. It addressed whether the board of director impede the activities of the internal audit, management override internal control, departments meet regularly to review the internal controls at the points and whether the security personnel perform checks on 'gatepass' chit of all patients before patient goes out of the premises.

Table 9: Adherence to Internal controls

Variables	Categories	Frequency	Percent
Does the Board of Directors impede the activities of the internal audit unit	Yes	33	16
	No	74	37
	No Idea	95	47
	Total	202	100
Does management override internal controls	Yes	29	14
	No	132	65
	No Idea	41	20
	Total	202	100
Do departments meet regularly to review the internal controls at the various points	Yes	169	84
	No	15	7
	No Idea	18	9
	Total	202	100
The security personnel perform checks on 'gatepass' chit of all patients before patient goes out of the premises	Yes	187	93
	No	7	3
	No Idea	8	4
	Total	202	100

Source: Field Study, 2016

Greater percentage of the respondents 95(47%) had no idea whether the Board of Directors impedes the activities of the internal audit unit. The study observed 74(37%) of the respondents said the Board of Directors does

not impede the activities of the internal audit unit, while 33(16%) said the Board of Directors impede the activities of the internal audit unit.

The study observed that management does not override internal controls, indicated by 132(65%). The respondents indicated that department's meet regularly to review the internal controls at the various points, 169(84%). Respondents were asked whether the security personnel perform checks on 'gatepass' chit of all patients before patient goes out of the premises. It was indicated by majority of the respondents 187(93%) that the security personnel perform checks on 'gate pass' chit of all patients before patient goes out of the premises.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter summarized the findings from the study on the topic “assessment of internal control practices - a case study of St. Dominic Hospital, Akwatia”. Conclusions and recommendations were drawn based on the result of the study. The entire research was categorized into five chapters. Chapter one was the introduction to the study which focused on the background information, statement of the problem, research aim and objectives, research questions, relevance of the study, scope, limitations of the study and organization of the study.

Chapter two of the study reviewed the relevant literature that was related to the subject matter. The study covered both theoretical and empirical literature review on the internal controls. Chapter three concentrated on the methodology of the study. It was made up of research design, population, sample size and sample procedure, sources of data collection, research instrument, administration of the instrument, method of data presentation and analysis, and a brief history of St. Dominic Hospital at Akwatia. Chapter four focused on the gathering of data from the field of the study. The findings and results were analyzed and presented accordingly.

Summary of Findings

The study sought to determine the internal control practices of the Hospital, analyze the problems associated with internal control practices, determine staff perception on internal control system and ascertain staff adherence to the Hospital’s internal control systems in safeguarding its assets.

A total of 217 respondents were sampled and out of which 202 answered and returned their questionnaires. It was clearly established that 184 representing 91 percent of the respondents testified that the board of directors and management are responsible for setting up internal controls in the hospital

Also, 94 percent indicated that the Board of Directors periodically reviews the overall policies and procedures of the hospital. According to the percentages of 51 percent and 13 percent agree and strongly agree respectively, the presence of the Board of Directors is an impetus for Hospital Management to implement effective controls. More so, 82 percent indicated that Hospital has appropriate policy on segregation of duties. Their observations conform to the writings of Coles *et al* (2007) that segregation of duties leads to improve organization performance, eliminates conflict of interest and corruption.

On the issue of audit committee, 60 percent of the respondents indicated that the Hospital have audit committee to ensure the implementation of internal audit recommendations. However, 87 percent of the respondents indicated that the head of internal auditor reports directly to management. What is more, 83 percent responded that the Hospital has established adequate and effective internal controls. However, 17 percent of the respondents indicated that the internal controls are not adequate. On the aspect of the Hospital banking all the cash receipts intact on daily basis, 63 percent on the respondents indicated that the hospital's daily banking of cash is clear.

Conclusions

From the findings, the researcher has come to the conclusion that St. Dominic Hospital has sound and effective internal controls in delivery of high

quality health care. This is due to the involvement of management in the setting up of internal controls since majority of the board are non-executive directors who are not familiar with the operational activities of the hospital. However, the hospital's assets cannot be guaranteed to be properly and fully safeguarded as there is no complete internal controls system in place everywhere.

It could be deduced that the periodic and regular reviews and checks of policies and procedures by the board of directors and management of the hospital leads to implementation of sound internal control practices, lays foundation for reliable financial reporting. What is more, the presence of the audit committee on the board contributes effectively to the implementation of internal audit recommendations, adherence to internal control practices that leads to impact good operational and financial reporting of the Hospital.

However, the internal audit reports which directly go to management defeats good corporate governance and control practices. The practice of strict daily banking of cash intact points out that hospital has a sound financial management, increasing the habit of saving and eliminates misappropriation of fund, stealing, overspending of budget funds and mistrust among the staff.

Recommendations

There has not been a complete system of controls ever and therefore the researcher has suggested the following recommendations based on the study and the findings to intensify the internal control practices and performance enhancement of St. Dominic Hospital.

The board and the management should regularly and continually check and review policies so that instructions, guidelines, procedures and systems

will operate effectively whilst the strength of staff at the internal audit unit should be increased and well-resourced as it is one of the cardinal pillars in effective internal control practices.

The head of internal audit should report directly to audit committee to avoid any manipulation or hijacking of auditors' reports on issues that affect management.

Monthly bank reconciliation statements for the various banks must be prepared and verified by internal audit to confirm the daily banking of cash.

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APPENDICES

APPENDIX A

QUESTIONNAIRE

INTRODUCTION

The Researcher is a student of University of Cape Coast (Cape Coast), pursuing MBA Accounting. This questionnaire is designed to help gather useful data / information in the quest to assess internal controls of St. Dominic Hospital- Akwatia.

Please be assured that data / information provided will be treated as confidential and shall be used exclusively for the purpose of this academic work.

Your assistance would be much appreciated.

Thank you

SECTION A: BIO-DATA

[1] Gender: Male Female

[2] Age: 18-25 26-35 36-45 46-55 56-65

66-75

SECTIONS B: TO BE ANSWERED BY MANAGEMENT AND STAFF

ONLY

[3] Educational background:

BECE SSCE/WASSCE O' Level A' Level HND

Diploma 1st Degree 2nd Degree Professional

Qualification

Professional Qualification, Please specify.....

[4] How long have you been in the Institution?

1-5 yrs 5-10 yrs 10-15yrs 15-20yrs

20-25yrs 25-30yrs 30-35yrs 35-40yrs

above 40 yrs

[5] Department/Category belongs to: Audit Administration

Finance/Accounts

Health Information OPD Construction/Maintenance/Estate

Pharmacy/Dispensary Security/Transport/Orderly X-

Ray/Physiotherapy/Laboratory

Eye Clinic Dental Clinic Surgical Ward Female Ward

Children's ward Male ward Maternity

Casualty/Emergency Fevers/Counseling

Theatre/Endoscopy Management member

SECTION C: TO BE ANSWERED BY ALL RESPONDENTS

a. Determination of Internal Controls Practices in the Hospital

[6] Who is responsible for setting up internal controls in the Hospital?

Board of Director/Management []

Internal Auditor []

Head of Finance []

Medical Superintendent []

[7] Does the Board of Directors periodically review the overall policies and procedures of the hospital? Yes [] No []

[8] Does the management implement policies and procedures approved by the Board of Directors? Yes [] No []

[9] Does the Hospital have internal audit unit? Yes [] No []

[10] How regularly does Management check and review policies?

a. Weekly []

b. Monthly []

c. Quarterly []

d. Semi- annually []

e. Annually []

[11] Does the Hospital have appropriate policy on segregation of duties?

Yes []

No [] No Idea []

[12] What stores procedure is used to make distribution of stock items?

By requisition []

By application []

By personal []

b. Determine staff perception on Internal Controls

[13] The presence of the Board of Directors is an impetus for Hospital

Management to implement effective controls:

I strongly agree I agree I strongly disagree I disagree

[14] Does the Board have an audit committee to ensure implementation of

internal audit recommendations? Yes No No Idea

[15] Are the internal controls adequate in the Hospital?

Yes No

[16] The internal audit staff are independent in the performance of their duties.

I strongly agree I agree I strongly disagree I disagree

[17] What is your perception on the effectiveness of the internal controls of the Hospital?

Very good Good Average Very Bad Ba

[18] The Hospital relies greatly on its internal controls?

I strongly agree I agree I strongly disagree I disagree

[19] How will you rate the internal control policies and procedures at the various service points in ensuring quality healthcare delivery?

Excellent Very good Good Average Poor

Very poor

c. Analyzing Problems Associated with Internal Controls

[20] The Hospital has adequate internal audit staff to monitor and assess internal controls regularly.

I strongly agree I agree I strongly disagree I disagree

[21] The Hospital banks all cash receipt intact on daily basis

Yes No No Idea

a) If 'no', state the period that it takes to bank all cash receipt.

.....
.....

[22] It is easy and simple to get the overview of the appropriate internal controls of the Hospital.

I strongly agree I agree I strongly disagree I disagree

[23] The Head of Internal Audit reports directly to:

Management Board of Directors Audit Committee No Idea

[24] Patient long waiting time for accessing the facility is as a result of inadequate medical officers in the facility. True False

a. If “false” state the causes of undue delay of patients.

.....
.....

[25] An insured patient with expired insurance can access the facility without detection of expired insurance?

Yes No No Idea

[26] How often does internal audit unit make physical checks of dead bodies in the morgue?

- a. Daily []
- b. Weekly []
- c. Monthly []
- d. Quarterly []
- e. Not at all []

[27] Is the Hospital’s accounting information system adequate to capture all accounting information? Yes No No Idea

[28] The annual financial report is issued on time for internal audit department to review it.

I strongly agree I agree I strongly disagree I disagree

d. Adherence to Internal controls

[29] Does the Board of Directors impede the activities of the internal audit unit?

Yes No No Idea

[30] Does management override internal controls?

Yes No No Idea

[31] Do departments meet regularly to review the internal controls at the various points?

Yes No No Idea

[32] The security personnel perform checks on 'gate pass' chit of all patient before patient goes out of the premises.

Yes No No Idea