

FINANCIAL MANAGEMENT OF PUBLIC HOSPITALS

by

HENDRY VAN DER HEEVER

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PROMOTER: PROFESSOR M. C. BEZUIDENHOUT

JOINT PROMOTER: PROFESSOR S. P. HUMAN

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DECLARATION

I declare that *FINANCIAL MANAGEMENT OF PUBLIC HOSPITALS* is my own work and that all resources that I have quoted have been indicated and acknowledged by means of complete references and that this work has not been submitted before for any other degree at any other institution.

H van der Heever

Hendry van der Heever

Date: 1 March 2009

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ABSTRACT

FINANCIAL MANAGEMENT OF PUBLIC HOSPITALS

Student number: 0847 – 974 – 7
Student: Hendry van der Heever
Degree: D Litt et Phil
Department: Health Studies, University of South Africa
Supervisor: Professor M.C. Bezuidenhout
Joint Supervisor: Professor S.P. Human

Abstract

The study investigated and described public hospitals in terms of management processes with reference to financial planning, organizing, leading and control in order to identify deficiencies in the financial management of public hospitals. The aim was to identify gaps in the management of financial processes and to provide guidelines and strategies to improve these.

The purpose of the research was addressed within a quantitative approach applying exploratory and descriptive designs. A self-administered questionnaire was used to collect the data that fit the objectives of the research. The study population compassed all 27 public hospitals as study units in a specific geographic area, namely Mpumalanga Province with the following inclusion criteria: active patient capacity of 100 beds and more, which employ personnel such as (1) medical, (2) paramedical and (3) administrative and a working application of the BAS as financial accounting system since its interception in the year 2000. Nine public hospitals were randomly selected as the sample hospitals.

Within the nine hospitals, four groups of staff were selected by means of stratified random sampling, namely management, health professionals, and financial and administrative staff. The number of staff selected within each hospital differed, from 15 to 50, amounting to a sample size of three hundred (n=300). A response rate of 66.66%

(n=182) was achieved. The sample consisted of 4 (2.27%) chief executive officers, 3 (1.70%) financial managers, 84 (47.72%) unit managers and 91 (50.00%) subordinates. The response rate of 66.66% in this study was an indication of the unavailability of the health care professionals (which include management, health professionals and financial and administrative staff) within the nine public hospitals.

The major inferences drawn from this study are that the different health care professions have a poor perception of the scope of financial management in terms of financial needs, utilization of resources, the scope and function of leading and delegation, and applying appropriate financial control methods.

Key terms:

Financial management, financial planning, financial organizing, financial leading, financial resources, financial control, delegation, financial processes.

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LIST OF ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
BAS	Basic Accounting System
DF	Standard deviation in statistics
HIV	Human Immunodeficiency Virus
MCWYH	Mother, Child, Women and Youth Health
M	Mean score in statistics
PFMA	Public Financial Management Act
SPSS	Statistical Package for the Social Sciences
TB	Tuberculosis
WHO	World Health Organization

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1.1 Introduction

The South African Public Health service comprises various services, but traditionally it includes health aspects and activities in clinics, hospitals, by medical personnel, nurses, emergency personnel, through primary health care programs and health budgets. According to Booyens (2004: 2) public health services are structured around the State's goals to serve social needs in terms of providing health services to its population.

The delivery of health care services does however not always meet the expectations of the public. The current state of health services are reported in the media as hospitals being dirty and instances of, over expenditure, fraud, and inadequate health services. The South Africa Broadcasting Service, channel 2, 19:00 News broadcast, on 14 November 2007 reported R 75 million under-spending in the Department of Health. This chapter intends to provide an orientation of the background to the study and problem statement.

1.2 Background

In South Africa there are three categories of hospitals with different levels of services. According to Cullinan (2006:11) there are 388 public hospitals in total, of which 248 are district hospitals, 124 secondary and specialized hospitals and 16 tertiary hospitals respectively.

Cullinan (2006:11) argues as reasons for poor quality of health service delivery and poor financial management in health delivery centres, the fact that an accurate definition of the different levels of health services at these centres is lacking, with limited official norms and standards for the respective levels. The situation is further worsened by a "lack of capacity of staff, poorly motivated staff and the common occurrence of staff's private interests being pursued instead of rendering effective health services" (Cullinan 2006:11). This implies that although different norms and standards are constituted in policies and regulations they are not fully practiced in the context of health care service delivery due to the lack of sufficiently trained health care and management staff (Cullinan 2006:11).

To deliver public health services in South Africa a budget vote is allocated by the National Treasury Department for each provincial health department to provide health care by means of facilities, human resources, equipment and supplies. However, the budget vote does not actually explain the health service delivery activities or what difference the funds should make in actual health service delivery outcomes, but informs management in terms of funds, health programs, management methods, delivery and resource utilization.

According to Ismay, Reddy, van Niekerk, De Lange, Du Toit, Jeffery and Stoffels (2003: 29), the National Treasury decided in 1992 that there was a need for a new improved **Basic Accounting System (BAS)** with the objective of improving financial control in the government by means of a simple to use graphical interface. Ismay et al. (2003:29-30) argues that “the Constitution of the Republic of South Africa sets the scene for introducing a responsible, accountable and effective government supported by a sound financial management system”. Commitment from the government to introduce the BAS followed in 2000 with the promulgation of the Public Financial Management Act, No 99 of 1999. With the implementation of the BAS in the public service, training was initiated by the National Treasury Department, which centered on equipping all financial users to understand the system regarding accounting practices (cash-basis and accrual-basis accounting), financial indicators and reports available on the system for all provinces within the Republic of South Africa. The BAS has the capability to interface with other sub-systems in the public sector such as the Personnel Salary System (PERSAL) and Procurement System (LOGIS).

Both Foyal (1959:5-6) and Cloete (1975:172) agree that managing “consists of a number of functions that direct or lead the activities of an organization”. Management consists of four basic functions namely planning, organizing, leading and controlling. Management is aimed at the effective utilization of resources in accordance with the objectives of the institution. According to Stratchen, Davids and Hall (2003:229) the majority of public hospitals are “under-managed, which is mainly due to ineffective and inappropriate structures and systems of management as well as insufficient operational capacity and the lack of authority to manage budgets effectively”. Effective financial management of

hospitals is determined by commitment to “strong leadership and accurate spending” of health care resources, without compromising the quality and accessibility of health care.

Barron (1998:5) contests that “sound financial management in the public sector requires essential components such as an effective financial system, adequate staffing with an appropriate level of skills, adequate infrastructure and equipment and a legislative framework” to operate within. According to Thornhill and Hanekom (1996:15, 115) financial management is “an integrated component of public administration and sound management is an essential activity to achieve the aims of budgets”.

1.3 Problem statement and research questions

According to the Department of Health and Social Services’ annual report of 2006/7 (2007:132) on financial management activities in Mpumalanga Provincial public hospitals, the current poor level of financial affairs is mostly due to the following deficiencies:

- The Department had an under expenditure of R 184.191 million for the year under review which consequently had a negative effect on service delivery.
- No supporting documentation to validate and support journals processed to the bank.
- The vacancy rate for the Department during the review period was 45% of the funded and approved post structure, which exceeds the acceptable 5% rate set by the Department of Health (Department of Health and Social Services’ annual report of 2006/7, 2007:132) and therefore impeded on service delivery.
- The Department did not comply with the requirements of the supply chain management framework, as tenders where not invited for goods and services exceeding R200 000.00 and performance of contractors was not monitored.
- Incomplete asset registers did not comply with the asset management policy (Department of Health and Social Services’ annual report of 2006/7, 2007:132) in terms of rate and method of depreciation, accumulated depreciation and unique identification number.
- Ineffective systems are in use in respect of integrated assets management and human resource administration.
- Poor supervision by management.

- Absence of a Chief Financial Officer at departmental level for the larger part of the reporting period.

The audit reports on public hospitals according to the South Africa Auditor General Report (2004:1-6) stated that “seven provincial health departments revealed a wide array of problems, all with financial implications”. These include; poorly maintained property, financial billing problems, poor personnel leave and overtime management, failure to maintain asset registers, poor pharmaceutical management and poor security measures. The following key factors in the seven provincial health departments were reflected in qualified audit reports:

- The Limpopo Province had a 33 percent increase in unpaid hospital bills, poor record keeping and asset control.
- In the Northern Province, patient fees were not charged and patient debts were simply written-off.
- In Gauteng and the Free State Provinces, concerns were raised in relation to pharmaceutical management in terms of storage, security and stock-taking.
- The North West Province had a poor rate of collecting patient fees and serious human resource issues related to poor recording of leave and leave taken without authorization.
- The Mpumalanga Province has poor pharmaceutical management in terms of stock levels and securities. The human resource component illustrated poor planning and requirements in relation to vacant posts were not adhered to.
- Finally, hospitals in the Eastern Province were in too poor a state to provide adequate health services, with particular problems such as lack of security, poor asset records, low stock levels of medicine and poor management of medical waste.

With this in mind it is unlikely that quality health services could be rendered unless improvements are made in terms of pro-active efforts to develop adequate management skills, apply effective and efficient financial management, and to address stock and inventory management to ensure appropriate and cost-effective health service delivery.

Examining the financial management status of public hospitals would involve logic thinking to explain and predict financial activities through deductive reasoning. The problem is thus, poor financial management of public hospitals. According to Abedian, Strachan and Ajam (2001:4) “common management problems observed in the public sector is an inability to plan, manage and budget for new activities and to monitor service delivery in relation to expenditure”. This is clearly illustrated in the NALEDI auditing report (2006) which stated that “hospital management structures are dysfunctional and poorly managed which illustrated wasteful dealings with scares financial resources”. According to Cullinan’s report (2006:1-2) on Health Services in South Africa, “the President of South Africa acknowledged that all is not well in the country’s public hospitals”. Evidence was found of poor authority, poor delegation, poor accountability and generally poor health service delivery to the community. Cullinan’s report (2006:19-30) further “revealed a wide array of problems which all have financial implications and these include; poor hygiene and poor infection control, abuse and neglect of patients, indications of poor levels of health services, overcrowding of outpatients, poor working conditions, malfunctioning of equipment, theft of medicine and linen”.

The following research questions thus arise:

- What are appropriate financial indicators and how do they enhance financial management practices in public hospitals?
- What is the current state of financial management in public hospitals?
- What can be done to improve the financial management function in public hospitals?

A deductive process was followed in the study. A particular premise such as poor financial management was deductively reasoned to a generalized financial situation in public hospitals.

1.4 Purpose of the study

The intent of this study is to investigate and describe financial management in public hospitals with reference to: financial planning, financial organizing, financial leading and

financial control in order to design an intervention program to enhance financial management skills.

1.5 Objectives of the study

The objectives of the study are to:

- explain the financial indicators relevant to financial management in terms of the Basic Accounting System Program (BAS) and management policy for public hospitals,
- determine the current state of financial management in selected public hospitals,
- developing recommendations to facilitate and enhance the financial management within public hospitals.

1.6 Assumptions

Fitzpatrick and Whall (1996: 207) use the assumption definition of Stevens (1979) who states that: “An assumption is defined as a basic premise that is accepted without proof”. Burns and Grove (1997: 48) reason that “assumptions are statements that are taken for granted and are considered to be true even if there is no scientific proof”.

The assumptions that relate to financial management in public hospitals are as follows;

- The lack of financial skills can result in financial irregularities.
- Effective financial management in public hospitals is directly related to the commitment of health service managers.
- The measured outcome of a financial management program and its processes is indicative of the financial performance of the particular health service.

1.7 Significance of the study

Public Hospitals are complex institutions and processes of transforming to better levels of health services delivery are not simple because of the many different role players. The financial transformation process in public hospitals is complex because financial management includes financial planning, financial organizing, financial leading and financial control of expenditure patterns. According to Thornhill and Hanekom (1996: 113-114) “the knowledge and practical understanding of financial management are often noted

only in passing whereas this is one of the most crucial functions of executive managers”. No evidence could be found of research in the South African context on aspects of financial management in public hospitals. Studying hospitals as subjects will highlight weaknesses of public financial systems in terms of budgets, commitment to control and supervision, budget reports and applying financial prescripts with the aim of eventually improving health service delivery. If specific deficiencies are identified by this study, these could be rectified by providing training and tools to monitor fundamental aspects of financial management.

1.8 Context of the study

This study on the financial management of public hospitals will be conducted in public hospitals within the Department of Health, Mpumalanga Province. All public hospitals with a patient capacity of 100 or more beds, applying the BAS system and which employ personnel such as (1) medical, (2) paramedical and, (3) administrative staff will be included in the study.

1.9 Theoretical framework of the study

In order to determine the level of commitment to financial management practices in public hospitals, the Public Financial Management Act, No 99 of 1999 and the Basic Accounting System (BAS) form the theoretical bases for this study. This Act regulates financial management in the public sector to ensure that all revenue, expenditure, assets and liabilities are managed efficiently and effectively. In terms of section 55 of the Act, all departments must keep full and proper records of financial affairs according to generally accepted accounting practices. In section 89 the Accounting Standards Board sets standards for best accounting practices, both locally and internationally. According to Ismay, et al (2003: 22) the introduction of a new integrated financial system, the Basic Accounting System (BAS) was introduced in the public services in 2000 with the following objectives:

- To improve accessibility to financial information (online, real-time information) to all levels of government.
- To provide high levels of financial control.

- To adapt to changing government structures.
- To monitor the age of debts.
- To be as flexible as possible.
- To provide interfaces for management information systems, and
- To ensure that the technical architecture is dictated by business needs.

The development of this new financial management system (BAS) aims to improve financial control in the public sector. This Basic Accounting System has been equipped with an easy-to-use graphical interface, which is also useful for teaching and orientating new financial users. Another benefit of the Basic Accounting System is that it is an online system that portrays immediate expenditure updates of transactional information on financial records. Its properties also allow for interface with sub-systems such as the PERSAL and LOGIS.

BAS forms the theoretical framework for this study as all public hospitals apply the Public Financial Management Act, No 99 of 1999, with the BAS as the basic accounting system to control and monitor financial expenditure. The BAS operates in terms of the main principle of the Public Financial Management Act, namely to ensure efficient and effective management of public resources. It contains indicators related to personnel, administration, pharmaceutical, procurement and professional expenditures, which are relevant to, and appropriate for public hospitals. The application of BAS will be discussed in chapter 2.

1.10 Research methodology

In terms of research methodology, aspects such as approach, research-design and methods are relevant. The objectives of this study are focused on examining the financial management of public hospitals in order to identify variables that determine effective financial management in terms of financial indicators. A brief overview of the research methodology will be provided in this chapter, while chapter 4 provides detailed information.

1.10.1 Quantitative approach

A quantitative approach with an exploratory and descriptive design will be applied to this study. **Quantitative research** aims to achieve greater control over the study population, by

describing financial variables, examining the relationship among identified financial variables and determining the cause and effect between these variables. Gerrish and Lacey (2006:163) argue that “quantitative research portrays a stable and predictable world and that the researcher can control external influences”. The above view of Gerrish and Lacey (2006:163) is shared by De Vos (2006:15) and Mouton and Marais (1990:155-156) who qualify the “quantitative research approach in social sciences as more formalized and explicitly controlled”.

1.10.2 Exploratory and descriptive study design

Wood and Ross-Kerr (2006:120) and Mouton and Marias (1990:43) define **exploratory studies** as “the in-depth exploration of unknown areas to gain more insight, and to undertake an investigation, to determine priorities and to develop new hypotheses”. Parahoo (2006: 184) states that “all research explores phenomena”. Brink (2000:11) argues that “**exploratory studies** explore the dimensions of a phenomenon that are manifested and related to the phenomenon being explored”. The data to be collected in this study will explore matters related to financial management practices in the public hospital setting in Mpumalanga Province.

According to Wood and Ross-Kerr (2006:120), Parahoo (2006:184), Burns and Grove (1997: 250-251) and Notter and Hott (1994:32, 193) the “**descriptive study** design aims to gain more information about one or more characteristics within a particular field of study”. These authors argue that the “descriptive design may be used for the purpose of theory developing, identifying problems within current practice, justifying current practice, making changes and examining what other organizations do in similar and different situations”. The intention of this study is to provide a financial picture as it occurs in daily practice.

1.10.3 Study population

The terms **study population** and **target population** will be used to describe the population under study. Polit and Beck (2006:260) and Brockopp and Hastings-Tolsma (1995:169) define the study population “as the entire group of persons or objects that are of interest to the researcher”. In this study the population would apply to all 27 public hospitals as study

units in a specific geographic area, namely Mpumalanga Province with the following inclusion criteria; active patient capacity of 100 beds and more, a personnel capacity of at least 200 in all personnel categories (medical, paramedical and administrative) and a working application of the BAS as financial accounting system since its interception in the year 2000.

1.10.4 Sampling of a study sample

Polit and Beck (2006:260) describe sampling “as a process of selecting a portion that represents the entire study population”, whereas Brink (2000:133) defines a sample “as part of a whole”. Polit and Beck (2006:260), Langford (2001:95) and Brink (2000:133) share the same view when they explain that the “sample is a subset of a larger population, selected by the researcher to participate in a research project”. For this study a combination of random and stratified random sampling will be used for the hospitals and respondents respectively. In **random sampling** each member of the population has an equal chance of being selected as part of the sample. Wood and Ross-Kerr (2006:71) and Burns and Grove (1997:297) share the same point of view in that “each individual of the population has a greater than zero opportunity to be included in random samples either through a percentage of the population or in a selected number of study subjects”.

The researcher seeks to draw a representative sample of the 27 public hospitals, by randomly selecting 9 public hospitals and thereafter generalizing from the data as contested by Gillis and Jackson (2002: 40) and Parahoo (2006:258). For this study a stratified random sampling approach will be followed. From the 27 public hospitals who meet the inclusion criteria (100 beds and more, 200 staff employed and applying the BAS), nine are randomly selected and identified as hospitals A, B, C, D, E, F, G, H, and I.

According to Parahoo (2006:262) and Polit and Beck (2006:265) in **stratified sampling** “different units are selected in the study population where variables have been selected by the researcher for inclusion in the sample and drawing the sample from each unit or stratum using simple random sampling method”. Brink (2000:138) explains that in “stratified random sampling the study population is divided in groups or strata according to certain variables important to the study”. Members from these groups are then selected to

be studied in terms of the different variables as elements. Within the nine hospitals selected, two groups of staff were identified as different strata from which samples were drawn. They were:

Management (Group A) which consists of all managers (executive, medical, pharmaceutical, emergency, therapists, nursing and financial) and subordinates selected to form the management team that is representative of the hospital.

Subordinates (Group B) that represent subordinates from the medical, pharmaceutical, emergency, therapists, health, financial, transport, human resources, procurement, information and data capturers, patient administration and maintenance departments.

The sampling design for all of the strata will be based on random sampling for groups A and B, where each and every staff member has an equal chance to be selected for the study (sample size of groups varied from 10 – 40). A detailed discussion of the process will follow in chapter 4 on the research methodology.

1.10.5 Data collection and data collection instrument

According to Gillis and Jackson (2002:450) data collection is the “process of gathering information from selected respondents”. Parahoo (2006:55) indicates that “questionnaires are the main method of data collection for quantitative research followed by observation schedules and scales to measure knowledge”. Langford (2001:118) and Burns and Grove (1997: 358) consider a “questionnaire as a printed form of a series of questions to obtain information through a written response on a particular topic”. They also argue that “questions in a questionnaire should be presented in a consistent manner, as this allows less opportunity for bias as opposed to those in the interview”. For this study a structured and standardized questionnaire will be developed (Parahoo 2006:55). The purpose is to obtain information about financial management practices in public hospitals. A literature study serves as the basis from which the questionnaire will be developed to include items on financial management issues.

“Questionnaires are the most generally used instrument of all methods of data collection”, according to Langford (2001:118) and De Vos (2006:152-153), because they are easy to “administer, inexpensive and offer anonymity”. Polit and Beck (2006:294), De Vos

(2006:152) and Burns and Grove (1997:358) note that “questionnaires can contain various forms of questions such as open-ended and closed-ended questions”. The questionnaire utilized in this study will contain multi choice statements on which respondents are requested to react according to a rating scale where a value is assigned to questions in each category. According to Polit and Beck (2006:309) and Burns and Grove (1997:362) “a rating scale lists a series of options of a variable based on an underlying descriptive continuum”. For Parahoo (2006:293) “scales of options are made up of statements that respondents need to rate”. The questionnaire will be self-administered.

1.10.6 Validity and reliability

According to Gillis and Jackson (2002:26 -27) quantitative researchers use “validity and reliability as the link between concepts and operational level research”. Polit and Beck (2006:328) and Gillis and Jackson (2002:26) define “validity in terms of whether the measuring instrument measures what it is supposed to measure”. For Langford (2001:52, 95) the measuring instrument should be “dependable and trustworthy in providing information”. In developing the measuring instrument for this study, relevant questions and alternatives were considered to address different forms of financial management to ensure validity and reliability.

1.10.6.1 Validity

For Burns and Grove (1997:228, 360-361) questionnaire validity is an “examination of the truth to the extent to which the questionnaire as a research instrument provides data that relates to the meaning of a variable concept”. In other words the questions should address a true measure of the item to be examined. Brink (2000:168) defines **face validity** as the “means through which the measuring instrument appears to measure what it is supposed to measure”, thus financial management practices in the public hospitals. Polit and Beck (2006:328) and De Vos (2006:84) categorize “validities of the instrument into face, content, criteria and construct validity”.

For Parahoo (2006:304) **content validity** refers to the “content of the measuring instrument that adequately represents the phenomenon that is being studied”. To ensure **content validity** of the “measuring instrument a pre-test is undertaken to determine the clarity of

questions, their relevance, completeness, consistency and the time required to complete the questions”. Usually **content validity** is ensured by submitting the questionnaire to experts for scrutiny. In this study all items to be measured relate to financial management practices, policies, prescripts and are supported by the literature study and the theoretical framework. According to Gillis and Jackson (2002:428) **construct validity** “supports the theoretical hypothesis”. It is not the purpose of this study to determine **construct validity** as De Vos (2006:85) argues this “criterion takes years of examining”.

1.10.6.2 Reliability

For Polit and Beck (2006:325) reliability means to “test the accuracy of a measuring instrument”, whereas for Brink (2000:171), De Vos (2006: 86), Parahoo (2006:36) and Gillis and Jackson (2002:27) reliability refer to a “measuring instrument yielding the same results under comparable circumstances if repeated on the same person or used by two different researchers”. Parahoo (2006:36) and Burns and Grove (1997: 327) state that “reliability testing has characteristics of dependability, consistency, accuracy and comparability”. The intent of the measuring instrument in this study is to investigate financial management. The pre-testing of the questionnaire is used to refine the research design, and examine the validity and reliability of the measuring instrument. According to Brink (2000:171) the “stability of the measuring instrument is achieved by giving it to experts in the field of study and then examining the responses for similarities” when applying the measuring instrument in this study.

Research questions will be compiled in such a manner that only one aspect is measured at a time. Consistency in the format of questions is maintained with a structured questionnaire which is based on the theoretical framework of the study. To test reliability further, the measuring instrument is given to two different study units at the same time which should produce the same results. In developing the measuring instrument, Brink (2000:173) explains that “researchers should also focus on sensitivity and appropriateness of questions and generalization of results”. In this study questions were designed in view of sensitivity (aspect of financial management), appropriateness (level of education) and generalization (same practices followed elsewhere).

1.10.7 Data analysis

Descriptive statistics will be utilized in this study and according to Parahoo (2006:379) and Brink (2000:183-189) the following features such as “**frequency and central tendencies** are used to describe and summarize the data”. In terms of this study **frequency** would illustrate organizing expenditure distribution into financial categories according to the budget structure to meet central tendencies. **Frequency** in this study is reported in terms of numbers and percentages and will appear in the form of tables and graphs. Brink (2000:184) explains “**central tendency** as measuring the numbers expressing the most average scores in a distribution in terms of the **mean, median and mode**”. In this study, the **mean** would illustrate how financial variables are distributed, whereas the **median** will identify financial variables in terms of how many times they occur and what is the midpoint of the lowest and highest variables. The **mode** would indicate how frequently variables appear in this study.

1.10.8 Pre-testing the data collection instrument

Polit and Beck (2006:506) define a pilot study as a “small scale version done in preparation for a major study”. Parahoo (2006:309) and De Vos (2006: 178-179) explain a “pilot study as testing the data collection instrument on a small number of respondents representing the target population”. A full pilot test was not done, but pre-testing was performed on the data collection instrument. The purpose of the pre-testing was to “identify problems” with the questionnaire and “ascertain knowledge” in the actual field condition (Singh 2007:72). With this in mind a pre-testing will take place to determine the feasibility of the study, to refine the research design, and to examine the validity and reliability of the data collection instrument in order to refine it, if necessary. After testing the instrument, the final data collection instrument will be applied in the Mpumalanga Province to capture the data.

1.11 Permission to do research

The Department of Health in Mpumalanga Province will be approached to conduct this study. Permission will be requested from the Director-General of the Department of Health by means of a letter attached to the research proposal and provisional data collection instrument. After obtaining permission a request will be forwarded to the chief executive officers of the identified public hospitals to commence with the study explaining the

reason, access areas and time frames. A special information package will be developed to communicate with the selected public hospitals which will include the objectives of the study, the questionnaire, and communication methods for interaction between the selected hospitals and the researcher.

1.12 Definition of terms

The description of financial concepts pertaining to the study is important. Many financial terms will be dealt with in the theoretical framework chapter (chapter 2) and literature review chapter (chapter 3) as they require detailed clarification. But as there is such a vast number of financial terms, a glossary has been compiled containing the financial terminology (refer to page 167).

1.13 Ethical considerations

De Vos (2006:24) explains that “ethical principles should be internalized in the personality of the researcher so that ethical decisions become part of his/her lifestyle”. Ethical principles in research would include issues such as avoidance of harm to respondents, informed consent, privacy, and cooperation, competence of researchers and publication of findings. For the purpose of this study the following ethical issues are relevant; informed consent, privacy and publication of results. The researcher will provide respondents with information about their rights by documenting these conditions on the consent form. Anonymity and confidentiality of respondents will be preserved by taking precautionary measures to protect their right to privacy with the following method; only a code will identify the respondent, names and dates will not be used in any reports when publishing the results. Research results would be made available to respondents as requested.

1.14 Study outlay

The following outlay of chapters is relevant to the study:

Chapter 1 forms an orientation to the study. It includes the background and problem statement, the purpose, objectives and theoretical framework of the study.

Chapter 2 focuses on the theoretical basis for the study and in **Chapter 3** a literature review is reported on to explain the rationale for financial management in health organizations.

In **Chapter 4** the methodological approach to the study is described.

In **Chapter 5** data capturing and analysis will be discussed.

The results and recommendations for improving financial management will follow in **Chapter 6**.

1.15 Conclusion

In this chapter financial management of public hospitals is introduced with reference to ineffective and inappropriate structures and systems of management as well as insufficient operational capacity and the lack of authority to manage financial activities effectively. It can be stated that accountable utilization of finances in health organizations has a management dimension with a strong leadership commitment. Financial management is ever in a state of flux as a result of daily activities, but should not compromise the quality and accessibility of health care. The main components dealt with in this chapter were the background and introduction to the problem statement. The research methodology was introduced with reference to the quantitative approach, incorporating an exploratory and descriptive design, and the study population, sample, and the proposed use of the data collection instrument were discussed. An outline is also given in terms of the data analysis and pre-testing of the instrument. Findings will be presented in the form of descriptive statistics.

Chapter 2 discusses the theoretical basis for the study.

CHAPTER 2

THEORETICAL FRAMEWORK

2.1 Introduction

The theoretical framework of this research is based on the current financial accounting system as applied within all government departments, namely the Basic Accounting System (BAS). According to Module 1 of the National Treasury Guidelines (2000:5) the development of the Basic Accounting System (BAS) commenced in 2000 to replace the “older Financial Management System (FMS) which was a **batch driven system**”, whereas the BAS is a “**client server based application** which means that the processing of information is shared between the workstation and the database server”. According to Stair and Reynolds (2003:248) “client server computer platforms are dedicated to functions such as database management, printing, communications and execution of a program, where platforms are called servers, and servers are computers that store application programs and data”, and are equipped to apply software such as the BAS system that manages activities of a program within a network of computers.

The BAS was developed with the objective of improving financial management in government departments, with the intent to be applied by all departments. Other aspects such as political change has redefined transparency in the public sector and a need arise to provide a system that is flexible, user-friendly and can interface with other information management systems with a technical architecture that dictate business principles. The accent of this chapter focuses on the role players and functional characteristics as the foundation of BAS in terms of the application thereof in the public hospital environment. The functional aspect of the BAS which includes the business, reporting and controlling aspect will serve as the main financial indicators in this study.

2.2 Role players in the Basic Accounting System

Stair and Reynolds (2003:16) argue that “all computer based systems consists of hardware, software, databases, telecommunications, units, people, and the procedures it follow to accomplish the task of the system”. “People are the most important element as they manage, run and maintain the system” (Stair and Reynolds 2003:16). In this context the

terms “people” and “users” will be used interchangeably to explain the responsibilities of role players. The persons identified in this section according to the General Principles of BAS, Module 3 (2000:8-22), will apply to certain procedures, policies and rules developed for using the accounting system, that are situated at the Head Office of the Province and they include the following role-players; (Fig 2.1).

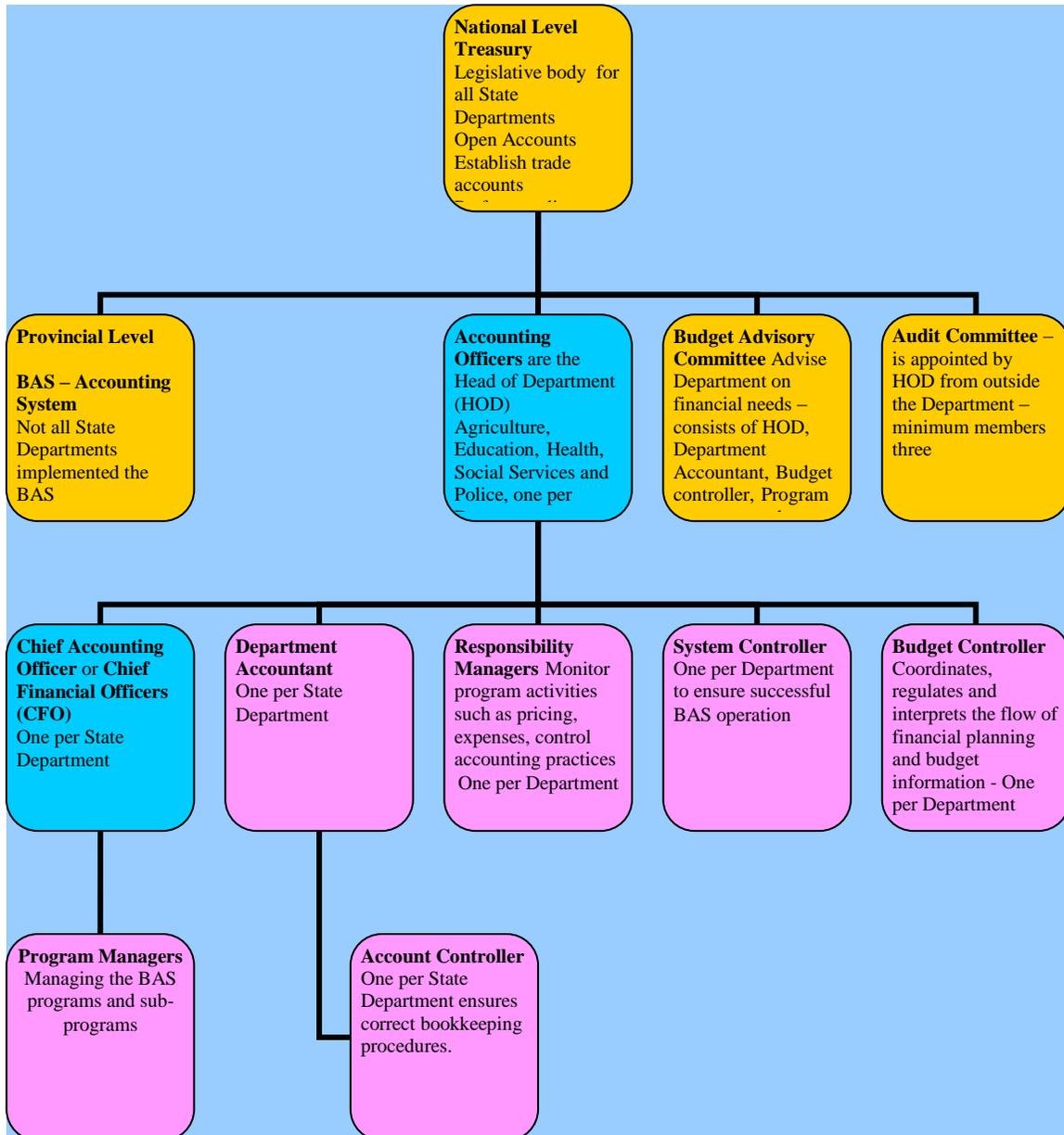


Figure 2.1 Hierarchy of financial role players (as adapted from BAS, Module 3, 2000:8-22)

Key: Colour shading indicating the hierarchy of authority

-  Treasury and Committees
-  Head of the Department (HOD) and Chief Financial Officers
-  Responsibility Managers

• ***Treasury***

The National Treasury plays an important and broad role in terms of fiscal policy, government expenditure, income, production, prices and the balance of payments. The direct link between National Treasury and the BAS is the authority to open bank accounts, establish trade accounts, and maintain bookkeeping and accounting in terms of the BAS principles, the personal salary system (PERSAL) and the procurement system (LOGIS). All these computer-based systems are guided in terms of procedures promulgated by the National Treasury (BAS, Module 3, 2000:8-22).

• ***Accounting Officer***

All State departments within the Province such as agriculture, education, forestry, social services, and health, have accounting officers, they are normally the Head of the Department (HOD) and their responsibilities include efficient, economic and transparent use of revenues, expenditures, assets and liabilities. The accounting officer has to implement proper internal control, apply risk management, enforce appropriate disciplinary measures and provide the national treasury with accurate management of their budgets (BAS, Module 3, 2000:8-22; Stenzel 2007:57).

• ***Budgetary Advisory Committee***

The budget advisory committee advises the heads of departments and different operational institutions (district offices, hospitals, community health centers, clinics, etc) in the department, on the financial needs and projected expenditure estimates and income of the specific health care providers. This committee is representative of the following persons; the head of the department which resides as chairperson, department accountant, programme managers and co-opted members such as managers of district officers, hospitals, and clinics (BAS, Module 3, 2000:8-22).

- ***Audit Committee***

The internal auditor of the department prepares a charter standard set by the Institute of Internal Auditors to be used in a three year internal audit plan on assessment of financial records in key areas of the institution for approval by the audit committee (BAS, Module 3, 2000:8-22). The audit committee is independent from the institution and is represented by co-opted members such as auditors from the Auditor-General's office, and consultant auditors. The head of the department should approve all activities on deliberations and decisions. The committee has no executive power over the head of the department and is appointed in terms of, and remunerated according to salary scales from the Department of Public Service Administration (BAS, Module 3, 2000:8-22).

- ***Chief Accounting Officer***

The Chief Accounting Officer reports to the Head of the Department and is responsible for all program managers allocated to a program under the BAS. Programs under the BAS are divided into administration, district offices, all provincial hospitals, pharmaceutical services, local health authorities, and emergency medical services. Each of these programs have individual expenditure items such as, administration (transport, subsistence allowances, toll fees, etc) personnel (salaries, wages, bonus payments, housing allowances, etc), pharmaceutical (medical stores, vaccines, surgical materials, etc), equipment (furniture, computers, workshop materials, tools, etc), professional services (bank, audit fees, and research entities), and so forth (BAS, Module 3, 2000:8-22).

The Chief Accounting Officer should have demonstrated experience and have thorough knowledge of the basic accounting practices. Responsibilities include the “provision of timely and accurate financial information necessary to direct strategic decisions and the assessment of the performance of organizational units such as district offices, hospitals, community health centers and clinics” (Stenzel 2007:57). This person should also apply an effective system of internal control and a fraud prevention plan in terms of available computer based systems; manage income, expenditure, liabilities and cash flows.

• *Departmental Accountant*

This person acts as financial and accounting advisor to the Head of the Department. Responsibilities include giving advice and furnishing information regarding financial and accounting matters. The departmental accountant ensures that the provisions of the Public Finance Management Act, Treasury Regulations, Tender Board Regulations, Revenue Instructions, Public Service Regulations and Public Staff Code (BAS, Module 3, 2000:8-22) are administered and complied with. Other responsibilities are to finalize draft **revenues**, determine expenditure estimates and monitor payment of accounts, address all audit queries and prepare the **appropriation accounts** (BAS, Module 3, 2000:8-22).

• *Account Controller*

The primary task of the account controller is to ensure that stipulated bookkeeping procedures are followed within accounting months in the allowed time frame. All ledger transactions should be declared in terms of allocated or projected funds. With regard to bank reconciliation, attention should be given to balances according to the orders payable account to ensure a healthy bank balance (cash flow) and with constant control can identify irregularities. Responsibilities of the account controller include the compilation of the annual statement on assets and liabilities report to the auditor-general and the national treasury (BAS, Module 3, 2000:8-22).

• *Responsibility Manager*

These responsibility managers are accountable to the Chief Accounting Officer and are allocated according to health districts in the province, which may vary between three or four managers in a province. These managers monitor the execution of programme activities such as tasks (ordering, payments of orders, etc), obtain quantities and prices, estimate expenditure, obtain and capture allocated funds, ensure that accounting practices and financial control are applied, obtain printed reports and exercise control over government property (BAS, Module 3, 2000:8-22).

• *System Controller*

The system controller must ensure successful operation of the BAS system, where tasks include logging of all BAS helpdesk telephone calls, acting as communication officer in

terms of the interface of systems with other operational systems, following-up on logged in telephone calls, maintaining security profiles such as creating user identification, modifying user profile and revoking passwords. The system controller provides users with access to workflow groups, releasing the code structures, giving users access to budget profiles, locking and unlocking BAS system functions, maintaining transaction processing rules, requesting reports, modifying, adding and deleting segment and item processing rules. The system controller is also responsible for providing practical training to users, monitoring technical stability of networks, printers, assisting non-financial users on the BAS system and providing training to program and responsibility managers on reports, expenditure control and creating report templates (BAS, Module 3, 2000:8-22).

• ***Budget Controller***

Budgets form an integrated part of the BAS system and it is essential to coordinate, regulate and interpret the flow of financial planning and budget information accurately.

The budget controller interacts with the program managers, responsibility managers and budget committee to compile financial planning statements, budgets and revised budgets for submission to the heads of the department and national treasury. Responsibilities also include exercising financial control in comparing expenditure with allocated funds to prevent unauthorized expenditure, issue financial authorizations, applying virement rules if requested, correct allocation of payments to accounts, and to compile appropriation accounts for submission. According to Adedian, Strachen and Ajam (2001:140) virement applies when funds allocated to a budget line item are reallocated to another budget line item in terms of expenditure activities (BAS, Module 3, 2000:8-22).

• ***Programme Manager***

Programme managers are accountable to the Chief Financial Officer and are responsible for managing the BAS programme (administration, district health services, emergency medical services, provincial hospital services, central hospital services, health training, health care support, etc) and its sub-programmes (human resource management, legal services, financial management, information technology, HIV, AIDS and Tuberculosis (TB), Maternal, Child, Women, and Youth Health (MCWYH) district hospitals, emergency medical services, etc) and controls, coordinates and evaluates these programmes against

the objectives identified for the department and reports quarterly on each organization unit (head office, district, hospital, clinic, etc). They are appointed according to workload and vary between two and four managers per section; they should also ensure that funds are allocated per items in the different programmes (BAS, Module 3, 2000:8-22).

From the foregoing discussion it is evident that numerous role-players contribute to the financial management of institutions. These role-players need to be competent (in terms of knowledge, skills and attitude) and conversant about the legislative framework and policy structures in order to execute and manage their allocated responsibilities effectively.

2.3 Main characteristics of the BAS

Primarily the functional areas of the BAS as stipulated in the General Principles of BAS (2000:1-54) consist of four basic structures by which financial information is introduced and utilized namely, business, configuration, reporting, and controlling (fig 2.2). These four structures are considered the main indicators for effective financial management of financial activities and provide financial information for operational functions of the institution. According to the Oxford Advanced Learner's Dictionary (2005:759) an "indicator illustrates the present situation or how the situation is changing". The business function of the BAS is the key indicator and provides financial information on income generated, expenditure patterns and payments within institutions (BAS, 2000:1-54).

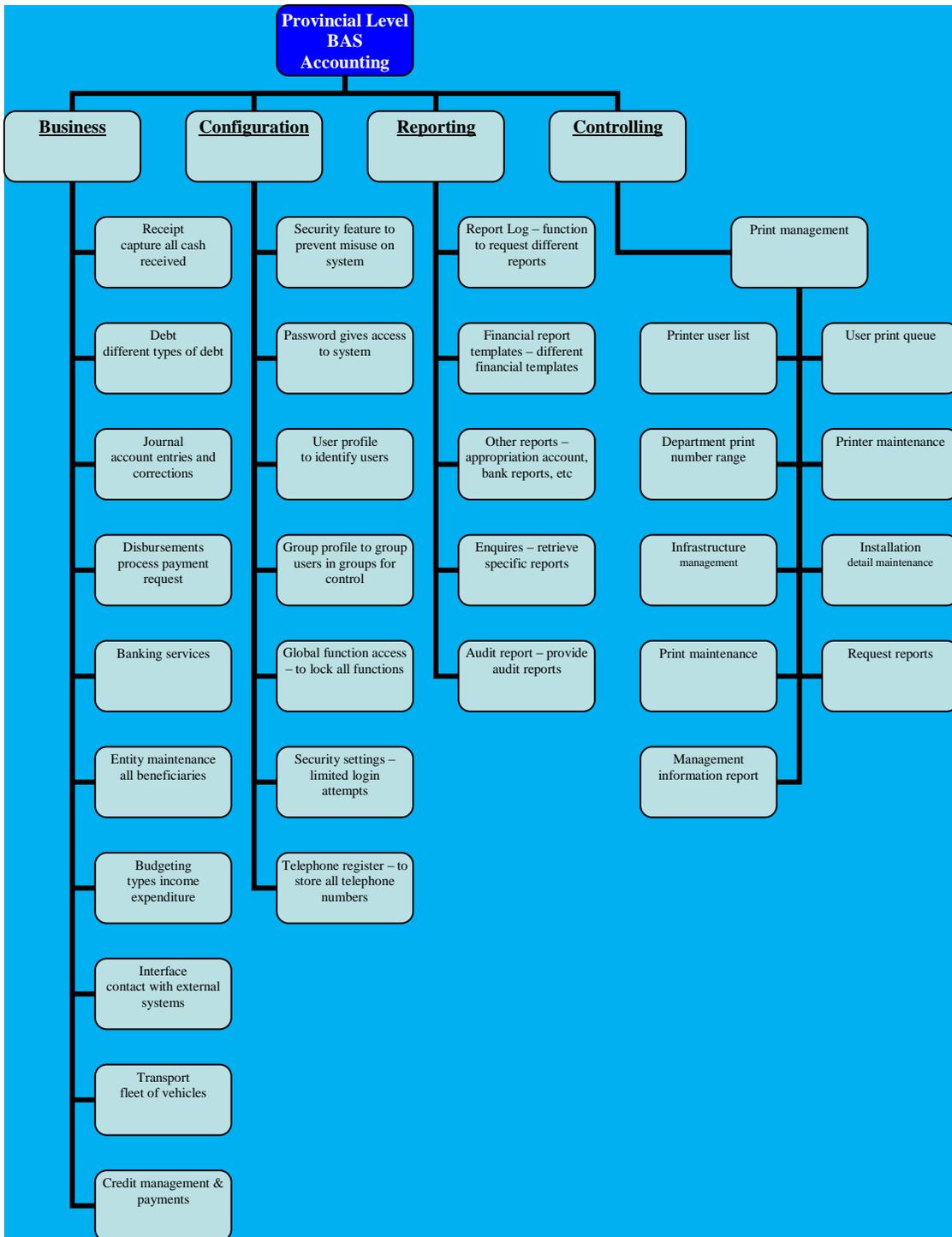


Figure 2.2 BAS functional structure as adapted from General Principles of BAS (2000:1-54)

2.3.1 Business

The business area is divided into a series of activities, where the majority of transactions are performed. These activities include the following;

- ***Receipts***

Receipts are money that is treated as cash and generated in terms of deposits for services rendered. This function captures online and manual receipts, cancels incorrect receipts, allocates cash in terms of cash deposits, cancels receipts and summarizes the above actions in terms of a report for control purposes (General Principles of BAS 2000:1-54).

- ***Debt***

The debt function allows for three different types of debt agreements, namely (1) normal debt which is classified as new, (2) existing debt and (3) third party debt. The debt function allows users to process the writing-off of debt, transfer of debts, refunding debtors and calculating interest on debt. A report is also generated in terms of the above transactions, which is submitted to the chief executive officer of each operational unit (head office, district office, hospitals, clinics, etc) to process the writing-off of debts in the form of redundant stock or non-recovered monies (General Principles of BAS 2000:1-54).

- ***Journal***

The journal processing function enables users to correct all financial transactions that were captured and processed wrongly. This function allows online capturing and authorizing of journals emanating from financial transactions. Reports enable users to monitor transactions (General Principles of BAS 2000:1-54).

- ***Disbursements***

The disbursement function enables the users to process payment requests incurred in terms of accounts, debt, travel and subsistence allowances and personnel salaries. Disbursement information is transferred to relevant entities, current accounts and electronic transfers with supporting financial documents of transactions incurred. This functional area caters for issuing of payments and cancellation of payments to beneficiaries. Reports are generated

and issued to chief executive officers of all operational units (head office, district offices, hospitals, etc) for control purposes (General Principles of BAS 2000:1-54).

• ***Banking Services***

The purpose of this function is to ensure that the actual balance agrees with the bank balance and that discrepancies are reconciled electronically. No capturing of any financial transaction occurs in this area; however bank reconciliation statements can be printed. Only the Pay Master General utilizes bank reconciliation, this function allows for a reconciliation report. It also caters for rectifying incorrect transactions against incorrect capturing of expenses for approved funds, irrespective of journal entries (General Principles of BAS 2000:1-54).

• ***Entity Maintenance***

This function is used to capture and maintain the entity information of all BAS entities as registered in terms of beneficiaries. Entities are suppliers of goods and services (e.g. consulting services, stationary, pharmaceutical and medical suppliers, transport services, etc) that render a service for the government departments/institutions and will benefit in terms of payments for these services. The information reflects bank account information, addresses and identification information of different entities. Only registered beneficiaries will receive payments due. This function caters for the maintenance and authorizing of existing beneficiaries details and capturing of new beneficiaries (General Principles of BAS 2000:1-54).

• ***Budgeting***

According to Stair and Reynolds (2003:388) and Berry and Jarvis (2006:304) the budget can be considered as the “financial plan that identifies items and amounts that the organization estimates to spend during a specific year”. The main objectives of this function is to provide budget information on different types of budgets such as personal, income, accrual, expense and capital budget in terms of national and provincial departments. This function allows budget controllers to capture, maintain, and activate budgets. Apart from the above, this function can initiate several different budget reports such as single year budgets, which provide information on voted amounts per expenditure

item allocated, and multi-year budget reports to compare current and additional budgets over more than one financial year (General Principles of BAS 2000:1-54).

• ***Interface***

The interface processing function provides a method for receiving financial information from external systems such as the personnel and procurement systems by which to process data required for the BAS system. This function also enables users to map government payments in terms of face value forms such as cheques. Reports are generated for control purposes and monitored by program and responsibility managers (General Principles of BAS 2000:1-54).

• ***Transport***

The transport function allows users to register government garage vehicles to ensure all activities are recorded when utilizing government vehicles. It's functionality provides for the capturing of traveling logs, allocating of vehicles, maintenance records, tariffs levied by the government garage and generates reports for transport officers on the above activities to monitor expenditure on the transport fleet (General Principles of BAS 2000:1-54).

• ***Credit Management***

This functional area is used to register financial commitments in the form of recurring activities (e.g. payment of suppliers rendering goods and services) or a purchase order for instance the payment of electricity expenses, stationary, pharmacy items, etc. It further allows for capturing of credit notes in respect of credit payment (e.g. when goods ordered are returned or exchanged) and caters for recurring authorization and over expenditure on purchase and payment activities. The credit management function allows departments to utilize the budget blocking function (avoid over expenditure on budget items) if the department is utilizing the facility. Functions such as goods received and goods returned vouchers allow users to capture all delivery notes and credit notes from suppliers. Reports are generated on all the above activities for control purposes (General Principles of BAS 2000:1-54).

- ***Credit Payments***

The credit payment function is to register sundry and creditor payments. This area caters for sundry payments (e.g. consulting services such as auditors, furniture removals, etc) and creditor payments (e.g. suppliers of goods and services) by capturing a once-off payment for payments of all expenses as authorized. Reports are generated accordingly (General Principles of BAS 2000:1-54).

2.3.2 Configuration

The configuration function provides for the system's controller to maintain security functions such as user identification, passwords, processing rules and workflow maintenance. The processing and capturing of the telephone register and expenses is also found under this area. Hence the following:

- ***Security***

Due to the high volume of users on the system it is necessary to have various security features to prevent misuse and fraud on the system. This is accomplished by creating individual identification passwords that expires after a period, deactivate or activate passwords, locking facilities and limiting login attempts for every user operating the system. Each user of the system has a certain level of clearance to access functions based on the tasks they need to perform for their work and are assigned to a user-group. The user-group is then set up and maintained by the systems administrator. Users of a group have access to all functional areas allocated to the group; however, some users have specific access to functions on the main pull-down menus of the BAS system. While users are linked to groups that control the access to BAS's functional areas, their access to the code structure is controlled individually. For example two receipt clerks, belong to a certain user-group with access to the receipt function, yet one may only be allowed to access the sundry item while the other only has access to the debt repayments. To gain access to the BAS system a user needs to type in the user's identification and user password and select the relevant installation and location detail (General Principles of BAS 2000:1-54).

- ***Password Maintenance***

Each user of the BAS system has a password and the system controller can manipulate and reset the password of any or all users that will force users to change password details. The user maintains their password by changing it via this function at any time (General Principles of BAS 2000:1-54).

- ***User Profile Maintenance***

All BAS system users have an individual user identification that is allocated by the system controller. The system controller can deactivate or activate any user identification at any time and restrict or grant access to the system on a user level. For example if the user is absent due to leave or sickness for an extended period, access to the system is deactivated. This also applies to all functions on the BAS such as credit payments to suppliers, issue of credit notes, capturing of budget items, authorization of expenditure, and journal entries (General Principles of BAS 2000:1-54).

- ***Group Profile Maintenance***

The access allocated to a group depends on the level of clearance the group has to the functional areas of BAS. A group profile is created by the system controller before the user identification is allocated. More than one user can be linked to a group profile and two or more user-groups can be merged to form a new merged group, which will have all the characteristics of the user-group from which they were merged (General Principles of BAS 2000:1-54).

- ***Global Function Access Maintenance***

This function allows the system controllers' team to lock any functional area or any part thereof at any time, thus preventing any user to work on the specific functional area (General Principles of BAS 2000:1-54).

- ***Security Settings Maintenance***

The system controller can limit the number of unsuccessful login attempts of a user. When the user surpasses the allowed login entry attempts to the system it automatically disables

the user's profile, after which the system controller has to reset the identification function. All passwords have a minimum number of characters (General Principles of BAS 2000:1-54).

- ***Telephone Register***

This functional area is utilized to store all telephone numbers used within the department. All telephone numbers are linked to a payment number, code and institution code. Expenditure is then distributed and posted according to the telephone register when interface with Telkom reconciliation takes place. The reason for this arrangement is to monitor and restrict the use of official telephones for private purposes (General Principles of BAS 2000:1-54).

2.3.3 Reporting

The purpose of this functional area is to review all transactions that have been captured on the BAS system. The function provides management with a tool to control activity on the BAS system for a particular department. The information gained from reports serves as a guide in compiling departmental reports for planning activities. This function also includes an enquiries area on how to use BAS generated data to address queries. The functional activities of reporting include the following:

- ***Report Log***

This function allows for the requesting of reports. The user has the authority to request a specific report, print, display, download or remove the report (General Principles of BAS 2000:1-54).

- ***Financial Report Templates***

This function enables the user to setup, modify or remove a template for a specific financial report that is requested on a regular basis. Statistical data can be captured and saved on the template while the variable data is entered when the report is requested. Reports can also be requested once-off. The following financial reports are available on the system, namely a **detailed report** that reflects a financial transaction in terms of its debit and credit properties. It also portrays transactions for all account types such as liabilities,

expenses and income with opening and closing balances. **Matching reports** identify all unmatched transactions that can not be allocated on ledgers and journals, e.g. in view of interfaces with other systems. The **expenditure control commitment report** displays the captured budget against the expenditure that has incurred. It also shows the outstanding commitments registered by means of purchased orders and recurring transactions and then computes the remaining amounts. The **monthly expenses report** displays all expenses incurred for each month for a specified period. The **trial balance report** is utilized to control the department's cash flow, income and expenses on a daily basis. This report provides information on all account types per balance and according to different segments as requested. This report is also used when compiling the financial statements of a department (General Principles of BAS 2000:1-54).

• ***Other Reports***

This functional area allows for requesting the following reports: **Appropriation account** which provides expenditure totals on programs and sub-programs according to the captured budget. The figures are arranged according to item level and also reflect the information according to economic classification. Figures reflect current year expenditure patterns and also allow users to do comparisons against expenditure patterns of previous financial years. The **document control report** is for control purposes and allows for the safekeeping of all documents posted on the BAS system occurred during a certain period. The **bank reconciliation report** reflects all unmatched transactions that occurred when the bank interface takes place. The **inactive bank and transaction rules report** provides information of all inactive bank details. The **income statement report** reflects a department's revenue and expenses over a given time period on a monthly, quarterly and yearly basis. It shows how the department has managed its operations for the reported period and the last line on the income statement is normally the net income or loss for the specific period. The **outstanding transactions report** provides all authorized transactions captured under the accounts payable, debt, journals and receipts. The **work flow report** lists all groups according to functional area with their status as active or inactive (General Principles of BAS 2000:1-54).

- ***Enquires***

This function is created online and has the functionality to enable users to retrieve specific detailed information from the system regarding enquires of a specific functional area. The following function is available; **Allocation detail** will provide the user with information on a specific account to control a balance and transaction activities. The **payment enquiry** enables users to search the data base online for existing payments allocated according to different item allocations. **Disbursement enquiries** are utilized to view the status of a specific disbursement in terms of a warrant voucher. The **receipt enquiry** allows users to identify information on captured receipts. The **purchased order enquiry** provides information in terms of the status of the order as well as the amount that has been paid in respect of the specific order (General Principles of BAS 2000:1-54).

- ***Auditing Request Reports***

A financial audit trail lists all transactions that make up an account balance. To provide meaningful audit reports, certain information, such as the user identification is linked to a transaction and therefore can be traced to the user who captured the detail of any transaction performed on the BAS system. This function also makes provision for the master file audit trail report where the auditor can review all changes made to master files according to a specific location site or department. All changes are logged-in and recorded on the system. Apart from the above, the simple audit trail report provides assurance of the integrity in the accounting database (General Principles of BAS 2000:1-54).

2.3.4 Controlling

All functions allocated under the control functional are the responsibility of the maintenance team within the National Treasury department of the National Government. These functions are batch, archiving, data maintenance and account header. In clarifying these concepts Stair and Reynolds (2003:365) define **batch** as “financial transactions that are collected in groups and processed together, **archiving** refers to data already captured on computer systems, stored, retrieved and recovered”. Only the following functions can be accessed by the maintenance team, namely the printing management and infrastructure management. These functions have to do with the installing and setting-up of reports, receipts and expenditure printers within the operational department.

The controller functionalities such as the printing management area provide a link for the BAS system to initiate and print a document as requested. The printing management function utilizes the data in the management area to facilitate the managing of printers across the BAS locations (General Principles of BAS 2000:1-54). The following functions are utilized under printing management,

Printing Management

- ***Printer User List Maintenance***

This area contains a list of users responsible for using printers and where a printer is located within a department.

- ***User Print Queue Table***

This function enables the users to view and print all loaded expenditure payments, revenue transactions and financial reports according to the requests from a department.

- ***Department Print Number Range Allocation***

Under this function all processed payments have to be updated on the system before printing can take place to ensure that the system recognizes the processed payments.

- ***Printer Maintenance***

All payments and receipts print directly to a specified printer through the print management function. Additional information such as which printer is selected and what type of prints are requested are all recorded to allow the controller to view print runs in terms of functions allocated.

- ***Infrastructure Management***

The objective of this function is to manage the total BAS infrastructure in terms of the operation of the system. This function facilitates the maintenance of all data

through which communication amongst the different BAS locations will support and communicate with each other. The following functions are used

- ***Installation Detail Maintenance***

This function is limited to the maintenance team of the national treasury and maintains all installation of equipment such as servers, computers and printers.

- ***Printer Maintenance***

This function allow the users to add a used or new printer to the BAS system and contains the following computer related information such as printer name, printer identification location, form types, printer port identification and printer types.

- ***Request Reports***

This functional area allows the national treasury team to request a status report on all printers, to indicate which printer/s are in use.

- ***Management Information Report***

This function supports the download of information from data in the BAS system and configures with other systems in applying the data for management analysis in terms of planning and financial projections. The function is flexible and allows users to manipulate the data by means of the Microsoft Excel tool (Microsoft Excel 2007).

2.4 BAS coding structure

The BAS system utilizes a coding structure to facilitate account allocations, transaction processing, reporting and budgeting, which are referred to as the chart of accounts (table 2.1). The code structure caters for segment types which are group names given to the chart of accounts of the BAS system that consist of the departmental vote, objective, responsibility, item and projects. The **departmental vote** identifies the source of money, for example whether it is allocated funds, or additional funds from internal or external sources. The **objective** is a program followed by a department in view of achieving the mission of that department. **Responsibility** refers to organizational units within a

department that is operational in terms of the mission for instance to render a patient service. The **item** represents funds allocated under the responsibility to incur expenses to reach the objectives of the department via its operational units when for instance to render a patient service. This process is closely related to the item and identifies a specific **project** on which money is spent or received to render the patient service (General Principles of BAS 2000:1-54).

Table 2.1 BAS coding structure – Chart of Accounts (as adapted from General Principles of BAS 2000:1054)

Chart of Accounts	Vote/Fund	Objectives	Responsibility	Item	Project
1. Assets 2. Liabilities 3. Expense 4. Income	Identifies the source of money. Normally this will be the Departmental Vote/ Fund or additional funds from external sources.	Different programs of a Department are built into the objective structure. A program is a primary departmental action aimed at achieving a Department's objective/mission.	It represents the organizational units in the department.	To achieve the objectives items are allocated.	Identifies the specific project the money is spent on or received for.
Example 1. Expense account.	1. Department of Health Vote 10. 2. Department of Welfare Vote 11 3. Department of Agriculture Vote 12.	1. Health Management 2. District Health 3. Training 4. Pharmaceuticals 5. Emergency Service	1. Head Office 2. Districts 3. Tertiary Hospitals 4. District Hospitals 5. Community Health Centers 6. Clinics	1. Salaries 2. Bursaries 3. Advertise 4. Computer 5. Stationary 6. Training 7. Transport 8. Laundry 9. Pharmacy Stock.	1. Render patient services. 2. Recruit medical staff. 3. Replace old computers. 4. Replace old fleet.

2.5 Conclusion

For accounting systems to be effective and accurate they need to be operated by people with knowledge about accounting system literacy. People are the most important element in most computer based systems, as they manage, run, program and maintain data in terms of the hardware and software programs. People in terms of the BAS system, are users who include accountants, programme managers, controllers and committees which use financial information generated by the BAS system to manage and maintain financial activities and expenditure of public hospitals. According to Stair and Reynolds (2003:388) “primary accounting systems include budgets, accounts receivable, assets management and general ledgers”. The BAS architecture is more modern than that of the older Financial Management System and is assessed as being roughly in the middle of its normal systems life-cycle. The system is not a fully-fledged accrual accounting system as the BAS system needs to interface with the procurement system in providing accurate reports on assets and expenses before it can be considered as an accrual accounting system. The BAS accounting system automates and records every transaction into data; distributes it to users in the system in the format of business activities such as accounts, receipts, journals, budgets, credit management and enables financial reports.

Chapter 3 reviews the literature in terms of the study.

CHAPTER 3

LITERATURE REVIEW

3.1 Introduction

To be able to place this study in context a literature review was undertaken to explain the management process and subsequently to describe what financial management involves. The management process is achieved when basic resources such as human, financial, physical and information resources are available and utilized in an organization to reach its goals. These resources require effective management. In relation to financial management, the finances of an organization are also managed by a process. This process according to Smit et al (2007:8-9) and Lussier (2003:9) comprises of “planning, organizing, leading and controlling”.

The value of effective financial management in an organization relates to formulating plans to achieve organizational objectives through a strategy. This strategy is followed by organizing activities of an organization, establishing authority and allocating resources in terms of organizational objectives. Strong leadership would direct and motivate subordinates to achieve the organization’s objectives by constantly monitoring and controlling the activities in line with the organization’s objectives.

The literature review utilizes a systematic approach to financial management which included textbooks, published reviews, and articles in journals. The World Wide Web and the library of the University of South Africa (UNISA) were utilized as a database using keywords such as management, financial management, financial performance, and public and private hospitals in the search for relevant literature. Articles and textbooks were selected if results showed that they were appropriate in explaining financial management concepts, such as planning, processes, financial indicators and financial outcome.

This chapter includes a literature review on public hospitals in terms of financial management. The following aspects are reviewed:

- management in terms of planning, organizing, leading and control and
- application of the management process to financial management.

3.2 Management

Over centuries many authors have influenced the way management is perceived to be. From these writings Williams (2006:3) cite Henri Fayol (1916) who “describes management as the forecasting, planning, organization, command, control and coordination of organizations”. Williams (2006:4) utilizes these concepts and interprets management as “making plans and decisions, using resources wisely and to utilize the people in organizations to achieve objectives within organizational control”. Thornhill and Hanekom (1996:14) refers to management as the “process of planning, organizing, leading and controlling the efforts of organizational members by utilizing organizational resources to achieve stated organizational goals”. Smit et al (2007:9) on the other hand shares the same views as Williams (2006:4) and defines management as the “process of planning, organizing, leading and controlling the resources of organizations to accomplish stated organizational goals through productivity”.

For Lussier (2003:5-6) management refers to a “process of achieving organizational objectives through efficient and effective utilization of resources via a process that involves planning, organizing, leading and controlling”. This is in line with Hannagan’s (1998:4-5) view citing Pearce and Robinson (1989) who considers management as the “process of human, material and financial contributions for the achievement of organizational goals”.

The Oxford Advanced Learner’s Dictionary (2005:896) defines the meaning of management as a “process of running and controlling a business or similar organization, and the act or skill of dealing with humans in an organization and management of staff in an organization”.

All of the above views on the meaning of management are clear in that they focus on, and involve humans, utilize resources, give direction and take action to achieve certain objectives in the organization. The objectives of an organization can only be attained if resources such as human, financial, physical and technology are present, but subsequently these resources need to be combined, coordinated and effectively deployed in order to reach the goals.

From the above it can be inferred that management is composed of four main processes namely:

- Planning
- Organizing
- Leading and
- Controlling

As these processes are complex and are therefore explored further.

3.2.1 Planning

In management, planning is the “first step and is part of all organizational agendas, it involves every employee at all the levels of an organization” (Smit et al 2007:117). Because of the “different employee levels in organizations, plans are categorized as strategic, tactical and operational plans” (Smit et al 2007:117) (see figure 3.1). “**Strategic** plans create visions, which result in a mission statement with measurable long-term goals”. These “goals are for the entire organization within the framework of the strategic plan” (Smit et al 2007:117-118). “**Tactical** plans focus on the employees and their actions in functional units such as human resources, and finance with the aim of enabling and supporting the strategic plans” (Smit et al 2007:119). “**Operational** plans involve activities such as programmes, projects, budgets, policies, and procedures to achieve the overall goals of planning” (Smit et al 2007:119).

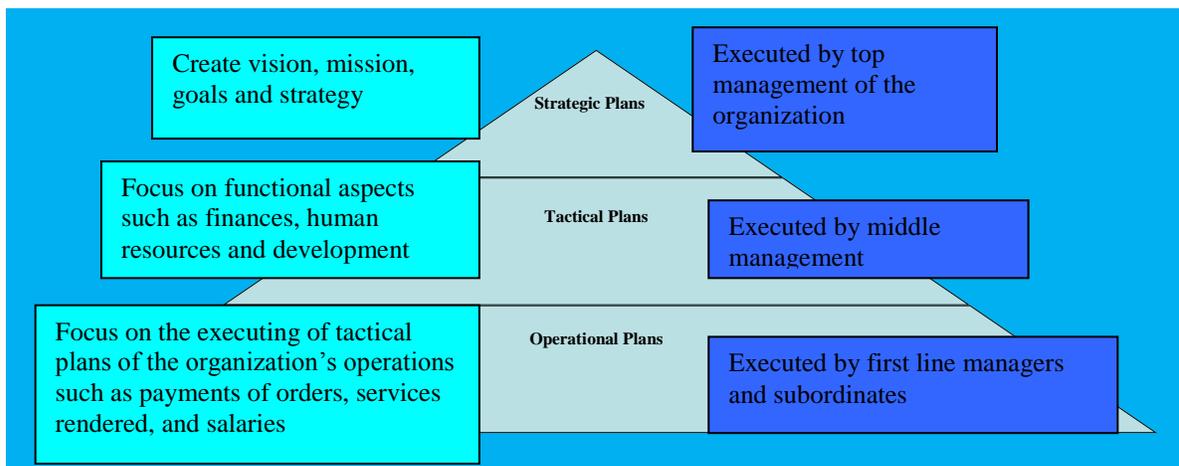


Figure 3.1 Levels of organizational planning (as adapted from Smit et al 2007:118).

According to the Oxford Advanced Learner's Dictionary (2005:1107) plans are "arrangements in detail of what will take place in future". Smit et al (2007:117) and Schermerhorn (2008:185) argue that planning "involves different steps such as; the need for planning, the purpose, mission and goals to achieve, operational plans, and the development of budgets to execute these plan".

The planning process is illustrated in fig 3.2 (Smit et al 2007:123-124).

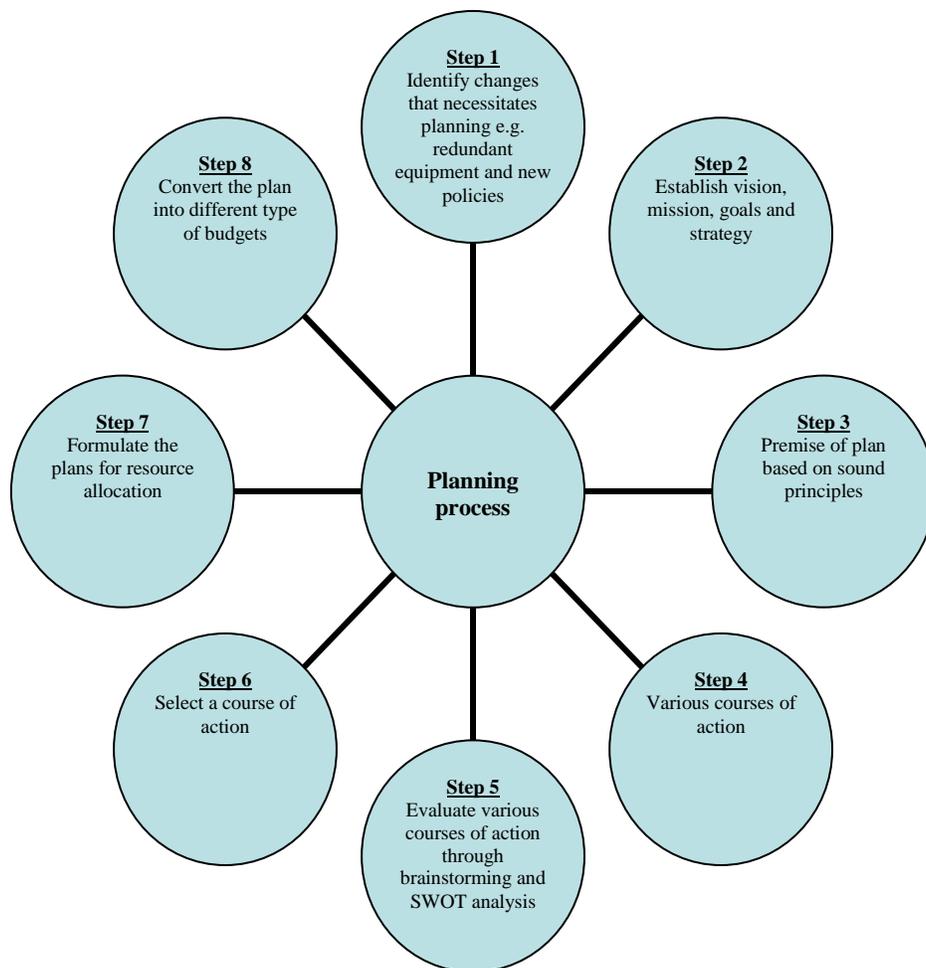


Figure 3.2 Steps in the planning process (as adapted from Smit et al 2007:123-124)

- **Step 1: Identify the reason for planning**

The first step would be to identify what are the changes that necessitates planning, e.g. a new policy such as free health care for children under 6 year of age, replace redundant medical equipment, or implement a new transport fleet.

- **Step 2: Establish the goals**

Once the changes have been identified, goals need to be formulated to guide the plan in the organization and it commences with a vision transferred into a mission statement followed by long and short-term goals. It is not the intent to explain the steps in formulating goals, but merely to indicate that strategic, tactical and operational plans need goal formulating (vision, mission and short and long-term goals) to ensure that plans are focused to reach an end result.

- **Step 3: Premises of plan**

It is important for plans to have a sound bases for existence, e.g. the internet has made the access to information on how organizations conduct their activities more accessible and productive.

- **Step 4: Developing various courses of action**

This step involves choosing between options of actions to achieve the change, e.g. when using internet to access information, various search engines can be explored to achieve results.

- **Step 5: Evaluating various courses of action**

To determine which course of action would benefit the organization in terms of profits, expenses and performance.

- **Step 6: Select a course of action**

Based on step 5, management selects the most effective action to be taken after assessment of the advantages and disadvantages of each possible option.

- **Step 7: Formulate the plan**

In this step management deals with the process of recording the stages of the change that need to occur such as acquisition, allocation of resources, intended performance and so forth.

- **Step 8: Compiling the budget**

The “final step would be to convert the plan into a budget with monetary values that cover a specific period and evaluate the performance in terms of the output (assignments, work schedules and procedures)” (McConnell 2006:33). It is important to note that if management is to be successful they need to know what they will be doing and have “recorded plans on how to achieve and reach goals” (McConnell 2006:33)

3.2.2 Organizing

According to Schermerhorn (2008:17), plans that are to be implemented need to be “organized through a process of task selection and delegation, allocating of resources and coordinating these activities”. Organization can also mean the way the organization is “formally structured in terms of division of labor, communication channels, operational units and management levels that work together to achieve the goals and objectives that have been planned” (Schermerhorn 2008:237). An example of the latter is an organizational chart showing authority and communication between departments and positions as illustrated in figure 3.3; however for the purpose of this discussion the focus is on organizing as a verb.

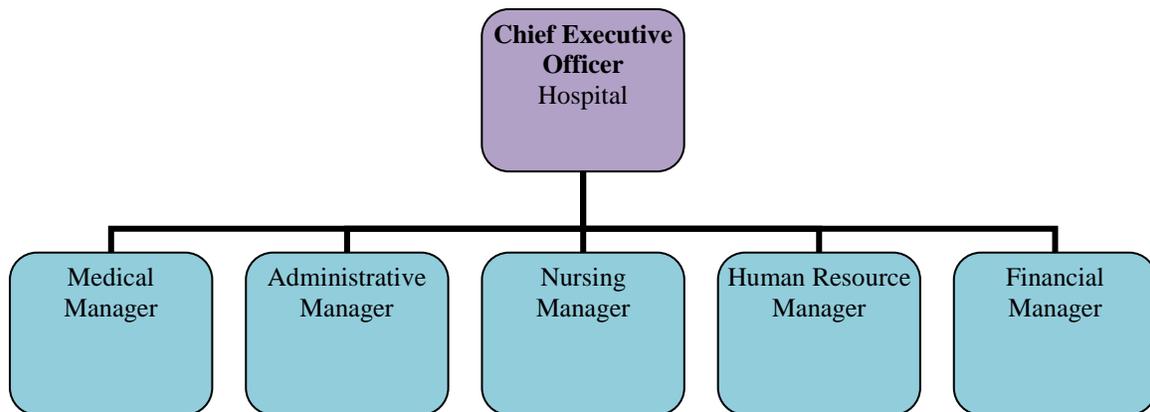


Figure 3.3 Organizational chart (Organogram) (as adapted from Lussier 2003:181)

According to Smit (2007:189) organizing “involves a process that structures the organization and includes the following aspects such as outlining the tasks and organizational activities, assigning tasks to staff, determining work relationships,

prioritizing activities in terms of strategic, tactical and operational plans that leads to grouping into departments to coordinate and a control mechanisms to ensure the organizational structure will attain the vision, mission and goals”. Figure 3.4 summarizes the organization process.

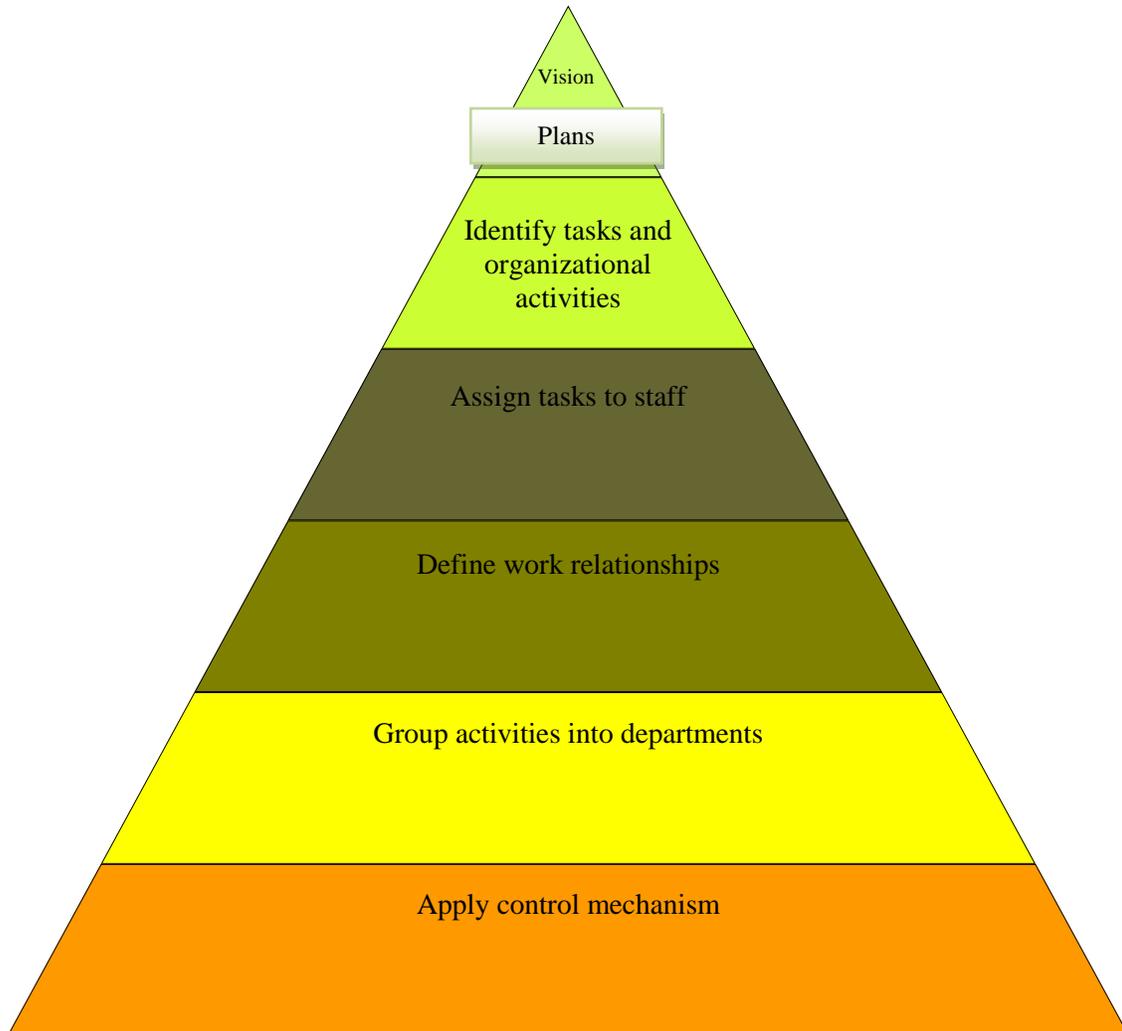


Figure 3.4 The Organization process (as adapted from Smit et al 2007:189)

Organizational principles

Smit et al (2007:189) argues that the “organizing process involves organizational principles such as the following (fig 3.5):

- **Unity of command**

Subordinates should only report to one supervisor.

- **Chain of command**

The chain of command links subordinates, supervisors and managers with someone at the next level of command.

- **Span of control**

The span of control refers to the number of subordinates that report to a manager or supervisor. Managers can only manage a certain number of people at a time. The span of control can be shorter or wide depending on the number of subordinates reporting to a supervisor.

- **Division of work**

Work or tasks have to be allocated to every subordinate in a functional area such as finances, human resources and procurement.

- **Standardization**

Also referred to as standard operational procedures (SOP), where practices are followed according to rules and regulations.

- **Coordination**

Subordinates and departments should work together to accomplish the strategic, tactical and operational goals of the organization.

- **Responsibility, authority and accountability**

These terms are closely related and are often used interchangeably, where responsibility is the obligation to achieve strategic, tactical and operational goals, authority is required to make decisions and give instructions, and accountability is relevant when subordinates and managers in the organization will be held accountable for all activities executed under their command.

- **Power**

Power is granted to a position in an organization allowing the individual to influence the behavior of subordinates.

- **Delegation**

Delegation is the process that assigns responsibility and authority for attaining strategic, tactical and operational goals downward according to the chain of command.

- **Downsizing**

Downsizing refers to the process aimed at restructuring the size of the organization in terms of personnel and levels of activity by outsourcing certain of these activities”.

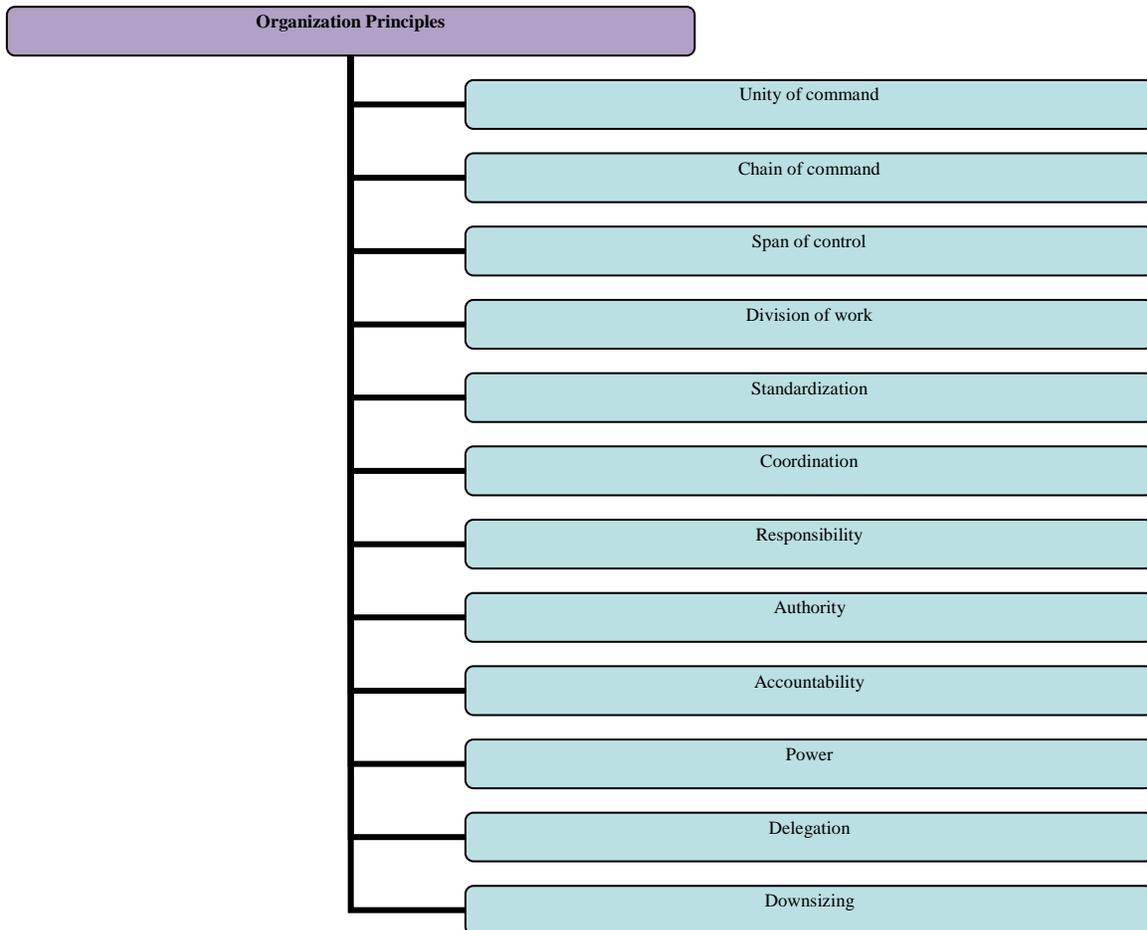


Fig 3.5 Organization principles as adapted from Smit et al (2007:190-1997).

In order for these organizational principles to effectively function they are grouped in “**functional and divisional departments**” within the organization (Fig 3.6). “**Functional departments** focus on the *management of functions* such as finance, human resources, and catering and the utilizing of resources to enable the organization to function” (Schermerhorn 2008:239; Lussier 2003:181). “**Divisional departments** focus on *tasks assignment* in various departments such as finances, human resources, facilities, and service delivery” (Schermerhorn 2008:240-243; Lussier 2003:182).

The effective functioning between these **departments** accomplishes improved decision making, better cooperation, better customer services and performance. “Effective organizing will ensure appropriate and goal-orientated prioritizing, coordinating, delegating and communicating the activities of the organizations in order to achieve the vision, mission and goals” (Schermerhorn 2008:240-243; Lussier 2003:182).

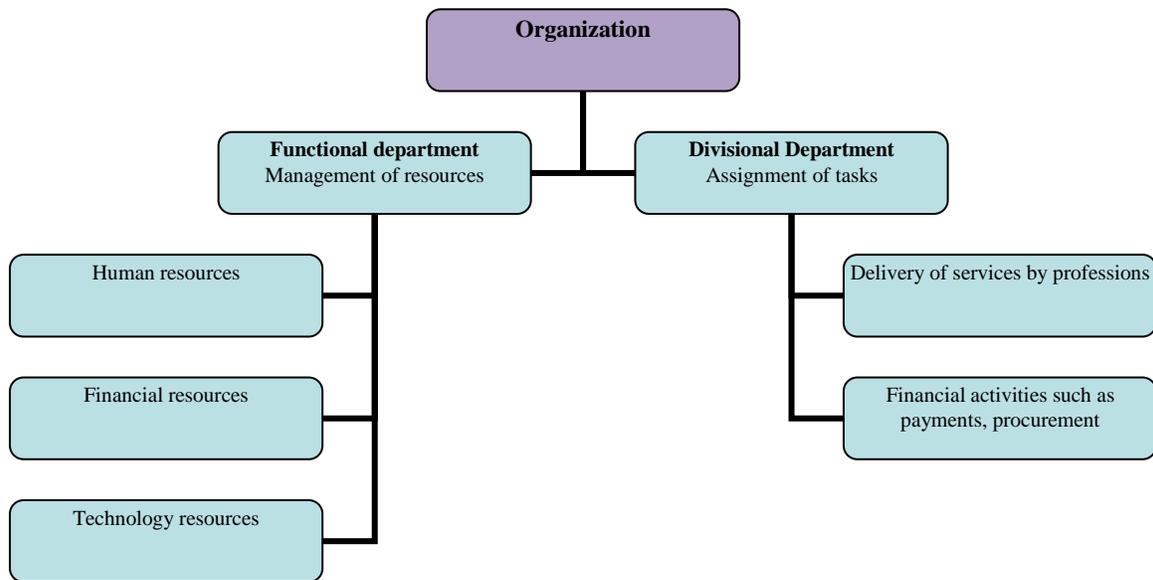


Fig 3.6 Functional and divisional departments (as adapted from Schermerhorn 2008:239 - 243; Lussier 2003:181-182)

3.2.3 Leading

The performance of any organization is directly related to the quality and integrity of its leadership (Lussier 2003:406). Smit et al (2007:271) describes leadership in organizations as the “process of influencing subordinates to achieve and follow the organization’s goals; it involves aspects of disseminating tasks, motivating subordinates, managing conflict and communicating to subordinates”. Williams (2006:95) considers leading as “acts of motivation, encouragement, participation and development of people in organizations to create vision, mission and to achieve organizational goals”. According to Smit et al (2007:272), leading entails “activities within organizations such as formulating the mission, goals and strategies and to communicate these to subordinates, disseminating tasks, monitoring and supervising subordinate’s work assignments, implement disciplinary

action and to deal with organizational conflict”. For leading to become legitimate, Smit et al (2007:10-11) and Goodwin (2006:163-168) postulate that “functions such as direction, supervision, motivation, mentorship and coaching are imperative” (Figure 3.7).

- **Direction**

The leader influences the behavior of followers within the organization to accomplish the set tasks by giving direction.

- **Supervision**

Supervision is aimed at guiding and supporting subordinates in order to enhance autonomy, self-awareness and skills.

- **Motivation**

Motivating subordinates to satisfy the needs of the organization and experience job satisfaction.

- **Mentorship**

During mentorship the leader looks out for the mentee, supports and guides the follower to improve in performance and behavior over time.

- **Coaching**

Coaching refers to training in terms of guidance and positive feedback about a task.

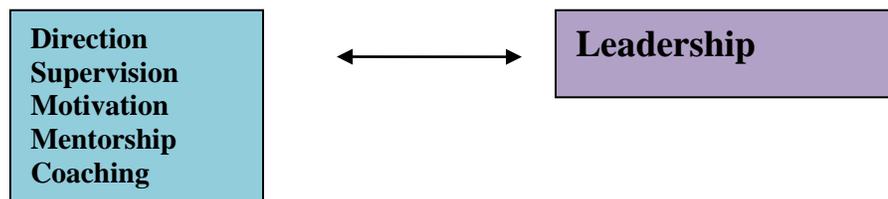


Fig 3.7 Components of leadership as adapted from Smit et al (2007:272-275)

Leadership vs. Management

Leaders focus on the “behavioral aspect of management, in mobilizing subordinates to direct human resources to bring about change in the organization, and managers on the other hand, achieve goals by assigning and controlling human resources within an

organizational structure to attain tasks and goals” (Smit et al 2007:273-277). All organizations need both leaders and managers to achieve successes.

To Lussier (2003:406), Smit et al (2007:277-278) and Walsh and Smith (2006:328-336) “leadership and management are not the same and they distinguish between the following aspects as summarized in table 3.1”.

Table 3.1 Distinction between leadership and management (as adapted from Lussier 2003:406, Smit et al 2007:277-278 and Walsh and Smith 2006:328-333).

Organization activity	Leadership	Management
Planning To achieve a goal in an organization	Seeks a vision, mission and strategy - focus on long-term	To plan execution of vision, mission and strategy – focus on short-term
Organizing To arrange the organization into structure	Influence followers to follow vision, mission and strategy	Develop an organizational structure in assigning tasks to subordinates and using resources
Leading To be in control of the organization	To lead and direct followers to adopt policies and procedures	To execute policies and procedures
Controlling To direct the organization	To monitor followers to reach achievements in following vision, mission and strategies	To seek results from subordinates when following vision, mission and strategy

3.2.4 Controlling

Control is the “last function” of management and illustrates how successful the organization has been in terms of its “mission, goals and strategy accomplishments” Schermerhorn (2008:453). Schermerhorn (2008:453) defines organizational control as the “process of measuring and maintaining performance, of coordinating assignments and of adhering to organizational policies and procedures”. Both Smit et al (2007:392) and Schermerhorn (2008:454-464) identify “different areas of control such as the control of

physical resources (inventory, quality control, and equipment), financial resources (income, and expenditure), and human resources (recruitment, placement, discipline, performance appraisal, and salaries)”.

Marquis and Huston (2008:540-541) postulate that control “can not be done without the establishment of control criteria (standard) neither can the measuring of performance been measured if the control criteria (standard) have not been clearly established”. In all organizations “control criteria (standard) must exist, and leaders and managers should ensure that subordinates know and understand the control criteria and that performance will be measured in terms of the ability to meet the control criteria (standard)” (Marquis & Huston 2008:540).

According to Smit et al (2007:386-392) and Walsh and Smith (2006:342-346), control in the organization “forms an important link between the **structure** (organization), the **process** and the **outcome** standards”. For example, in this study the **structure** represents the public hospital which is the “physical structure (that include buildings, inventory, quality control, and equipment) to render a comprehensive health service to the community at large” (Smit et al 2007:392). According to Cleverly and Cameron (2007:331) in most hospitals the management controls “different units, normally referred to as departments that forms the organizational chart of the hospital”. The “**process** relates to accomplish objectives of the different departments in the hospitals, which include the use of financial resources (income, and expenditure), and human resources (recruitment, placement, discipline, performance appraisal, and salaries)” (Cleverly & Cameron 2007:334). In terms of the “**outcome** the focus lies in the result directly associated with the rendering of a comprehensive health service, utilizing the hospital in applying financial and human resources” (Cleverly & Cameron 2007:334).

Another important aspect related to control is efficiency and effectiveness. “Efficiency has as aim to achieve the best output while the input is at the lowest possible cost, which requires the availability of standards and these standards are normally introduced into the budgetary process, for example number of required hours worked per day in the hospital” (Cleverly & Cameron 2007:6). Effectiveness focuses on the “attainment of objectives in the

accomplishment of outputs, for example a public health intervention programme or service with the objective to reduce alcohol use should contribute toward improving sober habits in the community “(Cleverly & Cameron 2007:6).

3.2.4.1 Elements of the control system

Schermerhorn (2008:460) argues that “all organizations utilize a variety of control strategies which relate to human resource discipline, information management and financial discipline”. On the other hand, Smit et al (2007:401-404) focus on the “levels of control and distinguish between strategic control (productivity measures, quality assessments, and standardization) and operational control (production systems, information and financial systems)”. Smit et al (2007:406) argue that an “effective control system should be an integral part of the planning process and should include the following elements” (fig 3.8):

- **Planning**

Control should be planned, which is a process carried out in steps, following a particular pattern and should be measurable in terms of performance to achieve strategic, tactical and operational goals (see 3.3.1).

- **Flexible in terms of changes**

The control system should be flexible to accommodate change when adjustments are requested.

- **Accurate on figures and calculations**

A control system requires sound and proper recording of operational activities in an organization.

- **Timely on deadline of goals**

Information should be supplied as needed and based on the principle of timeliness.

- **Simple to understand**

Control systems should not be too complex to understand; neither should it be too simplified so that the essence of control is lost.

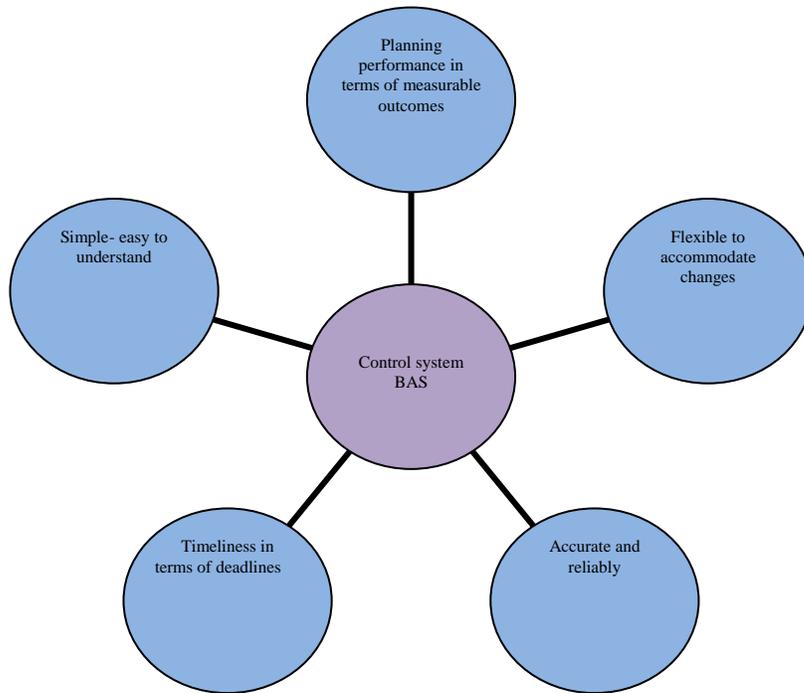


Fig 3.8 Elements of the control system (as adapted from Smit et al 2007:405-406)

The functions of management such as “planning, organizing, leading and control take place at various levels in an organization and are applied to various focus areas such as finances, human resources, facilities, equipment and supplies, and service deliveries” (Smit et al (2007:406). Each of these management functions will now be discussed in terms of financial management.

3.3 Financial management

Atrill (2006:2) considers the “**financial management** function within an organization as a process of managing finances according to strategy (short and long-term plans to achieve objectives) operational (daily decision making) and risk (arises from operations within organization to achieve objectives) activities”. According to Atrill (2006:2) the focus areas of **financial management** include “financial planning, financial decisions, operational activities and financial control”. **Financial management** as a term is not easy to define, according to Hannagan (1998:531-532), it refers to the “management process that covers organizational areas such as the use of resources, capital investments and expenditure, and

costs”. To Atrill (2006:3) and Hannagan (1998:532) the “link between managers and finances are many and are varied, determined by the objectives of the organization”.

According to Brigham and Ehrhardt (2008:3) the “success and purpose of organizations lies in delivering and selling products and services that are valued by its customers, the key attributes being skilled staff at all levels (leaders, managers and subordinates), good relationship with suppliers of services and goods, and adequate resources to purchase land, buildings, equipment and materials to operate”.

Williams (2006:230) argues that the “purpose of **financial management** originates from the need to lead, monitor and control the use of organizational resources”. Low (2004:vii) states that “**financial management** is critical for success and that it involves planning, and the practical use of accounting and control measures to accomplish the goals of an organization”. According to van Wyk (2003:31) the objective of “**financial management** in the public sector is to support management in applying limited resources to deliver services in terms of quantity and quality within acceptable expenditure patterns”. The National Treasury Guideline for Accountants (2000:12) concurs that “**financial management** involves good planning, appropriate decision making and to control incurred expenditure wisely”. For Baker and Powell (2005:4) “**financial management** includes various aspects ranging from decision-making processes in view of acquiring, financing, and managing assets to managerial finance, corporate finance and business finance”.

According to Engelbreght (2000:10-11), “**financial management** in district health systems occurs when available resources are utilized to meet goals in terms of the best value for money”. This process includes “financial planning in terms of budgets, allocating budgetary funds, operating, monitoring and reporting finance expenditure in a financial cycle” (Engelbreght 2000:10-11). It can therefore be concluded that “**financial management** implies a process of planning, organizing, leading and controlling the organization’s finances in terms of facilities, human resources, equipment and supplies and service delivery to achieve the set outcomes”(Engelbreght 2000:10-11).

“Globally, public sector **financial management** trends are aimed toward increasing government accountability” (Smit et al 2007:94-95). “To increase accountability, the nature of **financial management** should be based on leading, rigorous accounting practices and controlled budgetary expenditure programs in governments” (Smit et al 2007:94-95). “**Financial management** is usually a complex activity and is associated with aspects of general management” (Smit et al 2007:94-95). Within the “framework of financial regulations and contributing external factors such as technology, public pressure and so on, the financial viability of public organizations require effective management” (Smit et al 2007:94-95). “Careful planning and goal-directed operational activities of governmental funds should form the basis of financial management” (Williams 2006:230).

In terms of this study, to manage finances would require a regulating framework which includes policy regulations (National Treasury Guidelines), legislation (Public Financial Management Act), accounting system (BAS) and procedures (operational aspect of BAS such as business, configuration, reporting and controlling) to be effective (National Treasury Guideline for Accountants 2001:1-6). Whenever a “private or state organization experiences difficulties in terms of operations, it usually relates to management problems as the possible cause” (Smit et al 2007:94-95). Common reasons for these “management problems are shortsighted management decisions, misallocation of resources especially finances, poor information and complex accounting systems” (Smit et al 2007:94-95). Sound financial management “demands attention to planning, involving people, leading and controlling methods” (Smit et al 2007:94-95).

From the foregoing exposition about **financial management** it is clear that many different interpretations of the concept exist because of its broad application. According to Abedian, Strachan and Ajam (2001:6) “**financial management** focuses mainly on implementing the budget”. Van Wyk (2003:32) compares “private with public sector **financial management**”. In the “private sector the focus is on sources of funding, effective use thereof and cohesion between financial and utilization decisions, whereas **financial management** in the public sector focuses on the use of scarce resources, overseeing of public money and assets and rendering the best possible service in terms of the objectives of the public sector” (Van Wyk 2003:32).

According to Fakie (1999) as cited by Van Wyk (2003:32) the “Public Finance Management Act, 1999, has introduced greater alignment of planning and budgeting processes and appropriate internal control measures in the management of finances”. Van Wyk (2003:33-34) disagrees with the views of Fakie (1999) as he states that the “current financial management system lacks effectiveness and efficient internal controls, lacks information technology and the line managers and financial practitioners lack appropriate skills and practical experience in **financial management**”. Baker and Powell (2005:4) support Van Wyk’s (2003:34) view by stating that “managers play a pivotal leadership role in an organization’s efforts to succeed in its set outcomes”.

Having defined the concept of financial management the management process will now be applied to **financial management** under the processes of planning, organizing, leading and controlling.

3.3.1 Planning

Because financial resources remain limited and public services are expanding in line with public demands it is important that financial resources be planned and managed effectively. Planning is the first step in financial management, is part of the organization’s financial agenda and it involves employees at all levels of the organization. According to Berry and Jarvis (2006:300) and Schermerhorn (2008:185) planning involves the “setting of objectives and formulating them in the consecutive manner in which they are to be achieved”. Smit et al (2007:117,123-124) states that planning is “carried out at different levels in the organization which are categorized into strategic, tactical and operational plans”. “It involves different steps such as identifying the necessity to plan, establishing the organizational goals and objectives, determining the course of action, formulate a plan of action and transforming the planning into a medium (budget) to utilize resources. Applying these steps in terms of financial management, financial planning would constitute the following process” (Smit et al 2007:117,123-124) (fig 3.9).

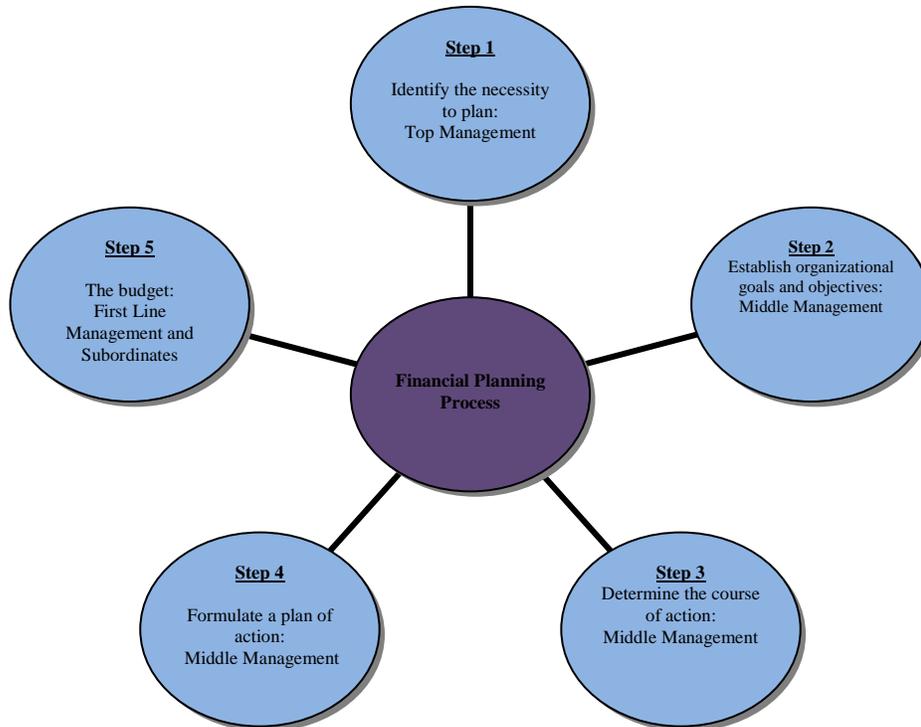


Figure 3.9 Steps in the financial planning process as adapted from Smit et al (2007:123-124)

- **Step 1: Identify the necessity to plan**

Smit et al (2007:123) reasons that “all organizations need to plan to be able to accommodate changes, for example the institution of a new primary health service to ensure comprehensive service delivery, or implement a new policy such as free health care services or replacement of the transport fleet may be the trigger for planning”. This step is usually carried out by the top management and in terms of the BAS constitutes role players such as treasury, accounting officer (the head of the department) and chief financial officer (see chapter 2.3).

- **Step 2: Establish the organizational goals and objectives**

Smit et al (2007:123) argues that “goals in organizations follow a pattern starting with a vision that is translated into a mission statement with long-term goals and the objective is to achieve these goals”. For example, if the long-term goal is to render a comprehensive health care service to the community, one objective would be to provide more information about the plan to be followed. According to the Oxford

Advanced Learner's Dictionary (2005:638), goals are "things to be achieved and Low (2004:206) argues that "financial planning transforms the organizational goals into setting targets as objectives". According to Schermerhorn (2008:354), goals give "direction to employees in an organization as it establishes a framework for performance and job satisfaction". Step 2 in terms of the BAS is the responsibility of middle management, which includes role players such as heads of institutions, unit managers in institutions, department accountant and budget controller.

● **Step 3: Determine the courses of action**

Financial planning as reasoned by Greenwood (2002:5) should "assist management in deciding between financial alternatives". Deciding on a plan of action for a financial activity to follow or not, for example to replace medical equipment as opposed to the replacement of the computer network, should be based on which actions are likely to affect the organization's effectiveness and efficiency. Should this direction or decision between financial activities be wrong, may the consequences result in financial disaster or can it be absorbed without any penalties? To follow a planned action would involve much detail, appraisal of the present situation, period and so on. If you consider replacing the computer network the following comes to mind, maintenance costs of the computer network, space accommodation, appointment of contractors, what type of communication system to set up, and what the financial consequences would be. In terms of the BAS, the responsibility lies with role players such as heads of institutions, unit managers in institutions, department accountant and budget controller to determine the course of action.

● **Step 4: Formulate a plan of action**

This step focuses on the functional aspect of different departments within the institutions and deals with recruiting and training of staff, building and equipping the building, and financing. In terms of the BAS, the role players are unit managers in institutions, the departmental accountant, budget controller and subordinates who formulate operational plans for the services to be rendered, and those who see to the procurement of supplies and allocation of resources.

- **Step 5: The budget**

The final step in the planning process would be to design an instrument that is defined as the budget. “Different types of budgets have evolved over the years which include line, activity based, performance, zero-based, and capital budgeting” (Brigham & Ehrhardt 2008:378-379,486). The budget will then ensure that the necessary resources are available to carry out the plans to accomplish the organizational goals. According to Smit et al (2007:129) the budget is a “plan that is used as an instrument to allocate funds or resources with regard to organizational activities over a period”.

The budget is established through the accounting system, which constitute the BAS. Primarily, the BAS was developed with the objective of improving financial management in institutions. The functional areas of the BAS as stipulated in the General Principles of BAS (2000:1-54) consist of four basic structures through which financial information is introduced and utilized namely, business, configuration, reporting, and controlling (Refer to figure 2.2). These four structures are considered the main indicators for effective management of financial activities and provide financial information for operational functions of the institution.

Financial planning in any organization occurs in different ways and at all levels which include the setting of organizational goals. According to Smit et al (2007:132) the “formulation of organizational goals are part of the planning process and plans are clearly distinguished as strategic or operational”. “**Strategic plans** are compiled by top management and focus on the entire organization and should be aligned with the changing environment” (Smit et al 2007:117). The “functional activities of an organization such as those pertaining to finances, human resources, and procurement (production, facility, marketing and human resource plans) are **operational plans**” (Smit et al 2007:119; Schermerhorn 2008:189) “formulated by middle and first level management”.

3.3.2 Organizing

With reference to Schermerhorn (2008:236), “organizing is a process that creates structure in an organization where work is divided, resources are arranged and activities are coordinated” (See figure 3. 3). Organizations should decide how to “organize its resources optimally in order to effectively enable activities of work” (Smit et al 2007:129). The reason for organizing will ensure that “responsibilities are allocated, resources are deployed, and work is divided” (Smit et al 2007:129). One effective instrument that “deploys coordinated resources, is the budget, which sets limits on the resources being used and also establishes standards of performance” (Smit et al 2007:129). The budget can be explained in terms of the following processes (fig 3.10):

3.3.2.1 Budgeting

Hannagan (1998:519) express a budget as a “plan that has monetary value and it is prepared prior to the budget period and should indicate income, expenditure and capital employment of money”. According to Lussier (2003:444) success in “any organization lies in the ability to work with budgets and to use financial statements to make decisions”. Lussier (2003:444) is of the opinion that “mangers should develop tighter budgets to cut on operational costs and use computerized spreadsheet programs to plan”.

- **Budget defined**

According to Smit et al (2007:129) a budget is a “plan that allocates and utilizes various resources such as funds and the utilization of supplies, labor, and buildings to accomplish organizational goals”. On the other hand, Lussier (2003:130, 444) explains that a “budget is a planned quantitative allocation of resources to operate a unit or department for a fixed period of time. Budgets commit the organization to use resources according to set plans and programs”.

- **Budget types**

Various kinds of budgets have evolved over years, as the budget is a formal plan allocating financial resources for operational, capital and financial activities to different units in an organization. According to Lussier (2003:444-445) the “budget

process involves steps to develop the **operational** (revenue and expenditure budget), **capital expenditure** and **financial budgets**".

- **Operational budget**

Under the **operational budget**, steps "include developing a revenue budget derived from fees, donations, and grants and expense budget which is a forecast of total operating expense" (Lussier 2003:444). Expenditure budgets according to Anthony and Breitner (2003:58) are "when the organization acquires goods and services where a decrease in cash as an asset occurs, or, an increase in debt occurs".

- **Capital expenditure budget**

The "**capital expenditure budget** includes all major assets such as new buildings, new equipment and new services, as the focus is on development of the organization to generate additional revenue" (Lussier 2003:444). According to Smit et al (2007:397-398) capital budgets "illustrate the organization's future requirements in terms of fixed assets (buildings, equipment) and working capital (all materials and stock) needed to render a service related to the organization's goals and objectives".

- **Financial budget**

The **financial budget** involves financial statements such as income statement (includes revenue, expenses, profits and loss), balance sheet (includes assets and liabilities) and cash flow statement (cash receipts and payments). The steps referred to in this section are described in more detail under planning in section 3.3.1. For the purpose of this study the focus is on the **operational** and **capital expenditure budgets**.

- **Characteristics of budgets**

Smit et al (2007:129) argue that "budgets should have the following characteristics; it should be stated in monetary terms, cover a specific period, contain an element of management commitment, be reviewed and approved by an authority higher than the one preparing them, changes only under specific conditions and is compared with actual performances of the organization".

- **Budget process**

Williams (2006:244-248) reasons that every organization needs to “answer questions such as; what the organization wants to achieve, what resources will be utilized and how can the organization afford these resources, are issues linked to the process of developing objectives and preparing budgets”. A process is then followed to plan and sets limits on the amount of resources that can be utilized and establishes standards to regulate performance in the organization. Hannagan (1998:519) refers to this “process as the budget preparation period, during which dates are set for submitting budget drafts, budget meetings are scheduled, realistic and reasonable budget figures are produced and clearly communicated”.

- **Budget technique**

Various kinds of techniques are followed in planning budgets. The Oxford Advanced Learner’s Dictionary (2005:1520) describes: “a technique as a particular way of doing something”. In terms of this study, the **item or line, performance or program** and **zero-based** techniques needs explanation.

- **Item or line budgeting technique**

The **item or line budgeting** technique is related to “traditional budgeting where only increases are justified, but it also forms part of any budget as it contains activities where money is spent that make-up the budget” (Engelbrecht 2000:31-32).

- **Performance or program budget technique**

The **performance or program budget technique** is the “allocation of funds to achieve specific program goals and objectives with the emphasis on evaluating outcomes to adjust future budgets” (Young 2003:12).

- **Zero-based budget technique**

A **zero-based budget** technique: “is followed in larger organizations where each financial cycle starts planning from scratch with complete details of all activities that does not consider previous levels of expenditure” (Schermerhorn 2008:190-1991). In terms of the BAS, a **zero-based budget** technique is followed to coordinate and control financial resources in the public sector.

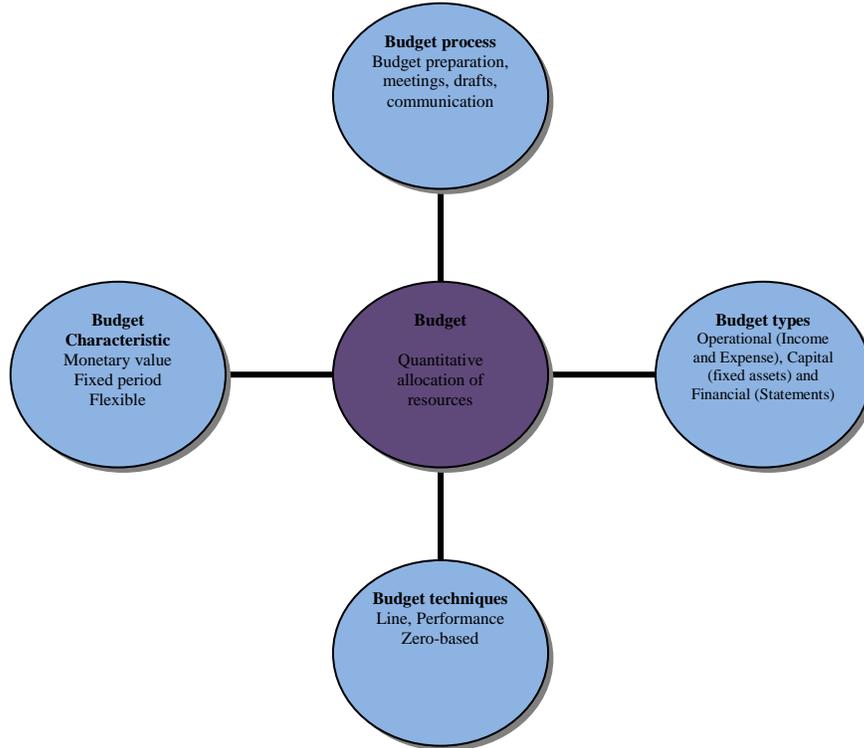


Figure 3.10 The budget processes (as adapted form Lussier (2003:444) and Smit et al 2007:129).

By organizing financial resources in the most effective, productive and profitable manner it contributes to the attainment of organizational and financial goals. Organizing plays a vital role in the allocation of financial responsibilities, accountability for financial decisions, communicating and the coordinating of financial activities. In terms of the BAS, numerous role-players (such as accounting officers, departmental accountant, responsibility managers, system and budget controller, chief executive officers, middle and first-line managers and subordinates) organize and deploy resources to achieve effective financial management. Each of these role-players execute a variety of tasks that are clearly defined such as applying financial regulations, authorizing financial transactions and controlling financial expenses. Financial accountability is directly linked to financial activity (the business function of the BAS is the key indicator of financial accountability and allows financial action on income generated, expenditure patterns and payments within the

institution) and accounts for the financial outcome whether positive or negative to each role-player applying resource utilization.

Clear communication and control of financial activities ensures effectiveness. The reporting and controlling functions of the BAS provide role-players with information integrating all organizational tasks and resource allocations. Financial reports are requested regularly by various departments as an instrument for communication to monitor and control financial activities of operations.

3.3.2.2 Cost effectiveness

For Hyde and Cooper (2001:227; 237) cost effectiveness in rendering health services, is defined: “as the provision of a health care service which meets a required standard at the lowest possible costs, with the best value”. However, “effective health care can only be delivered if the right health services and skills are available to when required” (Hyde & Cooper 2001:158). According to Cleverley and Cameron (2007:331) effectiveness focus on the “relation between organizational outputs and its objectives, and may be difficult to define as the majority of organizations do not quantify certain objectives”. Government health services should have a duty to provide health services to the public for a value as monies originates from taxpayers and should be used wisely and well.

3.3.3 Leading

Leading as one of the core functions in management will set the direction to reach financial objectives and goals. According to Black (2000:206) “leading in financial management is concerned with identifying and presenting financial information for decision making, to optimize the use of resources according to a budget, disclosing information to subordinates and reporting on financial activities”. The business functions of the BAS act as indicator to provide financial information on financial transactions, allow budget allocations, disclosing of financial activities and delegate financial responsibilities and authority to deploy resources. It needs to be mentioned that “delegation and authority are aspects of organizing where tasks and resources delegated are coordinated” (Lussier 2003:172).

In terms of this study, leading as a function of management is a process of directing subordinates to achieve financial goals through the elements of authority, power,

delegation, responsibility and accountability. In terms of the BAS, various role-players (see 2.3) lead subordinates and have different authority and delegation powers in terms of their designation accepting responsibility and accountability to perform financial activities in terms of the functional structure under the business component of the BAS system (see figure 2.2). According to Smit et al (2007:10-11) and Goodwin (2006:6-10) the accomplishment of financial goals is enhanced by means of the following leadership actions: “direction, supervision, motivation, mentorship and coaching”.

- **Direction**

The leader exercises influence over the subordinates by directing a wide range of financial activities and this allows the leader to make financial decisions, give orders and use resources. The authority resides in the leadership position and entails line authority where subordinates are directly responsible for accomplishing organizational goals by performing financial functions such as ordering of raw material, and activating financial payments (Smit et al 2007:196). Deficiencies in the directing function of leaders could have resulted in the poor state of affairs public health services find themselves in as explained under point 1.3 (Department of Health and Social Service Annual Report 2007:132). With this in mind, it is unlikely that quality health services can be rendered, unless improvements are made in terms of pro-active efforts to develop adequate leadership and management skills, and apply sound financial management principles.

- **Supervision**

Supervision as defined by Jooste (2003:335) is “a learning relationship between two or more staff members that enables the follower to learn supervisory skills to perform certain organizational functions”. This is in line with the approach of Pierce and Rowell (2006:1) which is aimed at “enhancing subordinate’s motivation, autonomy, self-awareness and skills to effectively accomplish the work at hand”. In terms of the BAS, supervision relates to the delegation of responsibilities in executing financial activities and to the establishment of an environment that encourages individual growth.

- **Motivation**

According to Smit et al (2007:337-338) motivation is the desire to meet identified “needs”. In terms of the organizational viewpoint, motivation is the willingness of the subordinate to achieve tasks and goals. In terms of the BAS, the manager assigns tasks to the subordinate; the subordinate then has the desire to master these tasks, even if it requires undergoing training.

- **Mentorship**

According to Goodwin (2006:163), the objective of mentoring is to “help and support subordinates to manage learning in order to maximize their potential and to develop appropriate skills to improve overall performance”. In terms of the BAS, if the objective is to improve application of correct procedures in the ordering of goods and services, a supportive approach by the leader would facilitate the mastering of correct procedures by sharing and explaining these financial activities.

- **Coaching**

Goodwin (2006:164-166) refers to coaching as “training, guiding and giving feedback on performance in handling a specific task”. This involves a process of equipping leaders and subordinates with tools, knowledge and opportunities to enhance their skills to become more effective. If the intent is to master the BAS system, a training program as coaching tool will assist the users to succeed in applying all spheres of the system.

Leading has a strong supervisory function, and as part of the financial management process will influence and inspire subordinates to carry out delegated tasks related to financial activities.

3.3.4 Control

The importance of control as a management function is fundamental to effective management as it focuses on the effective and efficient management of resources such as human, financial and physical resources. It needs to be mentioned that in the utilization of these resources (human, financial and physical) finances are the focal point of control.

Control is therefore essential, as the utilization of these resources is at the centre of all operational activities which aim at reaching the organizational outcomes, “which are quantified in terms of financial activities” (Smit et al 2007:392). The financial practices are followed according to financial standards as determined by the financial policy of the organization. Control is only effective if it can be monitored and measured against the background of financial policy that determines financial standards. Indicators and accounting practices are means by which financial outcomes can be measured as a method to control financial resources. Measuring of these financial standards occurs during the auditing of financial records in terms of the financial policy and it should occur on an annual basis. **Indicators** and **accounting practices** will now be discussed in greater detail.

3.3.4.1 Indicators

As stipulated in the General Principles of BAS (2000:1-54), **indicators** are described as “financial activities which are quantifiable in terms of the four functional areas namely business, configuration, reporting and controlling, related to collecting income, expenditure patterns, recording of accounting practices, asset utilization and controlling all financial activities by system and budget controllers, department accountants, program managers and chief financial officer as delegated by the accounting officer of the department (head of the department) in these four functional areas”.

In terms of financial activities, **control** helps to ensure that performance is consistent with plans and that subordinates comply with organizational policy, procedures and standards when utilizing resources. According to Berry and Jarvis (2006:8) **control** relates to “measuring organizational activities which may include setting targets for programmes, and hold adequate levels of material and supplies to meet demands of the objectives of the organization”. The purpose of controlling, according to Low (2004:273), should be to “ensure accuracy in organizational activities”. According to Bagranoff, Simkin and Strand (2005:110) organizations should “establish control awareness, evidenced by a controlled environment, competent subordinates, appropriate management styles and the assigning of authority and responsibility”.

The BAS with its various functions (business, configuration, reporting and controlling) links directly with the spending pattern of the hospital as organization. The spending derives from the allocated cash available from the budget to achieve organizational goals. Elements such as the cash budget and expenditure, support the running of the organization and interact with resources such as human resources, budgets, equipment and supplies, transport and physical facilities to render health services. It is important to note that the spending patterns in public hospitals provide a **cycle** for costs pertaining to personnel, supplies and procurement, administration and service rendering. The cost **cycle** of public hospitals is illustrated in fig 3.11.

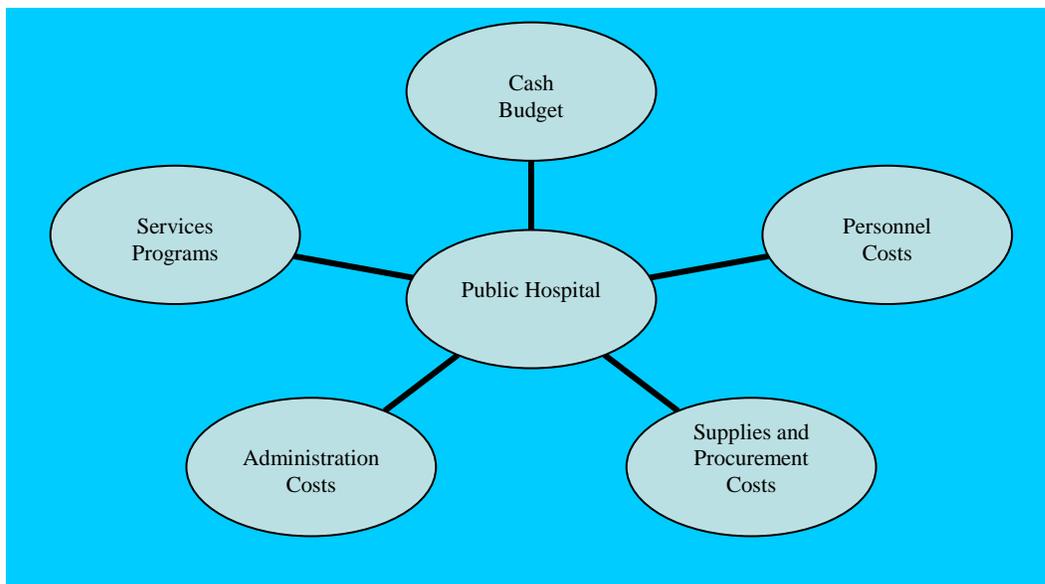


Figure 3.11 Cycle of costs of public hospitals

The BAS accounting system uses the **business function** as the main indicator to monitor and control financial activities (expenditure, revenue, and procurement) for physical resources (buildings, office equipment, vehicles, and materials), financial resources (revenue collections, cash, budgets, working capital, and salaries) and information resources (accurate information data, and human resources). Refer to the business column of figure 2.2. Data pertaining to indicators such as expenditure patterns, revenue, equipment, material, and salaries are used as tools to measure progress in terms of organizational goals.

The control of expenditure in terms of the **cycle of costs** contributes to the success of the organization. Financial control focuses on every activity and measures the performance of management, subordinates and resources during the accomplishment of organizational objectives. Managers and financial managers must first set standards of performance levels which are used to measure performance in terms of outcomes. For example, in the financial processing department the standard should be to have a payment finalized in five working days as it moves through the processing line. This is a standard that must then be communicated to, and be measured at all levels in that department. The noted payment process serves as an indicator for which standards have been set.

After the standards have been set and communicated, it is all managers' responsibility to monitor performance to see that the standards are being met. If managers detect that the payment process through the system takes more than five days, it should be investigated and strategies should be implemented to address possible causes such as system failure, inadequate computer equipment, poor software programs, or even poor employee capacity.

The controlling function involves the monitoring and evaluation of activities that managers and financial managers must perform. Financial control involves the process of determining if the organization's goals and objectives are being met. This process defines methods which includes correcting situations (supervision and in-service training) in which the goals and objectives are not being met. Monitoring and re-evaluate alternative methods in the correcting process should also be allowed after a specific time period.

From the above explanation on the BAS indicators, it can be summarized that all operational activities (treatment of patients, procurement of hospital supplies, supplying essential medicines, and emergency services) of the public hospital are potential indicators that are dependent on each other to render a health service. The question remains how effective are health services rendered in terms of the allocation of human, financial and physical resources?

3.3.4.2 Accounting practices

After the establishment of indicators the second controlling function is to account for all types of income and expenditure. All day-to-day hospital activities relate to five accounting categories incorporated in the BAS accounting system and are indicated as *revenue collection, expenditure, assets, liabilities* and *capital*. The BAS accounting system requires that an account of all financial activities of the hospital be given. To illustrate the five accounting practices as an element of the cycle of costs in the hospital the following;

- ***Revenue collection***

From a financial perspective with regards to the public hospital, Mehta and Maher (1977:19) argue that “revenue derives from two sources namely patient income (boarding and lodging patients and employees, medical services offered, waste disposals, accommodation rent and medical aids and non-patient activities (contracts, donations and gifts)”. From a business perspective, Gowthorpe (2005:119) refers to “revenue collection as services and goods sold which is expressed in monetary value”.

Revenue collection in public hospitals, relates to “patient account payments, cash receipts, and medical aid payments” which are all entered into the BAS accounting system as income (Gowthorpe 2005:119). It needs to be mentioned that revenue collected is not utilized for the day-to-day activities of the public hospital but is deposited into the general suspense account, which is then utilized to the discretion of the National Treasury of the Central Government.

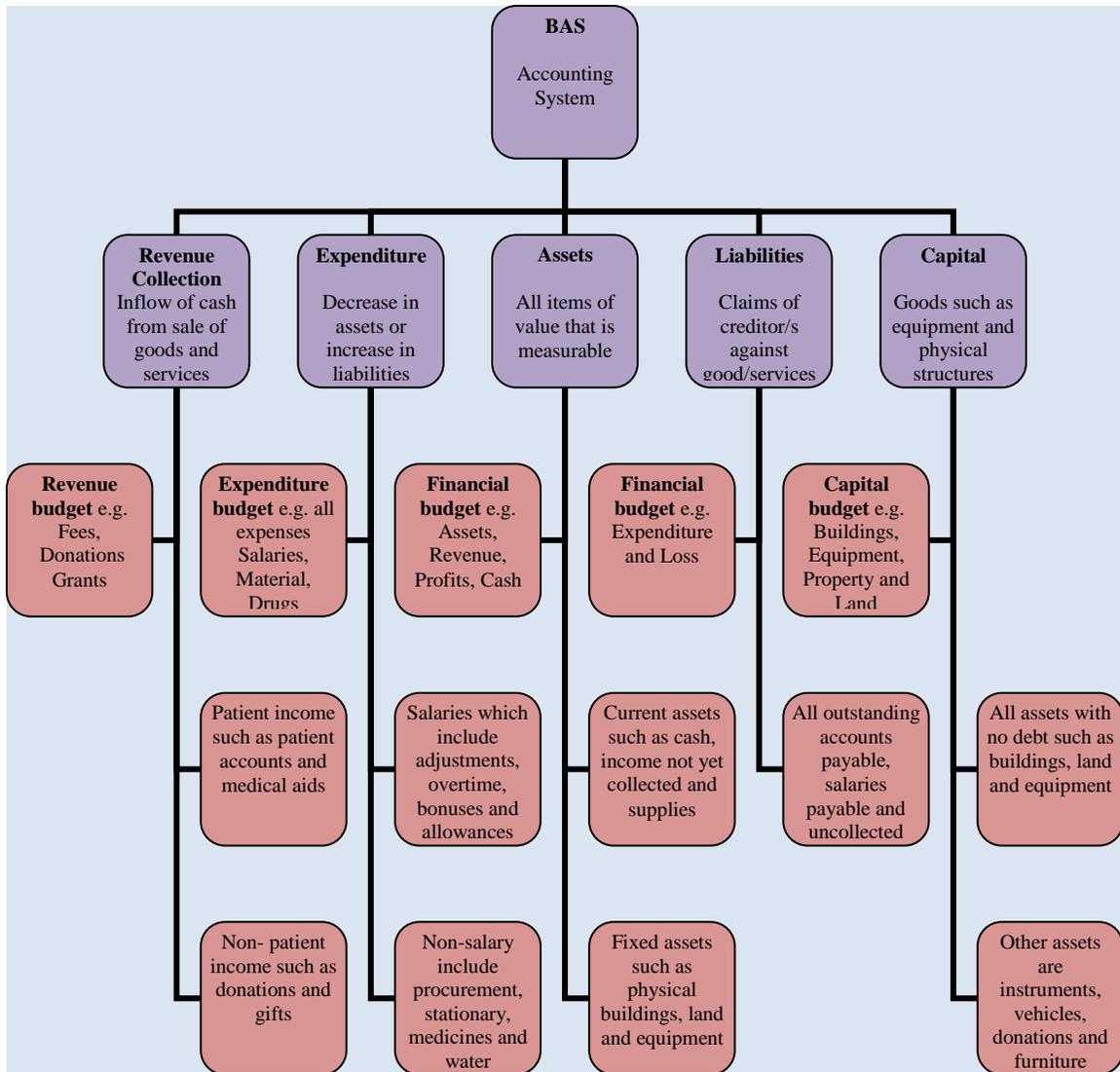


Figure 3.12 Five accounting practices in Hospitals as adapted from the General Principles of BAS (2000:1-54)

● **Expenditure**

Expenses in terms of day-to-day activities of public hospitals are measured by patient days, length of hospital stay, patient transporting, hospital services rendered (pharmacy expenses, laboratory costs, radiology, theater costs), emergency medical services, supply procurement, salary costs, laundry, food services and so on.

According to Gowthorpe (2005:119) expenditure in organizations with a “business outlook are amounts incurred in the manufacturing process of goods, but also refers to other expenses such as rent and telephone charges”, however Gowthorpe (2005:119) fails to explain the expenses in the manufacturing process. Person (1997:60, 73-80) supplements Gowthorpe’s(2005:119) view, when he argues that “expenditure would include salary and non-salary expenses, salary costs make up for over 50% of all expenses and include salaries, salary adjustments, overtime, and allowances”. According to Person (1997:78-83) and Engelbrecht (2000:31- 40), “non-salary expenses are supply procurement, cost of pharmaceutical medicines and drugs, transport, disposable and non-disposable items, stationery, water and electricity expenses, and professional services”. The expenditure pattern of public hospitals is measured in terms of all activities where finances are utilized as resources to render all the health services the hospital provide. Expenditure is also the key element in the budgeting process of public hospital activities, but managers tend to only adjust their expenditure budget by some multiplying factor, allowing operations to continue as before as well as unnecessary expenses, instead of managing their financial matters based on fresh and proper planning.

Berry and Jarvis (2006:69) argue that “revenue contributes to capital as there is a financial relationship between assets, liability and capital”. Person (1997:67) concurs that “effective health care organizations need to become familiar with expenses, revenue, drive costs, utilization of statistics, seasonal trends, inventory management and the relationship between these aspects in the daily monitoring of organization activities”.

Another aspect in managing finances is the **accrual accounting** process where Baker and Powell (2005:28) state that “accountants use **accrual accounting** practices to recognize revenues and expenses in relationship with assets, liabilities and depreciation”. Van Wyk (2003:132) brings this relationship to the surface in explaining that “**accrual accounting** practices record cash, expenses, assets and liabilities when a transaction occurs”. At present the basic accounting system of the government records cash, expenses and liabilities, but neglects to interface assets

(inventory) with cash, expenses and liabilities, as the management and control of assets function separately from the basic accounting system. “**Accrual accounting** practices are complete when the financial depreciation factor is calculated and reflected in the financial records as the estimated life of a physical asset” (Baker and Powell 2005:28).

- **Assets**

According to Berry and Jarvis (2006:44-45) assets “represent all monies from past events from which future economic benefits are expected” and include aspects such as buildings and land, and equipment of the hospital to provide health services to patients. Assets can also be expressed in terms of a “relationship between current assets (cash budget, supplies and other income not yet collected) and fixed assets (physical building, land and equipment)”, according to Greenwood (2002:252) this relationship should be “properly funded in terms of the current position, overall budget and outcome of the organization”. In terms of the above, assets share three common objectives in health organizations, namely to establish a physical hospital building with equipment (inventory), to follow a plan in terms of a cash budget and to enable the rendering of various health services.

The essential element of assets is the **cash budget**. In the public sector, emphasis is placed on the **cash budget** and what it can achieve in terms of supplies and procurement of facilities. According to Baker and Powell (2005:29) the “financial depreciation of equipment on inventory should reflect expenditure related to replacement of equipment and should be divided into proportions over a future period of time that reflect the estimated life of assets”. It is the depreciation of equipment on the inventory that the researcher argues that needs more emphasis in the public hospital sector to determine costs and future expenditure which is in line with van Wyk’s (2003:131) view when he states that “accurate cost information is important to cost-effectiveness and efficiency”.

- ***Liabilities***

According to Baker and Powell (2005:23) **liabilities** include “different elements that vary from organization to organization. The most common liabilities are accounts payable, salaries and uncollected revenue from health services rendered”. All the above elements (accounts payable, salaries and revenue) can be classified as expenditure in terms of a cash budget as part of the accounting system. According to van Wyk (2003:130) the “public sector traditionally focuses on control over expenditure as it measures the cash flows of the budget during a fiscal year”. However, Baker and Powell (2005:28) argue that organizations should “focus on the accrual accounting process when revenue is collected which include the depreciation of inventories as referred to under assets”. Van Wyk (2003:133) states that “only cash is recognized in practice as an asset and other assets and **liabilities** such as supplies, equipment, inventories and accounts are neglected in the calculation of the depreciation value of assets”. It must also be noted that at “any point in time not all expenses are paid for because of the time when the expense was incurred and the time of recording, it can therefore be referred to as **liabilities**” (Black 2000:5).

- ***Capital***

According to Black (2000:6) “all assets of the public hospital that has no debt are the property of that particular hospital and serve as **net worth**”. Baker and Powell (2005:192) refer to “**capital** as goods such as equipment and structures with an expected use of more than one year”. In view of **capital**, equipment and structures in the public hospital sector are classified under hospital equipment (such as instruments, medical machines, vehicles, donations, office furniture and so on), buildings and land.

Since revenue, expenditure, assets, liabilities and capital represents the financial position of the public hospital it is necessary to keep a balance between expenses and revenue to allow for the effective and efficient operation of the hospital. This is in line with the perspectives of Greenwood (2003:186) and Baker and Powell (2005:20) who indicate that “accounting systems provide information, and controls revenue and expenses in terms of a balance

sheet on the total financial position of assets, liabilities and surpluses during a cycle where reports should be kept accurately and timely”.

3.4 Conclusion

The objective of financial management in the public hospital indicates utilizing resources with the purpose of ensuring efficiency in delivering health care services. Financial management in public hospitals embodies financial planning, organizing, leading and control. This process is followed through in the collection of revenue, recording of expenditure and liabilities, evaluating of assets and acquiring and monitoring of capital as elements of an accounting system utilized for the effective and efficient functioning of the public hospitals. From the literature review, authors highlighted the importance of management and its four functions such as planning, organizing, leading and controlling in determining the success of an institution. The researcher linked these processes with financial management in applying the BAS accounting system as practiced in public hospitals.

In chapter 4 the research methodology will be addressed.

CHAPTER 4 RESEARCH METHODOLOGY

4.1 Introduction

Cormack's (2000:118) definition of "research methodology refers to the adopted method that is followed by a set of procedures applicable for a particular study". This chapter illustrates the research approach and the process followed to obtain the data applicable for the study. In more detail the process focuses on the aim of the study, the assumptions, research approach, the research design, data collection and analysis and the ethical approach.

4.2 The purpose and objective of the study

The purpose and objective of this particular study are as follows:

4.2.1 Purpose of the study

The intent of this study is to investigate and describe financial management in public hospitals with reference to: financial planning, financial organizing, financial leading and financial control in order to design an intervention program to enhance financial management skills.

4.2.2 Objectives of the study

The objectives of the study were to:

- explain the financial indicators relevant to financial management in terms of the Basic Accounting System Program (BAS) and management policy for public hospitals,
- determine the current state of financial management in selected public hospitals,
- developing recommendations to facilitate and enhance the financial management in public hospitals,

4.3 Assumptions

Macnee and McCabe (2007:254), Fitzpatrick and Whall (1996: 207) and Burns and Grove (1997: 48) reason that “assumptions are statements that are taken for granted and are considered to be true even if there is no scientific proof”. For this study, the assumptions that relate to financial management are:

- Poor financial skills can result in financial irregularities.
- Sound financial management in public hospitals is directly related to the commitment of health service managers
- The measured outcome of a financial management programme and its processes is indicative of a good financial management performance of health services.

4.4 The research design

The approach to this study focused on a systematic collection of information utilizing the quantitative research method emphasizing an exploratory and descriptive design to examine financial management within the public hospital setting. The aim is to identify gaps in the management of financial processes and to provide guidelines and strategies to improve these within public hospitals.

• Quantitative research method

Macnee and McCabe (2007:29) define “quantitative research as a means to comprehend and to unfold the study phenomenon into parts that either connects or not”. According to Parahoo (2006:48-49) and Brockopp and Hastings-Tolsma (1995:153), a “quantitative approach is characterized by beliefs that objective data can be gained by studying human beings according to a structured design to produce objective results when different methods are applied”. For Polit and Beck (2006:260) and Gillis and Jackson (2002:40) the important “goal of a quantitative study is to arrive at general statements that can be applied in various situations”. In terms of this study, it implies that general statements on financial management regarding financial variables can be explained and applied in public hospitals. On the other hand Adler and Clark (2003:455) state that “quantitative research is based on quantifying variables which focus on the relationship between and among study variables”.

In terms of this study, it implies that the quantitative study would explain general financial management, and financial variables as observed and applied in public hospital settings. The hospitals will be examined at all stages of financial management which include an investigation into the management process as it appears in terms of inputs, processes and outcomes.

• **Exploratory design**

According to Adler and Clark (2003: 12) studies with an “exploratory purpose is aimed at developing a plausible explanation of the variables in the study phenomenon”. An exploratory study is the first stage of research and gives the researcher new knowledge on the study phenomenon in order to design a more in depth study. An exploratory approach was followed to identify and discover the main financial processes and outcomes with reference to financial management. The exploratory approach informed the researcher about the study phenomenon.

• **Descriptive design**

According to Cormack (2000:218) the “descriptive design wishes to examine the characteristics of a single aspect”, as illustrated in Figure 4.1. The phenomenon of interest is financial management in public hospitals, with affecting variables such as planning, organizing, leading controlling, and costing within the BAS. Gray (2005:32) cites Hedrick et al (1993), who describes “descriptive studies as a design which provide a picture of the phenomenon as it occurs naturally”. Descriptive studies can also include a “normative study, comparing data against a standard (for example financial management experience against level of qualification to gauge sound financial practices)” (Gray 2005:32). Brink (2000:11), Gillis and Jackson (2002:31) and Parahoo (2006:184) agrees that “descriptive studies are about obtaining accurate information about a particular phenomenon through description and observation”. For the purpose of this study the descriptive design aims to describe the financial management in public hospitals in terms of daily activities pertaining to financial affairs.

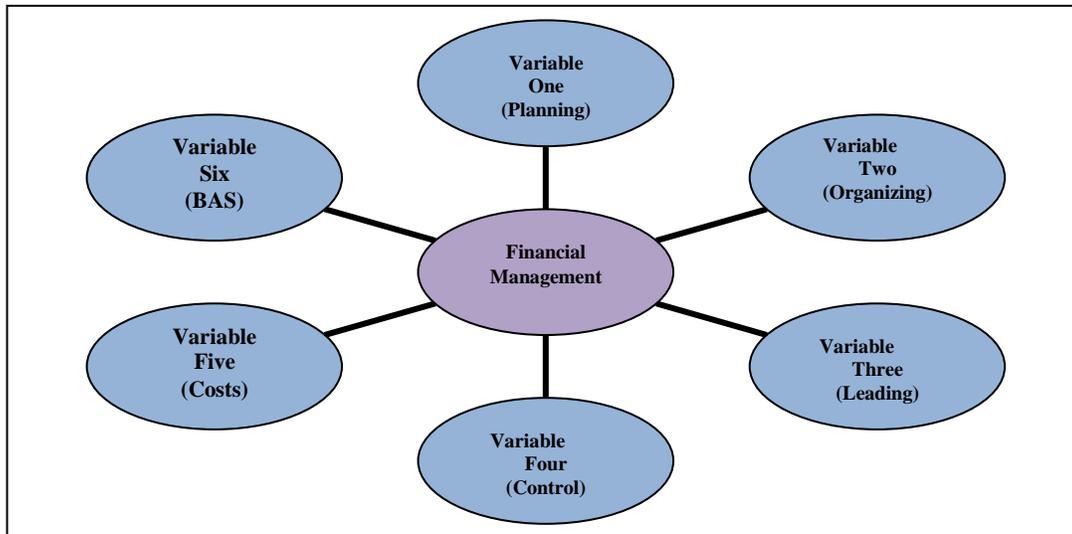


Figure 4.1 Variables within a descriptive design as adapted from the General Principles of BAS (2000:1-54) and the National Treasury Guideline for Accountants (2000:12)

4.5 Demarcation of study field

The demarcation of the study field is financial management and is conducted in the context of public hospitals. The inclusion criteria are; public hospitals with more than 100 beds, personnel capacity of 200 in personnel categories (medical, paramedical and administrative) and utilizing the Basic Accounting System (BAS), which resorts under the Department of Health in the Mpumalanga Province.

4.6. Study population

Parahoo (2006:258) explains “the target population as units within the study population that provide the frame from which the target population is selected”. The study population for a study consists of the study subjects that meet the set of criteria under study that maybe of interest to the researcher. De Vos (2006:190) defines “the study population as study units within a population to be studied”. Polit and Beck (2006:260) argues that “the accessible population encompasses cases from the target population that are accessible for study”. In this study the population would apply to all public hospitals (21 district, 5 regional and 1 provincial hospitals) in Mpumalanga Province using BAS as financial management tool and has active patient capacity of 100 beds and with a personnel capacity of at least 200 in all personnel categories (medical, paramedical and administrative) per

hospital, with a total personnel capacity of 9548 staff employed in these categories (Cullinan 2006:11 and Department of Health and Social Services' annual report of 2006/7, 2007:99).

4.7 Sample

Rasmussen, Ostergaard and Beckmann (2006:123) describe a “**sample** as studying a smaller group within larger groups”, Maylor and Blackmon (2005:194) indicate that a “sample represents part of the study population that will be studied, in order to understand the population from which the sample was drawn” (Macnee & McCabe 2007:123). According to Adams, Khan, Raeside and White (2007:87-88) “**sampling** is the process of selecting study participants for the purpose of classifying a population under study”. “**Samples** are drawn in two ways, probability and non-probability” and for this study a probability technique was used to which every subject in the study population has an equal chance of being selected. Parahoo (2006:256) explains a “**sample** as a (pro) portion or subset of a total number of potential respondents from whom the data will be collected”. Gillis and Jackson (2002:498) refer to a “**sample** as those individuals or units selected for a particular study”. Notter and Hot (1994:197) select “individuals from the total population of a particular class of individuals to be studied in **sample** studies”. According to Burns and Grove (1997:294) “**samples** can be defined as studying a heterogeneous population with a broad range of values and variables”. De Vos (2006:191-198) states that to “study **samples** would be an effort to understand the population from which it was drawn”.

With **random sampling** is meant that “all members of the population from which the sample is drawn have an equal chance or equal probability to be included” (Henn, Weinstein & Foard 2006:130). Wood and Ross-Kerr (2006:71) share the same point of view in that “each individual of the population has a greater than zero opportunity to be included in random samples either through a percentage of the population or in a selected number of study subjects”.

In **stratified sampling** the sample studied has to be “grouped in different units, where each group is termed a stratum, and then samples are drawn equally or proportionately from the different strata” (Adams et al 2007:88-89). In other words, the study population sampled is

“divided in groups or strata according to certain variables important to the study and members from these groups are then randomly selected to be studied in terms of the different variables as elements under study” (Parahoo 2006:262 and Polit & Beck 2006:265).

For this study a combination of **random sampling** for hospitals and the **stratified random sampling** approach for different strata (management and subordinates) will be followed. The **sample** size was based on the total staff employed in these hospitals (n=9548), with a 50% response distribution and a 95% confidence level value that allowed a sample of n=300 (Raosoft 2004). All 27 public hospitals in the Mpumalanga Province met the inclusion criteria (100 beds and more, 200 staff employed and applying the BAS), nine hospitals were randomly selected using a table of random numbers. **Sampling** the public hospitals was based on the population of 27 public hospitals, a 50% response distribution and a 95% confidence level value that amounted to 9 public hospitals (Raosoft 2004). The hospitals were identified as hospitals A, B, C, D, E, F, G, H and I. Within the nine hospitals **stratified** sampling followed where, two groups of staff were identified as different strata from which samples were drawn. They were:

Management (Group A) which consisted of all managers (executive, medical, pharmaceutical, emergency, therapists, nursing and financial) and subordinates selected to form the management team that is representative of the hospital, and

Subordinates (Group B) were represented by subordinates from the medical, pharmaceutical, emergency, therapists, health, financial, transport, human resources, procurement, information and data capturers, patient administration and maintenance departments.

Within the nine hospitals, four groups of staff were identified, namely management, health care, financial and administrative personnel. After the data collection process these four strata were further divided into two categories, namely management and subordinates. Approximately ten (10) to (40) respondents for Groups A and B collectively were randomly selected from each of the nine hospitals which depended on the availability of the staff members due to their daily duties. The number of staff within each hospital differed, amounting to a sample size of three hundred (n=300). A response rate of 66.66% (n=182) was achieved. The sample consisted of 4 (2.27%) chief executive officers, 3

(1.70%) financial managers, 84 (47.72%) unit managers (Group A) and 91 (50.00%) subordinates (Group B).

4.8 Data collection instrument

For Macnee and McCabe (2007:175) the “data collection instrument in quantitative studies is referred to as a device that identifies and objectifies the data collection process”. Gillis and Jackson (2002:450) agree with Macnee and McCabe (2007:175) when they “regard data collection as a process of gathering information from identified respondents to answer the research questions, different data collection instruments such as questionnaires, interviews, and checklists can be applied”.

“Questionnaires are the most generally used instrument of all” according to Langford (2001:118) and De Vos (2006:152-153), because they are “easy to administer, inexpensive and offer anonymity”. Polit and Beck (2006:294), De Vos (2006:152) and Burns and Grove (1997:358) note that “questionnaires contain various degrees of structures such as open-ended and closed-ended questions”. According to Singh (2007:71-72), “caution should be taken in phrasing questions to avoid double barrel questions, questions leading to ambiguity, the personal wording of questions, loaded questions, unfamiliar terms and jargons in questions, and the complexity of questions”.

Questionnaires also have advantages and disadvantages. According to Gray (2005:108-113) the “advantages of questionnaire are that it is generally inexpensive, simple, less time consuming than interviews and respondents can remain anonymous”. However, some “disadvantages have also been recorded as, mailing questionnaires can be costly, low response rates, respondents may provide socially accepted responses and respondents may fail to answer important aspects in questions” (Gray 2005:110-113).

The questionnaire was considered appropriate for the study as it were designed according to the objectives of the study to obtain information through a written response from the participant on a particular subject. The questions were presented in a consistent manner, as this allows less opportunity for biasness than in the interview. For this study a self

administered questionnaire (Annexure D) was developed which is “structured and standardized” (Parahoo 2006:55).

To achieve a “standardized set of questions, the researcher concentrated on simple, short, unambiguous, and understandable questions” (Brink 2000:156). The purpose is to obtain information about financial management practices in public hospitals. The literature study served as the basis for financial management issues and processes from which the questionnaire was developed.

According to Polit and Beck (2006:309) and Burns and Grove (1997:362): “a rating scale lists a series of response options for a variable based on an underlying descriptive continuum”. For Parahoo (2006:293) “scales of options are made up of statements that respondents need to rate”. The questionnaire utilized in this study contained statements followed by multi choice response alternatives on which respondents were requested to react according to a rating scale where a value is assigned to the response alternative.

With the “design of the questionnaire the researcher considered questions that will meet the objectives of the study and gave attention to formulating aspects such as careful wording of questions, length, arrangement, and distribution of questions as indicated by Brink (2000:155-156)”.

4.8.1 Design of the data collection instrument

The purpose of the data collection instrument was to determine the level of financial management activities in terms of the BAS system and the effectiveness of these practices, and to determine whether the management process in terms of planning, organizing, leading and controlling was reflected in the daily financial activities of the public hospital. Table 4.1 portrays the composition of the data collection instrument.

Table 4.1 The composition of the data collection instrument.

Section	Questions
A. Biographic Information	Questions 1 – 3
B. Financial Legislation and Regulations	Questions 4 – 10
C. Financial Management Concepts	Questions 11 – 33
C.1 Planning	Questions 11 – 13
C.2 Organizing	Questions 14 – 25
C.3 Leading	Questions 26 – 28
C.4 Controlling	Questions 29 – 33
D. Basic Accounting System	Questions 34 – 43
D.1 Indicators	Questions 34 – 38
D2. Knowledge of Accounting Practices and the Accounting System	Questions 39 – 43

4.8.2. Components of data collection instrument

- **Section A** consists of biographic information of the respondents in terms of their qualification status, employment position, employment experience and gender.
- **Section B** indicates the respondent’s knowledge and understanding of financial legislation and regulations within the public hospital sector.
- **Section C** illustrates and measures the respondent’s ability to apply the management process (planning, organizing, leading and controlling) in terms of finances related to the public hospital.
- **Section D** indicates the respondent’s ability to interpret and understand financial indicators pertaining to the financial practices of the BAS accounting system in the public hospital.

4.8.3 Validity and reliability

According to Gillis and Jackson (2002:26-27) “quantitative researchers use validity and reliability as the link between concepts and operational level research. In developing the measuring instrument for this study, possible questions and alternatives were selected to address the financial management phenomena”. The following in terms of validity and reliability.

4.8.3.1 Validity

According to Polit and Beck (2006:328) and Gillis and Jackson (2002:26) “validity refers to the measuring instrument and what it is supposed to measure in terms of the context of the study”. For Burns and Grove (1997:228, 360-361) and Langford (2001:52, 95) “questionnaire validity is an examination of the truth to the extent to which the questionnaire as a research instrument provides data that relates to the meaning of a variable concept”. In other words the questions should address a true measure of the item to be examined. Various authors including Macnee and McCabe (2007:182-184), Polit and Beck (2006:328) and Vos (1998:84) “categorize the different types of validity into face, content, criterion-related and construct validity”. Brink (2000:168) defines “**face validity** as the means through which the measuring instrument appears to measure what it is supposed to measure, thus financial management practices in the public hospitals”. **Face validity** was achieved by designing the questions according to the objectives of the study which were structured in terms of biographic information, financial legislation and regulations, financial management concepts and the basic accounting system. Experts in the nursing profession and a statistician were requested to scrutinize the questionnaire to establish whether it measures content related to the objectives, of the study.

For Parahoo (2006:304) “**content validity** refers to the measuring instrument’s content, and whether it adequately represents the phenomenon that is being studied”. On the other hand Macnee and McCabe (2007:183) view “**content validity** as how true the questions comprehensively and appropriately measure the concepts that are studied”. In this study the content validity of all items was assured by experts, in relation to financial management practices, policies, prescripts and is supported by the literature study and the theoretical framework, except for questions 1, 2 and 3 which are related to biographic information.

“**Criterion-related validity**” as argued by Macnee and McCabe (2008:184) addresses “how true the result of a measure relates to the results of other measures of a concept if it is measured now and again”. For De Vos, Strydom, Fouché and Delpont (2006:161) “**criterion-related validity** involves multiple measurement of concepts, traits or behaviour and is established by comparing scores of an instrument with an external criteria known or believed to be measuring the concept, trait or behavior being studied”. According to Gillis and Jackson (2002:428) “**construct validity** supports the theoretical hypothesis”. It is not the purpose of this study to determine “**construct validity**” as De Vos (2006:85) argues “researchers are not interested in this phenomenon as it takes years to examine”.

The validity measures for this study thus pertain to face and content validity, e.g. if the pre-requisites for sound financial management are tested, then content should include aspects such as suitably qualified personnel, analytical skills, accurate recording, thoroughness, effective communication, visionary leadership and accuracy skills.

4.8.3.2 Reliability

For Polit and Beck (2006:325) reliability “means to test the accuracy of a measuring instrument”, for Brink (2000:171) and De Vos (2006:86) reliability refers to a “measuring instrument yielding the same results under comparable circumstances if repeated on the same person or used by two different researchers”. Macnee and McCabe (2008:180) define “reliability as a measure that is consistent, which gives the same results when measuring concepts have not changed again”. Parahoo (2006:36) and Burns and Grove (1997:327) state that “reliability testing has characteristics of dependability, consistency, accuracy and comparability”.

The intent of the measuring instrument was to investigate financial management in public hospitals. Pre-testing the instrument is a way of assessing the data collection instrument, examine its’ validity and reliability and to refine if necessary. For Brink (2000:171) to “achieve the stability of the measuring instrument, it is given to the same individuals on two occasions and then the responses are examined for similarities”. To ensure validity and reliability of the measuring instrument a pre-test was undertaken to determine the clarity of questions, their relevance, completeness, consistency and the time required to complete the questions.

Research questions were compiled in such a manner that only one aspect was measured at a time. Consistency of questions was maintained with a structured questionnaire as the only data collection tool for this study. Internal consistency of the questions for this study was measured by the Statistical Package for Social Scientists (SPSS) utilizing the Cronbach procedure, “only on questions with more than one variable” (Nieswiadomy 1998:201). In developing the measuring instrument, Brink (2000:173) explains that “researchers should also focus on sensitivity, appropriateness and generalization”. During the development of the questions attention was given to sensitivity (aspects of financial management), appropriateness (level of education) and generalization (same practices followed elsewhere).

4.9 Pre-testing the data collection instrument

According to Gerrish and Lacey (2006:26) “pilot studies are done to see if the recruitment process works, or simply for testing out the data collection instrument”. The questionnaire is piloted on a small sample of the target population with similar characteristics to those in the full study, to pick up questions that are misinterpreted.

A full pilot test was not done, but pre-testing was performed on the data collection instrument. The “purpose of the pre-testing was to identify questionnaire problems and to acquire knowledge about the actual field conditions” (Singh 2007:72). With this in mind, the pre-testing took place in the Mpumalanga Province by selecting a hospital that was not part of the main study. The questionnaire was pre-tested by randomly selecting two respondents from groups such as management, health care, financial and administration groups, totaling to eight respondents. After testing the data collection instrument, rephrasing was done of questions 34 to 38 and 40. The final data collection instrument was then ready to be implemented in the nine randomly selected hospitals in Mpumalanga Province to acquire the data.

4.10 Permission to do research

Permission was requested from the Department of Health in the Mphumalanga Province (Annexure A) by submitting the research proposal and provisional data collection instrument with the application. Permission was granted by the Director-General of Department of Health (Annexure B) after which the chief executive officers of the

identified public hospitals were informed by letter and confirmed by telephone when the study would commence. A special information package was developed to communicate with the selected public hospitals which included the objectives of the study, the questionnaire, and communication methods for interaction between the selected hospitals and the researcher.

4.11 Data collection

An internal meeting was held at all nine selected hospitals respectively during different time frames to brief the professionals who participated in the study, on the objectives, methodology, research techniques and data collection instrument to be applied. The data collection for the study was initiated immediately after the briefing section. All nine hospitals were visited to collect the data. The principle researcher was responsible for collecting data at three hospitals, and two research assistants were trained to collect data at one and five hospitals respectively.

4.12 Data analysis

Wood et al (2006:6) and Polit and Beck (2006:243) and Brink (2000:200) argue that “the researcher should give account of the method that will be used for analyzing data to provide answers to research questions”. According to De Vos (2006: 202-203) and Treece and Treece (1973: 213): “data analysis entails the break down of research data into small elements to obtain answers to research questions”. Descriptive statistics were utilized in this study. According to Parahoo (2006:379) and Brink (2000:183-189) the following features are used to describe and summarize the data. Parahoo (2006:380) defines “**frequency** as the counting of the number of times a value appears in the data”. Frequency in this study is reported in terms of numbers and percentages and will appear in the form of tables and graphs. “Bar charts and pie charts are used in labeling variables per scale according to a nominal, ordinal, interval and ratio level as indicated by Parahoo (2006: 376-377) and Brink (2000:192)”. Brink (2000:184) explains **central tendency** as “measuring the numbers expressing the most average scores in a distribution in terms of the mean, median and mode”. The services of a statistician were utilized and the Statistical Package for Social Science (SPSS) software program was used.

4.13 Ethical considerations

For Punch (2005:276) “all social research involves ethical issues, as social research involves the collecting of data from people as the subjects under study”. The main ethical

principles in research would include issues such as no harm to respondents, informed consent, privacy and confidentiality, cooperation, competence of researchers and publication of findings. In this study the following ethical issues were relevant; informed consent, privacy and confidentiality and the publication of results. All respondents that took part in this study were informed about their rights by documenting these conditions on the consent form (Annexure C). The consent form was constructed separately from the questionnaire and was undersigned by the respondent allowing the researcher to proceed with the study.

Anonymity and confidentiality of respondents were preserved by taking precautionary measures to protect the right to privacy by not indicating their names or the name of the hospital. To protect this right the following method was followed; only a code would identify the respondent, names and dates would not be used in any reports when publishing results. Research results would be made available to respondents on request. The researcher also signed an agreement with the Department of Health Mpumalanga Province (Annexure E), to only use data for research communications, journals, and paper presentations and for concluding this thesis.

4.14 Conclusion

Once the research problem had been defined, it was important to decide on the approach to use when investigating the problem. In this study the focus was on utilizing the quantitative research method emphasizing an exploratory and descriptive design to study financial management in public hospitals. The defined population for this study included nine different public hospitals in one province. The sampling method consisted of a random and stratified combination; four groups of staff were identified namely management, health care, financial and administration staff.

To determine whether financial management and its procedures are applied, a structured data collection instrument in the form of a questionnaire was utilized. The questionnaire was pre-tested in terms of reliability and validity in the Mpumalanga Province, in a provincial hospital not included in the main study. Once the pre-testing had been completed, the necessary changes were made and the final product was applied to the

larger study. Permission was obtained from the Department of Health, Mpumalanga Province to conduct the identified study.

Chapter 5 will contain the data analysis.

Chapter 5 PRESENTATION AND DISCUSSION OF DATA

5.1 Introduction

This chapter discusses the data analysis and interpretation.

According to Brockopp and Hastings-Tolsma (1995:200) the “purpose of data analysis of a study is to describe the data in meaningful terms”. Nieswiadomy (1998:34) share the same “view and adds that after the data have been analyzed, the findings should be interpreted to be in line with the research questions, to contribute to the existing body of knowledge on the study phenomenon”.

The objectives of the study were to:

- explain the financial indicators relevant to financial management in terms of the Basic Accounting System Program (BAS) and management policy for public hospitals,
- determine the current state of financial management in selected public hospitals,
- developing recommendations to facilitate and enhance the financial management in public hospitals.

According to Gerrish and Lacey (2006:436) “data in quantitative studies are mostly derived from questionnaires”. Descriptive data will be presented in the form of tables, figures and graphs. This chapter provides the data analysis for the study under the following sections: biographic information, financial regulations, and financial management (in terms of planning, organizing, leading and controlling) and accounting system and accounting practices.

5.2 Response rate

According to Macnee and McCabe (2008:137) the “response rate is not necessarily a problem when research occurs in a controlled environment such as a hospital as those respondents participating in the study, have no choice, but to be part of the study”. Adler and Clark (2008:230-232) share the same thoughts and refer to “a captive audience as the study unit sharing similar viewpoints on the study objectives”. In Mpumalanga Province a total of nine public hospitals were randomly selected for this study and 300 questionnaires

were distributed. A total of 182 completed questionnaires were returned, which calculated to a response rate of 66.66%.

Despite the request to respond to each question, some of the respondents did not respond to all questions which could be due to a lack of knowledge and experience in management or financial management. Due to the unavailability of health care staff at six of the nine public hospitals, continuous rescheduling of appointments had to be made by the researcher and two assistants in an attempt to acquire a higher response rate. The researcher concluded that respondents were generally cooperative and supportive in terms of the objectives of the study.

Where the *n-value* deviates from 182 it is indicated at the specific item, the number of participants who responded to the question was used to do the calculations for analysis and interpretation purposes. The response rate of the majority of the questions varies according to the different variables of the question and will be discussed under the specific item of the relevant question. The negative response rate on each item of the question was not discussed, but it portrays the remaining part of the percentage calculation. The *n-value* in the graphic illustrations will reflect different response to different questions and only the positive response rate to the specific item of the question will be indicated. All figures are rounded off to the second percentage decimal.

5.3 Data analysis

The data analysis has led to the interpretation of data that resulted in the findings and recommendations of the study. According to Adler and Clark (2008:434) “quantitative analysis of data presumes that the researcher has collected data from representative groups within organizations to answer the variable characteristics of the study undertaken”. Two groups were categorized in the study where the management group, forthwith called Group A, consisted of staff that was employed on management level (which includes staff resorting under medical, nursing, financial and administrative). The second group, Group B consisted of subordinate staff that resorts under medical, nursing, administration and supporting professions.

5.3.1 Analysis software program

Advantages of computer based statistical packages as the SPSS (version 14.0 and 15.0) used in this study “enabled the researcher to score and analyze quantitative data quickly and effectively in many different ways” (Bryman & Cramer 2001:15). All graphics in this study were designed in Microsoft excel (version 2007). The services of a statistician were used to calculate the data in terms of **frequencies** and measuring **central tendencies**, **reliability** and **comparisons**.

5.3.2 Descriptive statistics

According to Adler and Clark (2008:435) “descriptive statistics are used to describe and interpret collected data from the study sample”. “**Frequencies** are the number of cases in each category of a variable and are displayed in terms of tables, pie graphs and bar charts (Adler & Clark 2008:440-442)”. In the display of bar charts the accumulative values for the variable, for both groups are indicated in blue, and this is the figure used in the discussion of findings. According to the responses in this report response alternatives mainly include “not at all” or “not important”, “to a minor extent” or “slightly important”, “to a substantial extent” or “important” and “very important”, “fully comply” or “always” (Adler & Clark 2008:440-442). “**Central tendencies** establish the average value of variable trends and are displayed in pie graphs and bar charts to illustrate the practices and patterns followed” (Bryman & Cramer 2001:80). For the purpose of data analysis and interpretation, response alternatives were grouped as positive or negative responses. The following positive response alternatives were grouped together “important”, “very important”, “to a substantial extent important” or “fully important” and the negative group contained response alternatives such as “not at all” or “slightly important” or “to a minor extent important”.

5.3.3 Inferential statistics

Inferential statistics refer to the “relationship between one and more variables in the study” (Black 2002:12; Adler & Clark 2008:435). In inferential statistics data are “analyzed to establish differences in the means of groups under study which may occur as a result of chance” (Brockopp & Hasting-Tolsma 1995:200,215-222; Gray 2005:301-312). To determine the “possibility of variables occurring by chance the mean scores (μ) and

standard deviation (SD) are utilized” (Brockopp & Hasting-Tolsma 1995:200,215-222, Gray 2005:301-312). To determine the “statistical significance in this study a 95% confidence level is expressed as $p < 0.05$, where the relationship in the analysis of the items in the questionnaire has less than five times in a hundred to occur by chance” (Bryman & Cramer 2001:169-176; Henn, Weistein & Foard 2006:208-212; Gray 2005:317).

5.3.4 Analysis of variance

According to Kent (2001:174-175), Wagner (2007:81) and Bryman and Cramer (2001:147-149) the “analysis of variance (ANOVA) involves a statistical test that compares the variance of scores between the groups with the variance within the groups and if the variance between groups is large it is concluded that the groups differ significantly, and if not, then it implies that the difference between the groups are not statistically significant”. Significant differences encountered between the means of the two groups of respondents (Groups A and B), will be discussed under the specific item of relevant questions.

5.3.5 Reliability of the data collection instrument

Gray (2005:207-208) argues that “the data collection instrument is **reliable** when it measures something today and if measured another time under the same conditions it should yield the same results”. To determine: “**reliability** a common test, namely Cronbach’s alpha coefficient was applied in this study to establish internal consistency of the questionnaire and its categories” (Black 2002: 85). The “**reliability** of questions is determined by items that make up a scale and response items within a question that measure a single concept” (Bryman & Cramer 2001:63). The “Cronbach alpha coefficient uses indicators such as low and high scores (from 0 to 1.0) to determine whether a relationship exists or does not exist between different items on a scale within given response” (Bryman & Cramer 2001:63; Mcnee & McCabe 2008:182; Adler & Clark 2008:143). A figure of 1 indicates the highest measure of reliability but a score above 0.8 is still considered acceptable.

Table 5.1 presents a summary of questions for which the **reliability** was assessed, most scores ranged between 0.8 and 0.9 which are considered to be highly reliable. The

Cronbach alpha was not calculated for questions in which there were less than 4 sub-questions.

Table 5.1 Reliability of questions in terms of Cronbach alpha (n=182)

Questions	No. of items	Cronbach's alpha
9.1 – 9.8	8	0.932
10.1 – 10.7	7	0.895
11.1 – 11.5	5	0.933
12.1 – 12.5	5	0.912
13.1 – 13.6	6	0.882
14.1 – 14.4	4	0.866
17.1 – 17.9	9	0.925
19.1 – 19.9	9	0.832
23.1 – 23.7	7	0.910
24.1 – 24.5	5	0.902
25.1 – 25.7	7	0.924
26.1 – 26.4	4	0.945
27.1 – 27.6	6	0.966
29.1 – 29.5	5	0.932
30.1 – 30.7	7	0.842
33.1 – 33.6	6	0.829
35.1 – 35.7	7	0.938
36.1 – 36.5	5	0.929
38.1 – 38.5	5	0.915
39.1 – 39.6	6	0.920
40.1 – 40.5	5	0.941
41.1 – 41.4	4	0.915
42.1 – 42.5	5	0.907

The overall conclusions is that out of 43 questions, 23 where tested for **reliability**, all acquired a score greater than 0.82 indicating a high level of reliability.

5.4 Data presentation and interpretation

The data is presented according to the different sections of the data collection instrument such as:

- **Section A:** Biographic information of the respondents in terms of qualification, employment position and experience (Questions 1-3).
- **Section B:** Respondent's knowledge and understanding of financial legislation and regulations within the public hospital sector (Questions 4-10).

- **Section C:** Respondent's ability to apply the management process (planning, organizing, leading and controlling) in terms of finances related to the public hospital (Questions 11-33).
- **Section D:** Respondent's ability to interpret and understand financial indicators pertaining to the financial practices of the BAS accounting system in the public hospital (Questions 34-38).
- **Section E:** Respondent's knowledge of accounting practices and the accounting system (Question 39-43).

5.4.1 Section A: Biographic information

Section A of the questionnaire acquired information from the respondents pertaining to their highest qualifications, position in the hospital and experience gained with regard to their profession or job within the public hospital.

5.4.1.1 Respondents' qualifications

Figure 5.1 indicates the respondents' highest qualification. It is unclear why 22 (12.08%) of the respondents did not answer the question. Of the respondents who answered this question 74 (46.25%) have degrees and 86 (53.75%) have diplomas and short courses. It is apparent that of the total sample, 160 (87.91 %) respondents received formal training of some kind beyond secondary level training. According to Hannagan (1998:319) and Ingram and Albright (2007:238) the "purpose of formal training forms the basis of knowledge and ensures that employees develop skills for their jobs, irrespective of the training institution".

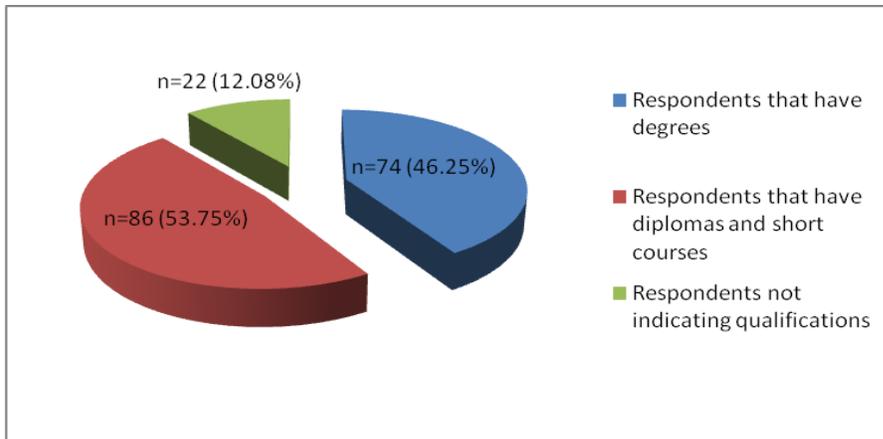


Figure 5.1 Respondents highest qualifications (n=160)

5.4.1.2 Position of respondents

According to Smit (2007:12) “an organizations’ staff can be categorized into two main categories; firstly, according to their management level (executive, middle and first line-managers) and secondly, by their function within the organization (administrative, medical, nursing or research)”. It is evident that 91 (51.70%) of the respondents (n=176) who responded to this question hold **management** positions and are thus considered to be line-managers, these managers form Group A. Forty-seven (26.70%) of the respondents indicated they are subordinates, 38 (21.59%) marked the ‘other’ response alternative and 6 (3.29%) of the respondents did not respond to this question. For purposes of analysis, all three the latter groups of respondents are grouped together in Group B as **subordinates** as it is assumed that these respondents are employed and are likely to be subordinates rather than managers who would know if they are in management positions. Groups A and B are thus of a similar size, each containing 91 (50.00%) respondents.

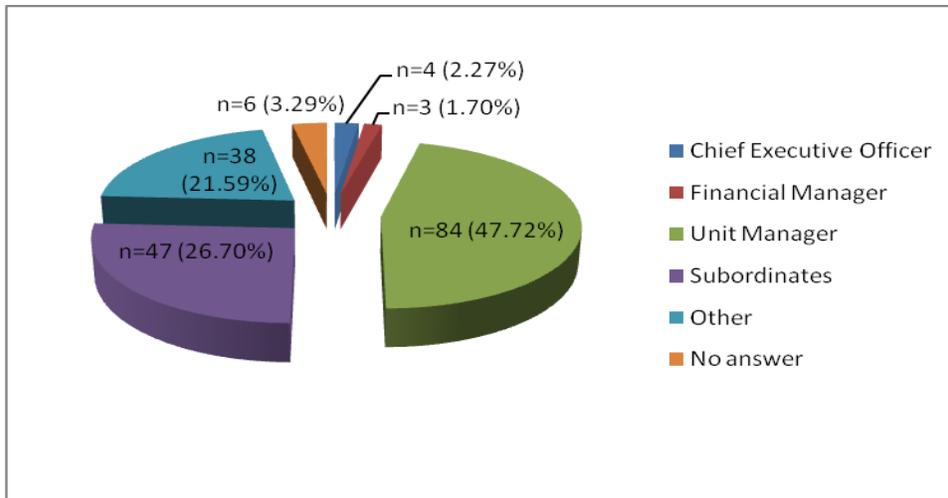


Figure 5.2 Respondents' current position in the hospital (n=176)

5.4.1.3 Respondents' experience

Respondents were asked to indicate their years of experiences in terms of management, financial matters, supervising and their profession.

- **Management experience**

Eighty nine (48.90%) of the respondents did not respond to this item. It is obvious from figure 5.3 that 7 (7.52%) of the 93 (51.09%) respondents who responded to this item have not had any experience in management, whereas more than half (51; 54.83%) indicated that they had 7 or more years experience in management.

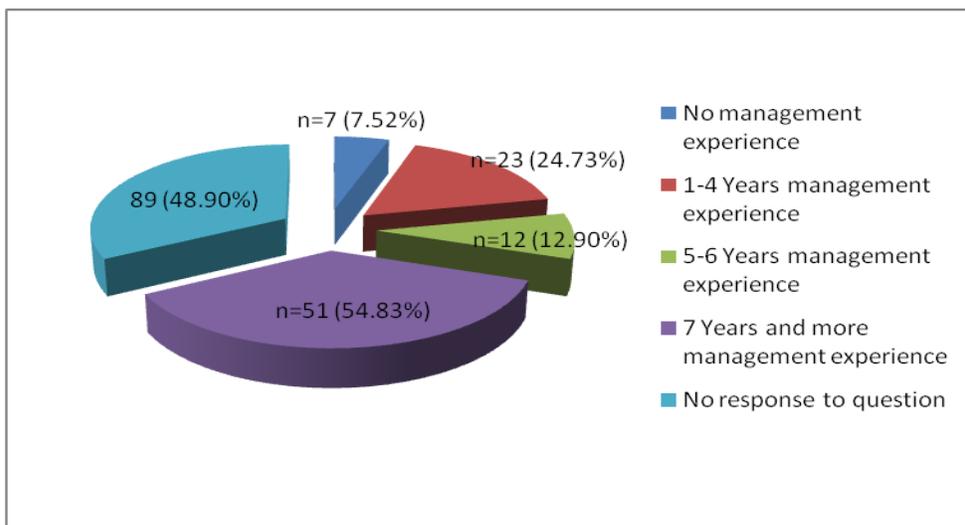


Figure 5.3 Respondents' experience in terms of management (n=93)

- **Financial experience**

Almost two thirds 112 (61.53%) of the respondents did not respond to this item. Figure 5.4 indicates that of the 70 (38.46%) respondents answering this item, only 58 (82.85%) had experience in financial activities varying between one and more than seven years.

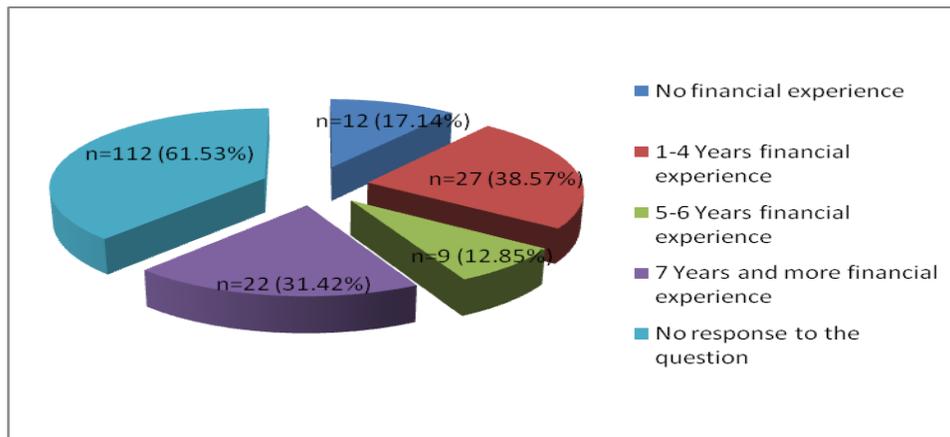


Figure 5.4 Respondents' experience in terms of finance (n=70)

- **Supervision experience**

Sixty eight (37.36%) respondents did not respond to this item. In terms of supervision, figure 5.5 indicates that only a small number 6 (5.26%) of the respondents did not have any supervision experience, whereas 75 (65.78%) had more than 7 years supervision experience. Of the total group of 182 study participants, just more than half 114 (62.63%) had supervisory experience.

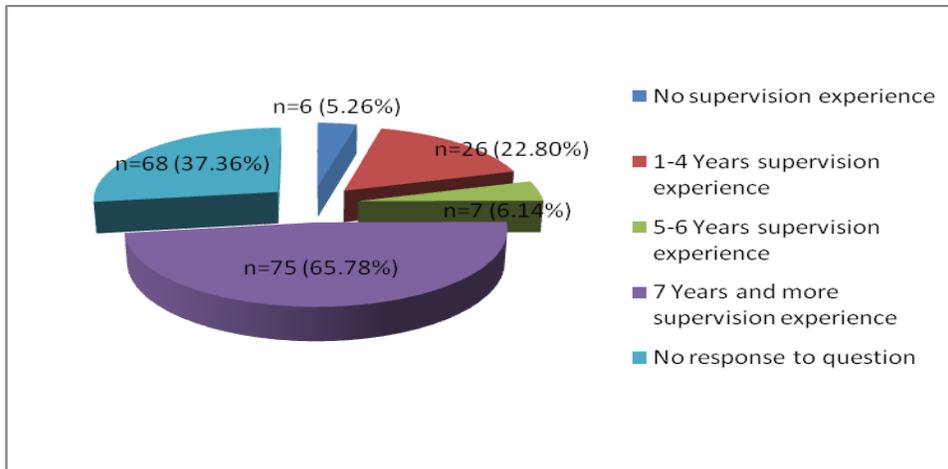


Figure 5.5 Experience in terms of supervision (n=114)

- **Experience in job/profession**

“Experience in the profession, or job, relates to knowledge and skills acquired in the health sector through a formal training process” (Iles 2006:41). The following jobs/professions have been identified and distinguished in the hospital environment: medical specialists, medical officers, pharmacists, radiographers, physiotherapists, occupational health, emergency staff, nurses, administrators, accountants, clerk, vehicle operators, general assistants, gardeners and maintenance. Only 118 (62.83%) respondents responded to this item. It is unclear why 4 (3.38%) of the respondents indicated they had no experience. The majority (101; 85.59%) of the respondents who responded to this question had more than five years experience in their job or profession.

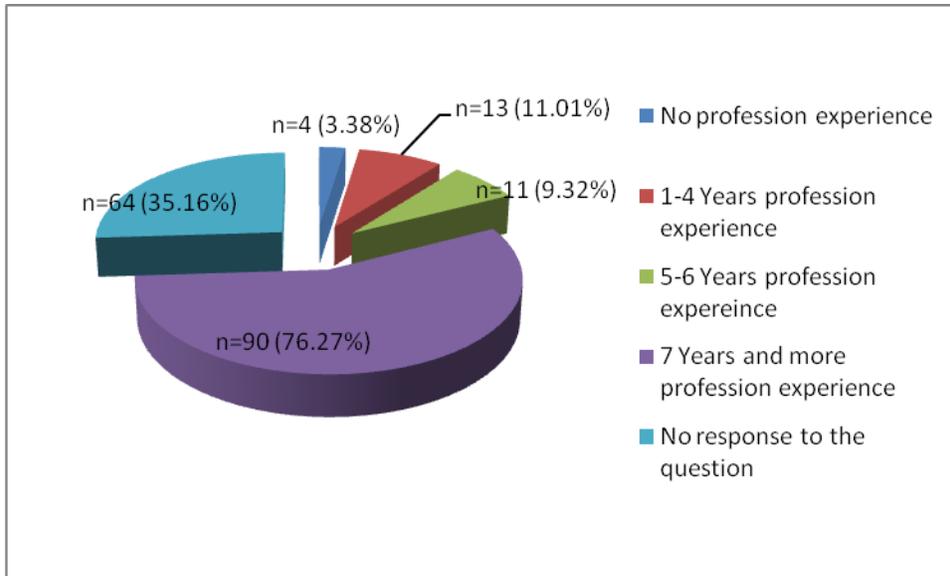


Figure 5.6 Experience in job/profession (n=118)

5.4.2 Section B: Financial legislation and regulations

Section B of the questionnaire acquired information on financial information in terms of the Public Financial Management Act as applied in the public hospital

5.4.2.1 Public Financial Management Act (PFMA)

According to Lasher (2008:3) virtually “every organization (public or private), irrespective of its function, operates on funds”. All departments of the Government including the public hospital sector are governed by the Public Financial Management Act, No 1 of 1999 and the objective of the act is to “secure transparency, accountability and sound management of revenue, expenditure, assets and liabilities in the execution of daily operations of these departments” (RSA 1999:1).

The respondents were required to indicate if they were aware of the Public Financial Management Act and its’ contents. It appears that 122 (70.52%) of the 173 (95.05%) respondents who answered the question were aware of the Act and its contents relating to accountability and sound management of revenue, expenditure, assets and liability matters in the execution of the public hospitals official’s daily tasks. In retrospect, the formulation of the question poses a problem as it contains two variables. The respondents might well

have been aware of the Act, but might not have been familiar with its content, thus providing an invalid answer to the second variable of the question.

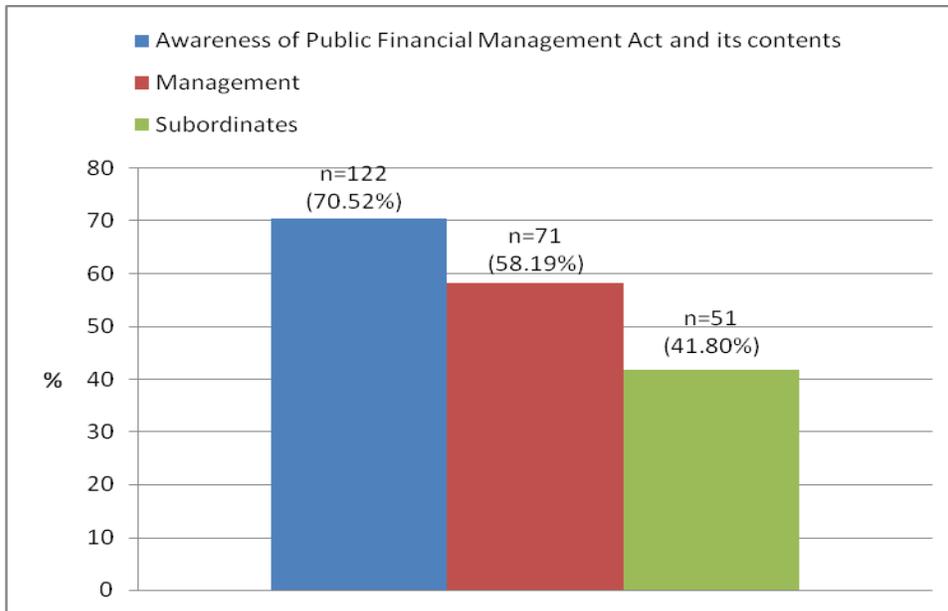


Figure 5.7 Public Financial Management Act and its contents (n=173)

5.4.2.2 Rollover funds

In terms of the Public Financial Management Act (RSA 1999:21) section 30 (2) (g) and 31 (2) (g) and the Budget Learner guide of BAS, Module 1 (2000:15) “funds approved for projects may be rolled over to the following financial year to finalize payment of capital assets or in the process of acquiring capital assets”. Payments for goods and services are regarded as current payments and only 5% of all outstanding payments in a particular financial year may be rolled over. According to figure 5.8, it appears that 67 (46.52%) of the respondents correctly indicated that rollover funds are permitted for capital projects (the fact that management is more involved and responsible in the application of rollover funds than the subordinates is in line with their responsibilities at senior level), whereas 69 (47.01%) incorrectly indicated that rollover funds are permitted for payments for goods and services. The respondents responding to this question, management and subordinates were thus almost equally divided in their views as to the application of rollover funds.

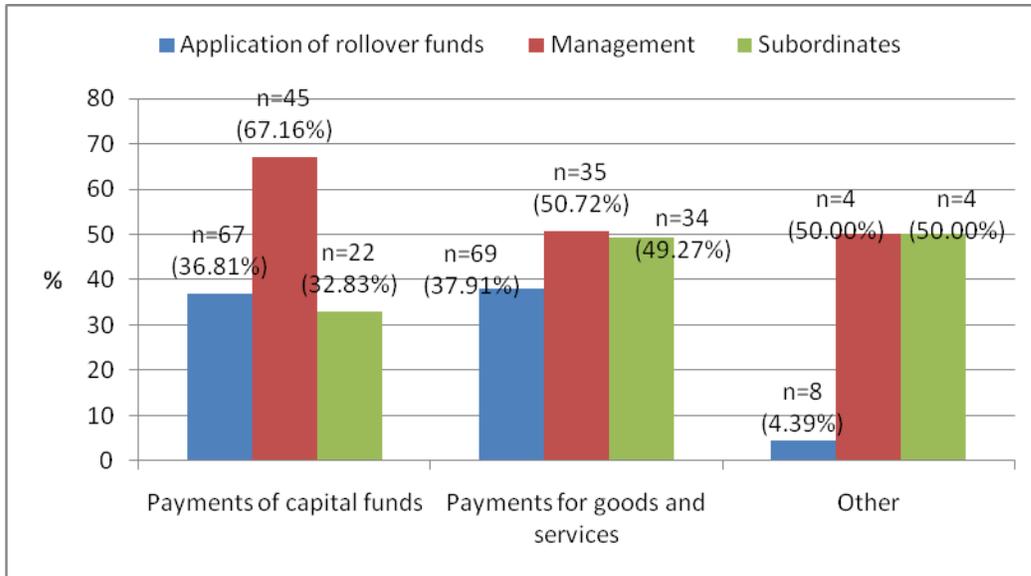


Figure 5.8 Respondents' views on the application of rollover funds (n=69)

5.4.2.3 Application of the PFMA

The PFMA is utilized as a control measure in terms of financial resources and is vital to the success of institutions. The PFMA regulates financial management in the department and allocates the responsibilities to persons entrusted with financial management in the different public institutions. Smit (2007:398) argues that “traditionally, a top-down approach is practiced in the public sector”. Although the Chief Financial Officer is accountable to the Department of Health for all financial matters, responsibility lies with management of the institution to apply the PFMA, only 51 (28.02%) of the respondents correctly indicated that hospital management is responsible for applying the PFMA (figure 5.9). Other incorrect responses to this question were financial managers 62 (34.06%) and unit managers 56 (30.76%) respectively. However, irrespective of who is applying the PFMA (chief financial officer, hospital management, financial managers and unit managers) the “act is vital for the efficient control of resources within the institution” (Ingram & Albright 2007:46).

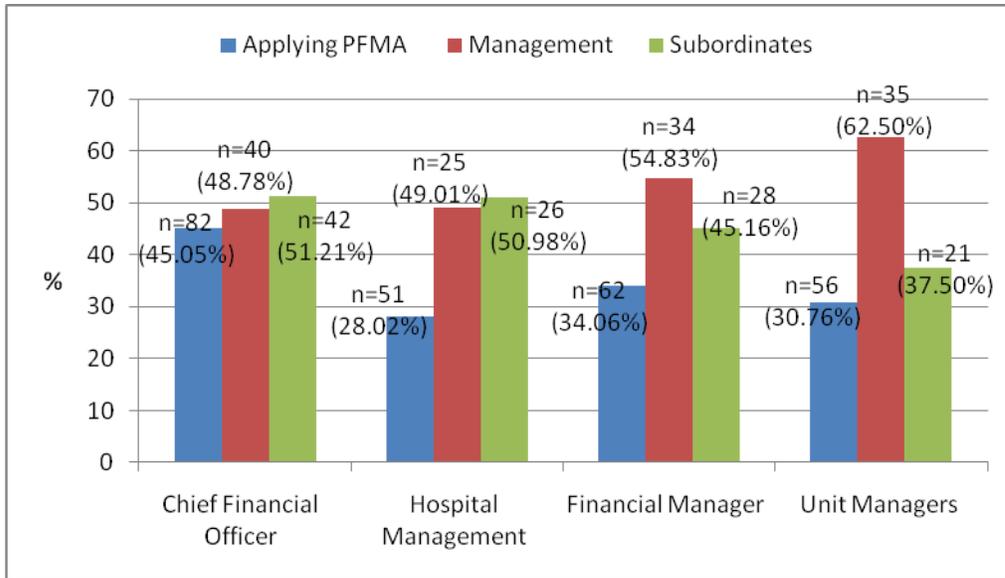


Figure 5.9 Respondents' view on who applies the Public Financial Management Act in the institutions (n=82)

5.4.2.4 Responsibilities of the National Treasurer

According to Module 1 of the National Treasury Guidelines (2000:5) and the Public Financial Management Act, No 1 of 1999, section 76-80, the "National Treasury is responsible for monitoring the application of the PFMA, initiate financial inspections and to ensure that adequate funds are likely to meet objectives and responsibilities, amongst others". It is positive to note that 118 (64.83%) respondents indicated that the National Treasury is responsible to monitor the application of the PFMA (figure 5.10). As only a quarter (44; 24.17%) of the respondents knew there is a link between financial inspections and auditing in the application of the PFMA, it is disconcerting to note that 138 (75.82%) of the respondents do not realize this. The reason maybe twofold; either these respondents did not know, or they maybe too far removed from the activities of the National Treasurer due to their job description to be expected to have this information.

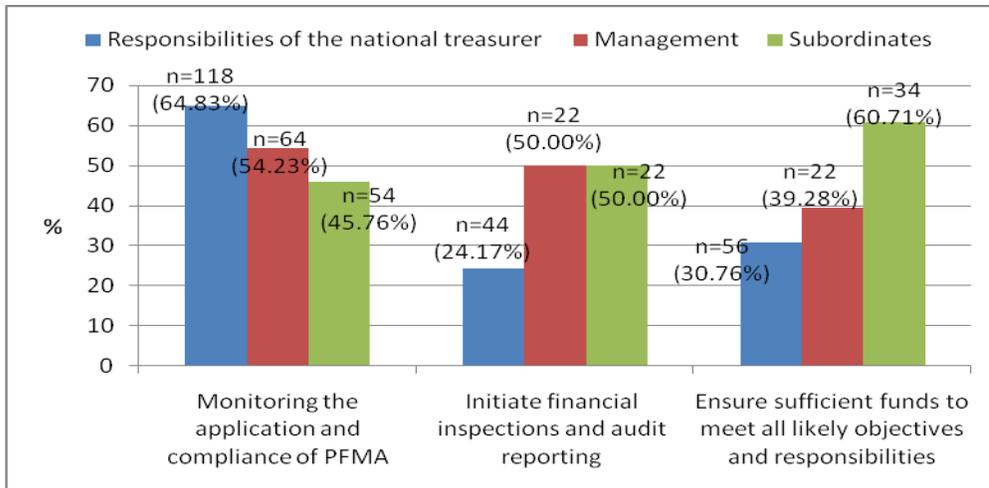


Figure 5.10 Responsibilities of the National Treasurer (n=118)

5.4.2.5 Compliance with financial legislation

Respondents were required to indicate, according to their view, to what extent their institution complied with the financial legislation in terms of accounting practices followed at their institution (figure 5.11). It appears that 100 (55.55%) respondents were of the opinion that their institutions complied with the financial legislation requirements. However, this view is in contrast with the annual report of the Department of Health and Social Services (2007:132) which indicates “strong evidence of non-compliance to legislative requirements”. “Non-compliance to financial legislation questions the accountability and performance of the institution in terms of effective control and the objectives of financial management, which according to Lasher (2008:6) is to manage and control financial activities within organizations”.

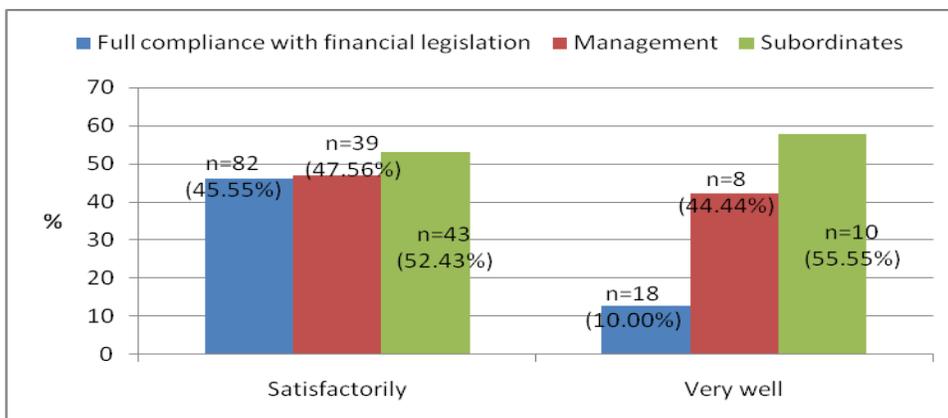


Figure 5.11 Respondents' institutions' compliance with financial legislation (n=82)

5.4.2.6 Financial management principles

The respondents were required to indicate how evident the eight financial principles (appropriate controls, clearly defined objectives, clearly defined responsibilities, accurate information, performance agreements, openness, integrity and accountability) are in their institutions. More than half of the respondents who answered this question indicated that appropriate controls (86; 52.76%) and accountability (91; 53.21%) were the most evident financial principles in their institutions (figure 5.12). Smit et al (2007:188) confirms that “accountability links institutional results directly to the actions of employees and units in the institution”.

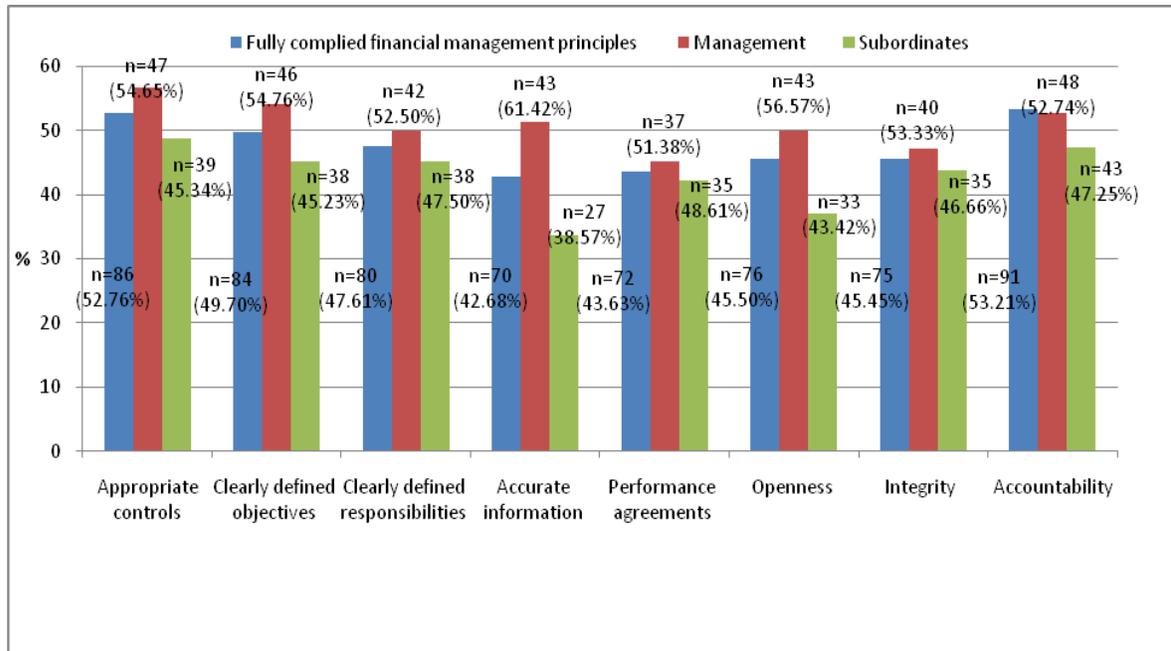


Figure 5.12 Evidence of financial management principles in the institutions (n=91)

A significant difference ($p < 0.001$) was detected between the mean scores of Group A ($\mu=1.1395$) and Group B ($\mu=1.4815$) indicating that the subordinates were stronger of the opinion that accurate information as an aspect of financial principles were evident in their institutions than the management group.

Table 5.2 Cross tabulation between the respondents' job position (Management [Group A] and Subordinates [Group B]) and their view about accurate information of financial principles being evident in their institution (n=70)

Variable	Groups	Mean	N	Standard Deviation	p value
Evidence of accurate information of financial principles in their institutions	Management (Group A)	1.1395	43	.35060	0.001
	Subordinates (Group B)	1.4815	27	.50918	
	Total	1.2714	70	.44791	

5.4.2.7 Pre-requisites for sound financial management

The most important pre-requisites for sound financial management were identified by the respondents as accuracy skills (171; 97.15%), analytical skills (166; 93.78%) and accurate recording (165; 94.82%) (figure 5.13). However, the purpose was not to determine whether the respondents possess these pre-requisites, but to determine if they have a clear understanding of a sound financial management environment, which more than 80% of the respondents have illustrated.

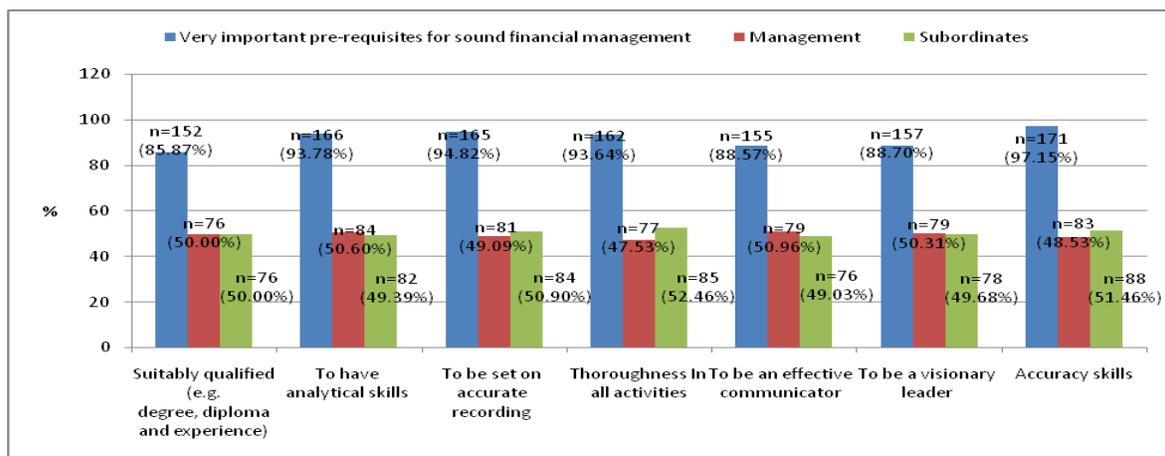


Figure 5.13 Requirements for sound financial management (n=177)

5.4.3 Section C: Financial Management

Section C of the questionnaire acquired information from the respondents on financial management in terms of planning, organizing, leading and controlling with regard to their daily activities within the hospital.

5.4.3.1 Planning

Planning according to the Oxford Advanced Learner’s Dictionary (2005:1107) is to “prepare a task in detail for future purpose where the task includes the planning of resources inline with goals and objectives of the organization’s financial activities”. Under planning information is acquired from respondents in terms characteristics and steps of the planning process and the existence of official documentation in the institutions.

5.4.3.1.1 Characteristics of the planning process

Planning is a medium to reduce uncertainty associated with unknown events. According to Smit et al (2007:9) “planning is the first important function of management that determines the vision, mission and goals within the institution” (Watson 2006:50). More than half, 94 (52.80%) of the respondents indicated that plans are carried out in accordance with the vision, mission, goals and strategies of the institution, 92 (51.68%) indicated that plans focus on the entire institution, and 89 (50.85%) recorded that plans focus on organizational resources (figure 5.14).

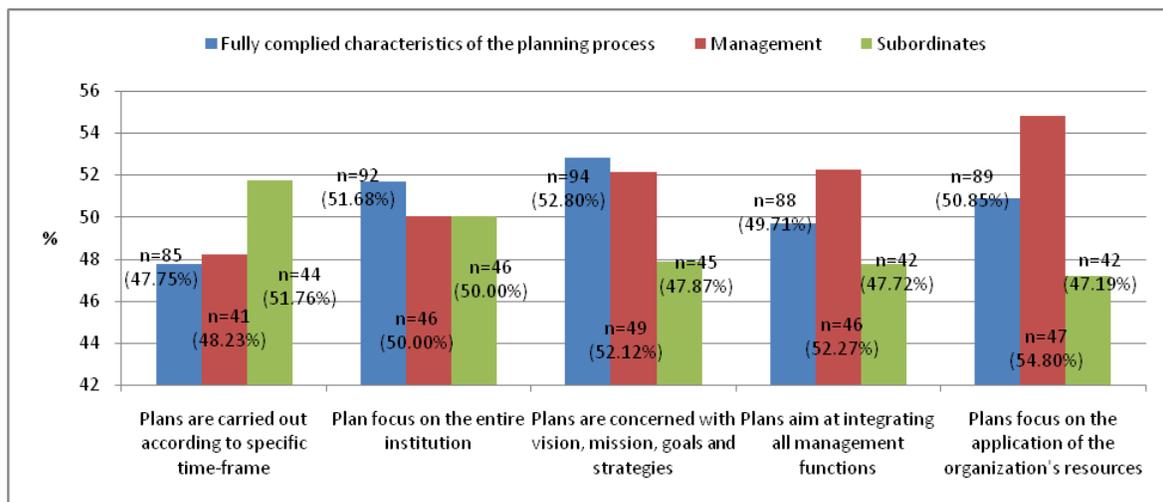


Figure 5.14 Characteristics of the planning process in the institution (n=178)

5.4.3.1.2 Steps in the planning process

Responses to the applicable steps for the planning process are illustrated in figure 5.15. Almost two thirds of the respondents 112 (64.00%) indicated that goals need to be identified to give direction to plan in the planning process. Just more than half (100; 58.82%) considered accommodating change important, while 101 (57.38%) acknowledged plans are implemented by allocating resources to achieve institutional goals.

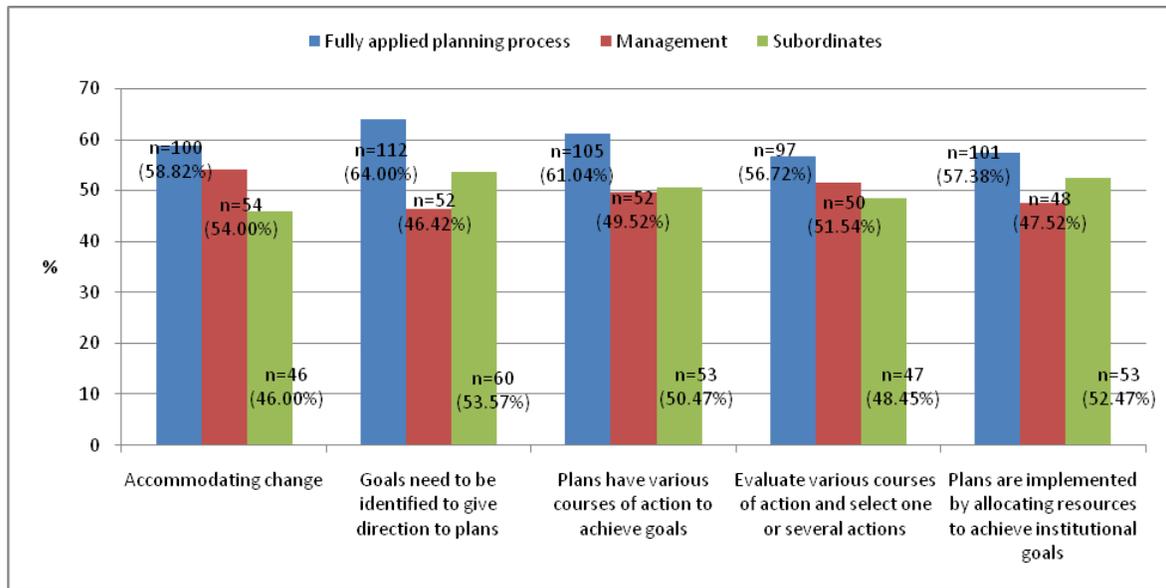


Figure 5. 15 Steps applicable to the planning process at institutions (n=176)

5.4.3.1.3 Existence of documentation in the institution

Respondents were requested to indicate whether different documentations were available in their institutions, refer to figure 5.16. More than two-thirds (122; 68.92%) of the respondents who answered this question indicated that the noted documents were available in their institutions. One hundred and forty three (81.71%) respondents indicated that conditions of employment existed in written format, and 139 (78.53%) indicated job descriptions with duty sheets were available.

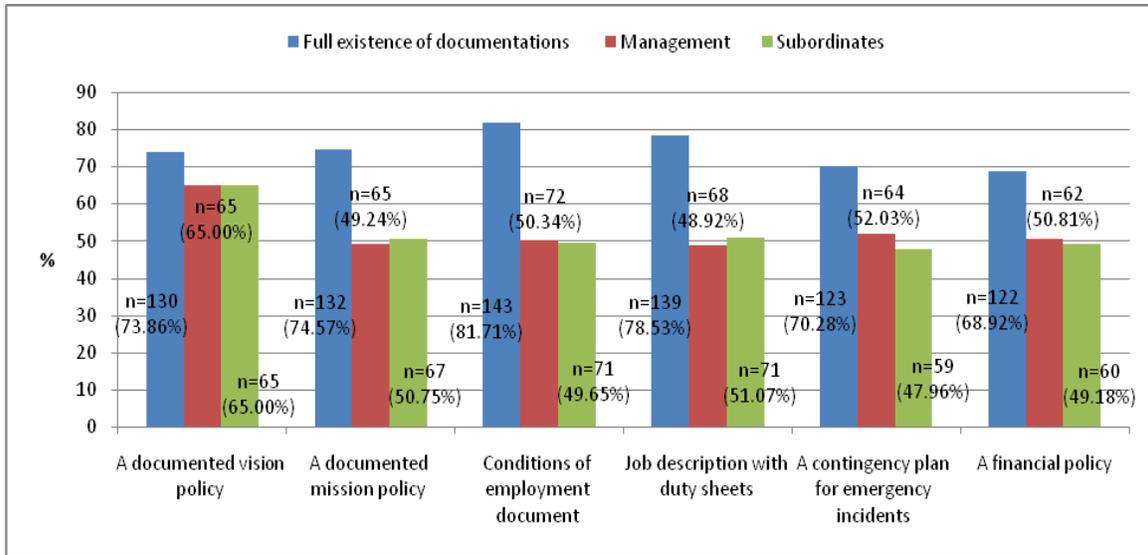


Figure 5.16 Existence of different types of documentation in the institutions (n=177)

A significant difference ($p < 0.010$) was detected between the mean scores of Group A ($\mu=1.4355$) and Group B ($\mu=1.6667$) indicating that the subordinates were stronger of the opinion that the financial policy were available in their institutions than the management group.

Table 5.3 Cross tabulation between the respondents' job position (Management [Group A] and Subordinates [Group B]) and the existence of a financial policy in their institutions (n=122)

Variable	Groups	Mean	N	Std. Deviation	p value
A financial policy	Management (Group A)	1.4355	62	.49987	0.010
	Subordinates (Group B)	1.6667	60	.47538	
	Total	1.5492	122	1.08484	

5.4.3.2 Organizing

To organize activities within the organization will ensure that responsibilities are allocated, resources are deployed, and work is divided. “Organizing the resources of the organization will require that goals are formulized during the planning process to ensure that resources (staff, material, equipment and buildings) are utilized optimally” (Iles 2006:116).

Under organizing, information is acquired from respondents on financial training activities, types of budget plan, communication of budget information and representative levels at meetings, shortcomings in the budgetary process, allocation of work and financial delegation authority

5.4.3.2.1 Training in financial activities

According to Ingram and Albright (2007:238) “good training programs will develop, maintain and ensure appropriate skills needed for a particular position within organizations such as managers, financial managers, supervisors and subordinates”.

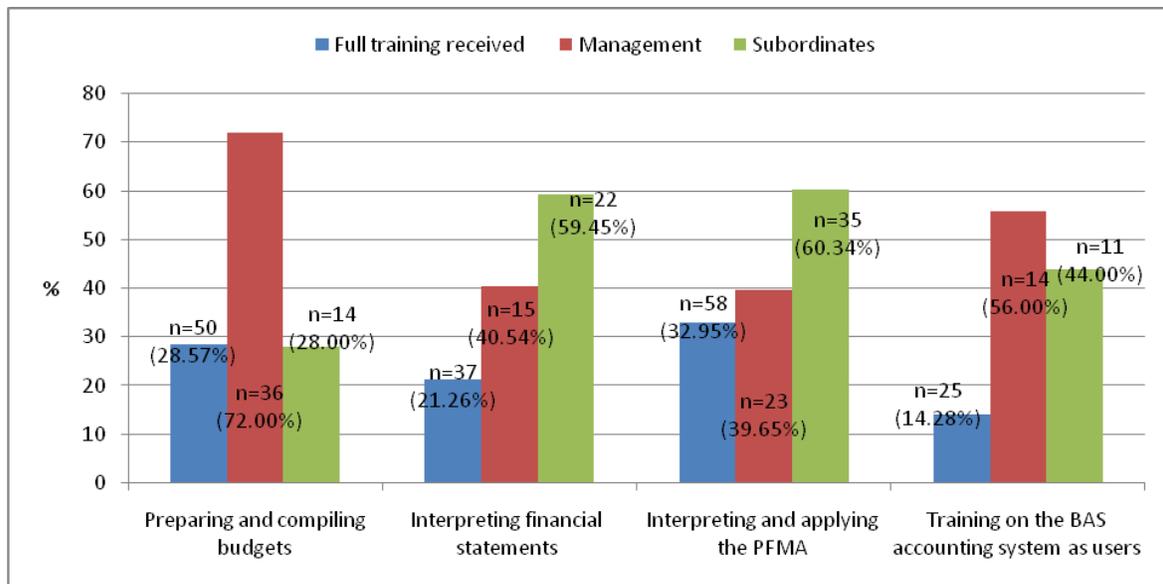


Figure 5.17 Training received by respondents on financial activities (n=176)

Of the 175 respondents, who responded to this question, 50 (28.57%) received training in terms of preparing and compiling budgets (where the management received more training on preparing and compiling than did the subordinate group), 37 (21.26%) in terms of

interpreting financial statements, 58 (32.95%) on interpreting and applying the PFMA and 25 (14.28%) as BAS users on the accounting system (figure 5.17). It is noted in the literature that “managing institutional resources requires the understanding of financial processes (requests for financial finances, applying financial regulations, utilizing budgets and resources consumed) at different operational levels within the institution” (Iles 2006:91).

5.4.3.2.2 Budget plan

“An effective instrument that deploys coordinated resources is the budget, which sets limits on the resources being used and also establishes standards of performance” (Smit et al 2007:129). According to Atrill and McLaney (2007:175-177) the “budget provides the following benefits; it promotes forward thinking, coordinates activities between units within organizations, provides a system of control, provides a system of authorization and motivates staff to perform better”. Vishwanath (2007:133) argues that the “financial plan (budget) is essential to all institutions irrespective of their size and is concerned with finances and expenditure related to the utilization of different (incremental, zero-based, program and line) budgets”. According to Module 1 of the National Treasury Guidelines (2000:5-9) “a zero-based budget approach is followed in the public sector”. Forty five (30.20%) of the respondents correctly indicated that a zero-based budget plan is followed in their institutions (more management than subordinates) (figure 5.18). This is a matter of concern as it clearly illustrates the poor involvement of staff with financial activities.

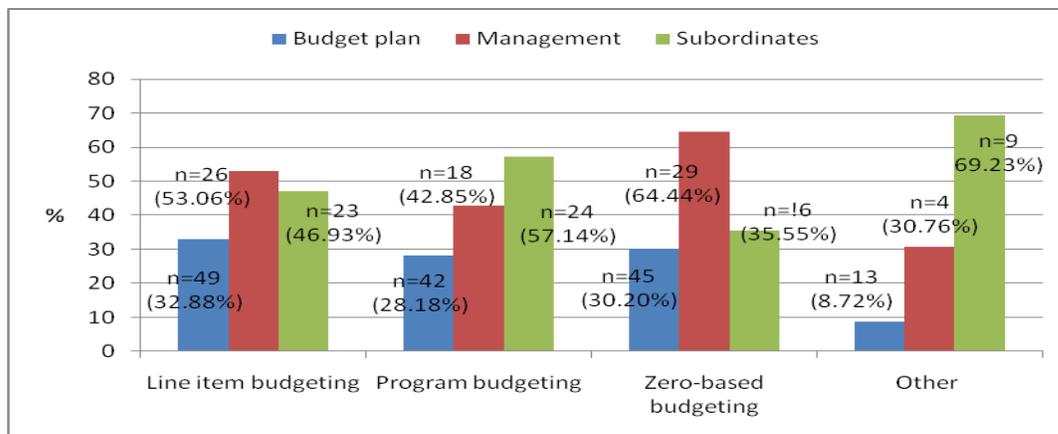


Figure 5.18 Budget plan followed in the institution (n=149)

5.4.3.2.3 Budget communications

In any organization, communication is the transfer of information as a message to the intended units within the organization. “Different channels can be selected to transmit the information such as orally, non-verbally and in written format” (Smit et al 2007:364). The importance of the message will guide the management as to which channel to utilize. Atrill and McLaney (2007:179) stipulates that the “budget process (preparing and planning the draft budget, budget guidelines and budget responsibilities) needs to be communicated to all relevant units within the organization”. Of the 120 respondents who answered this question, 65.93% received budgetary information via monthly meetings and discussions and 80 (43.95%) indicated that internal circulars serve the purpose (figure 5.19). It appears that the budgetary process is properly communicated to both groups of respondents.

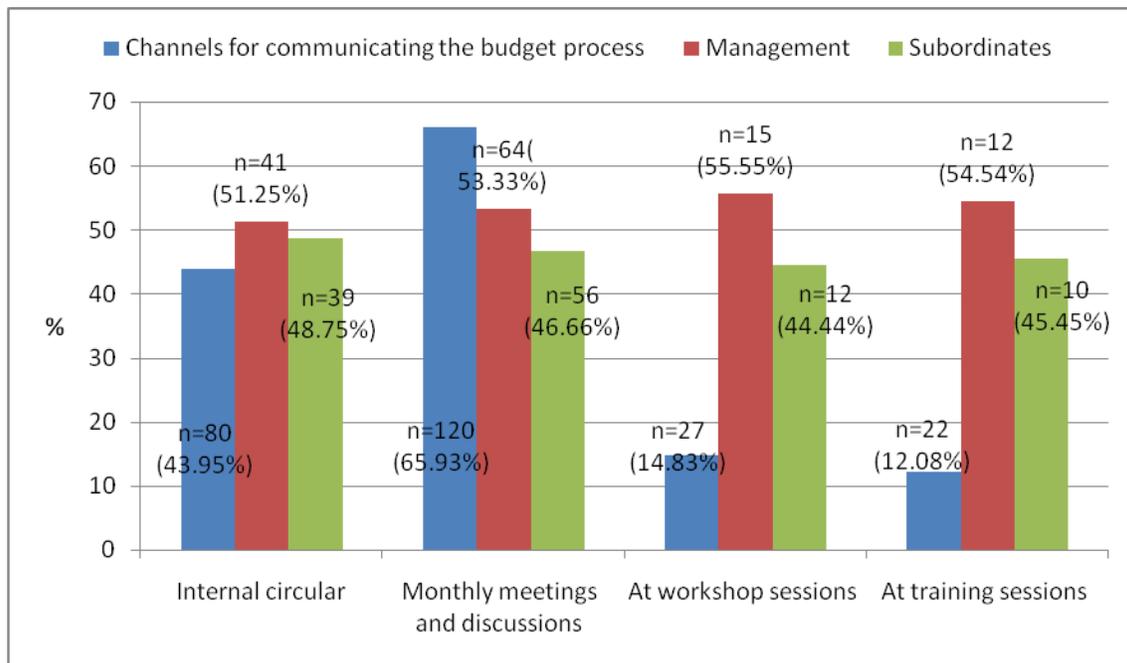


Figure 5.19 Channels for communicating the budgetary process (n=120)

5.4.3.2.4 Staff involvement in the budgetary planning sessions

Figure 5.20 illustrates the different categories of staff is (management, medical and paramedical, emergency, nurses, administration, finance, cleaning and maintenance) involvement in the budgetary planning process. All categories of staff appear to be involved in the budgetary planning process. However, two categories of staff, namely,

management (126; 71.59%) and the financial staff (131; 78.91%) featured prominent in the budgetary planning process (figure 5.20). This is a matter of concern as senior staff of all categories should be involved in the planning and deployment of financial resources.

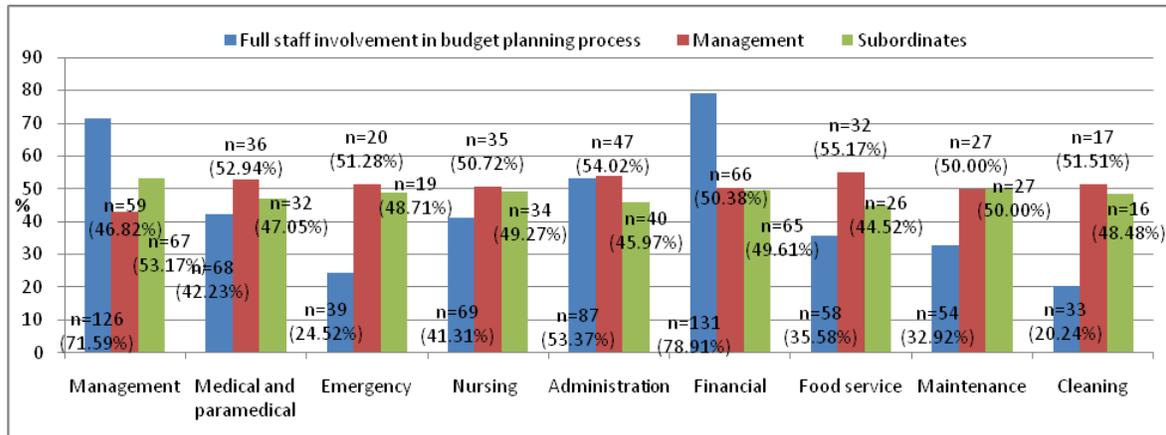


Figure 5.20 Staff involvement in the budgetary planning process (n=176)

5.4.3.2.5 Consideration of financial statements in the financial planning process of units

“Financial statements provide a useful source of financial data and information on results of all accounting transactions for a specific financial period” (Ingram & Albright 2007:595 and Atrill & McLaney 2007:400). Only 82 (48.52%) of the respondents answered this question. According to figure 5.21, all 48.52% of the respondents who answered this question made use of financial statements in their financial planning process. To Lalli (2003:5-7), “financial statements are important as they reveal the major cost drivers and failure not to consider will result in incomplete financial adjustments and poor deployment of resources” (personnel, buildings, equipment and materials). The concern lies with the respondents who did not respond to this question, it could be deduced that their level of functioning does not expect them to be involved in financial planning.

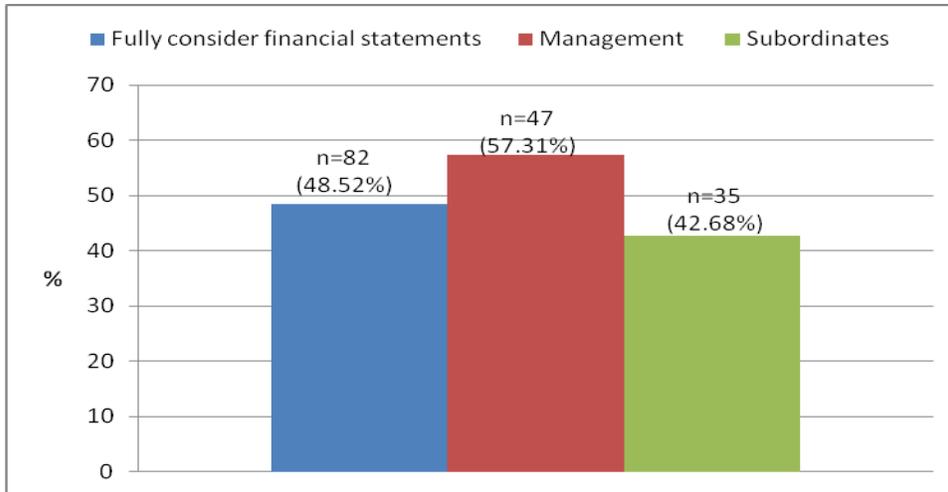


Figure 5.21 Financial statements considered in financial planning (n=82)

5.4.3.2.6 Shortcomings in budgetary process

Effective functioning of organizations is “dependent upon skilled staff who understands finances and the implication of decisions on the organization” (Nankervis 2005:255). The respondents were requested to indicate which of the listed shortcomings were relevant to their institutions budgetary process. One hundred and nine (64.88%) of the respondents who answered this question indicated that the budget is centralized, 103 (59.93%) respondents illustrated that a lack of information exists during the budgetary process and 102 (58.28%) respondents regard a lack of transparency as the three major shortcomings (figure 5.22). According to Proctor (2006:343, 471) and Smit et al (2007:107) the “budgetary process belongs to the budget holder which is representative of everyone within the organization that is given a degree of responsibility to make day-to-day operational decisions in view of organizational objectives”.

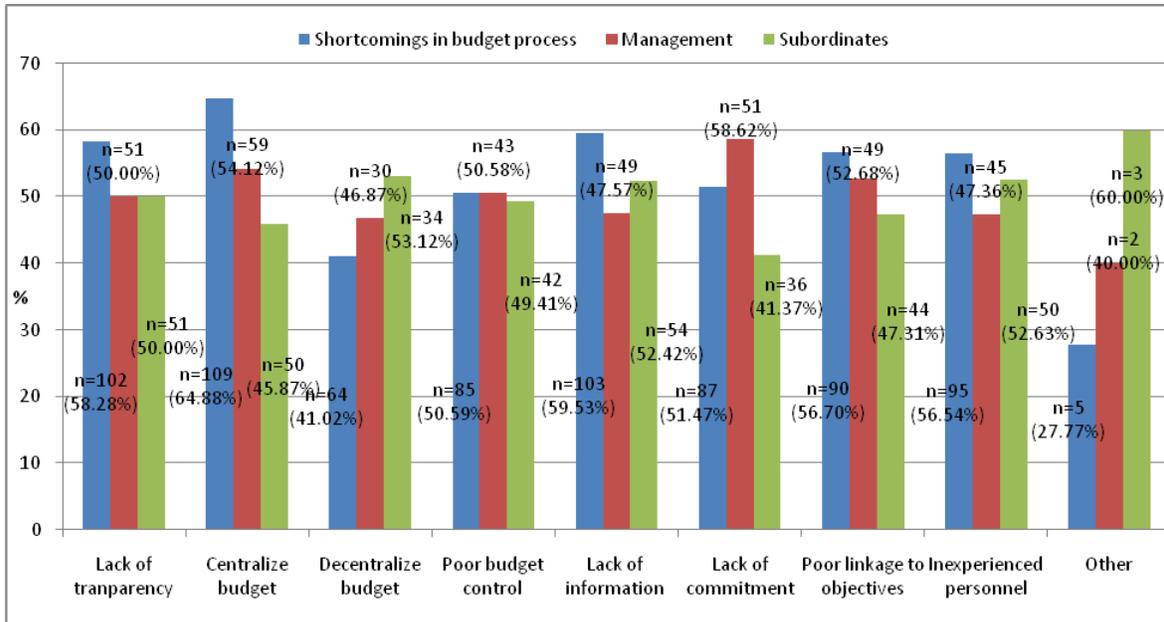


Figure 5.22 Shortcomings in the budgetary process (n=175)

5.4.3.2.7 Circulation of financial statements

“Financial statements summarize the financial position of the institution, and it illustrates financial activities (expenses, income and liabilities) in the form of balance sheets, loss account and cash flow statements” (Proctor 2006:24-25). Only fifty five (33.13%) of the respondents indicated that financial statements are circulated on a monthly basis (figure 5.23). The remaining 111 (66.86%) respondents indicated that financial statements are either circulated weekly, every six months, yearly or never. This is a matter of concern as access to financial statements would allow constant budget activities under review to intervene when tendencies occur in over or under spending.

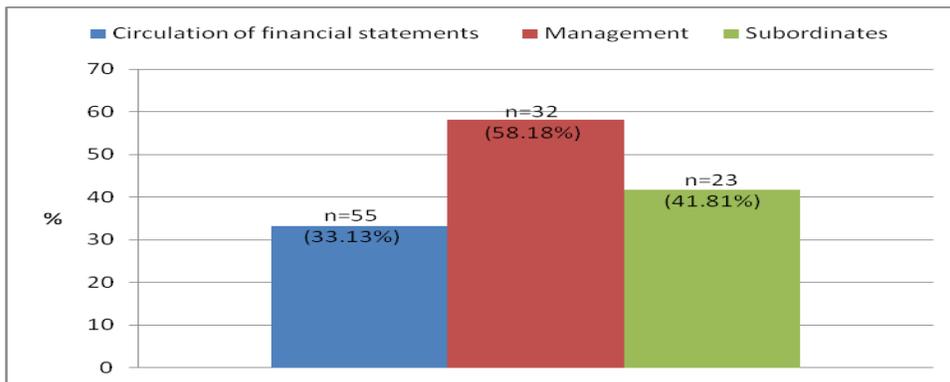


Figure 5.23 Circulation of financial statements(n=55)

5.4.3.2.8 Frequency of budgetary planning sessions

Budgetary planning sessions are important financial activities that include budgetary forecasts, settings goals and objectives and assigning responsibilities, these activities play a crucial role when estimates are needed for future financial needs and program development. A third of the respondents 67 (38.50%) indicated that yearly planning sessions occur on budgetary matters. The remaining 107 (61.49) indicated than budgetary planning sessions are either planned monthly, every six months, less than once a year or never (figure 5.24). According to Nankervis (2005:263-264) “management decisions are guided by the financial information that is scrutinized by assessment of the institution’s past, present and future financial activities”.

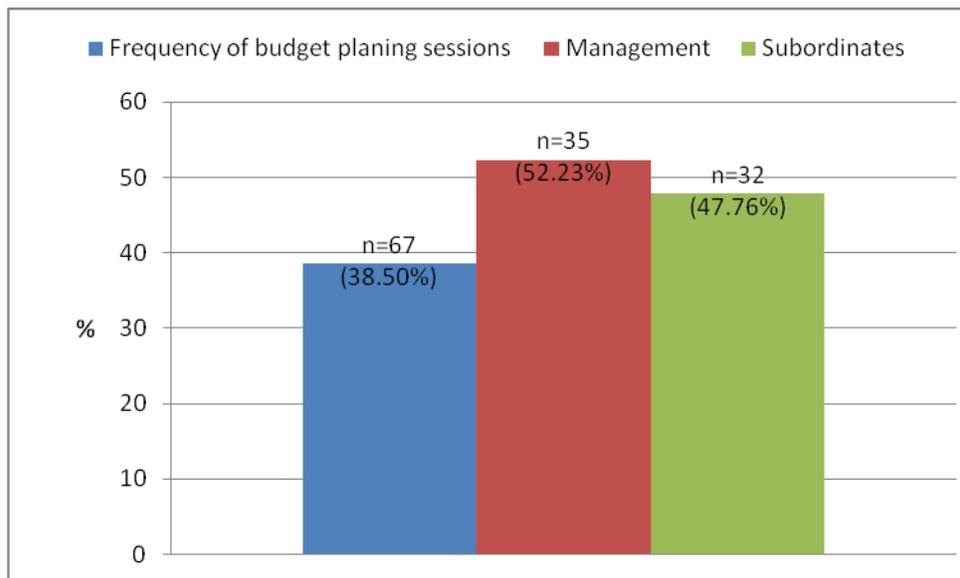


Figure 5.24 Frequency of budgetary planning sessions (n=67)

5.4.3.2.9 Operational budget categories

For every organization there is more than one type of budget, where each budget type will relate to a specific aspect of the organization with different goals and objectives and for assigning responsibilities to put these goals and objectives into practice. The majority of organizations uses “statistical budgets (which includes items that can be forecasted, such as type of service, payer mix, capital acquisitions, where the expense, revenue, capital and cash budgets are subdivisions of the statistical budget), expense budgets (these contain the prediction of expenses in terms of operational activities), revenue budgets (projected

income from sales, goods and service rendering), and capital budgets (acquiring new, long-lived assets)” (Fallon & Zgodzinski 2005:270). Of the 140 (76.92%) respondents who answered this question 84 (60.00%) identified the expense budget as the most prominent budget in their operational budget (figure 5.25).

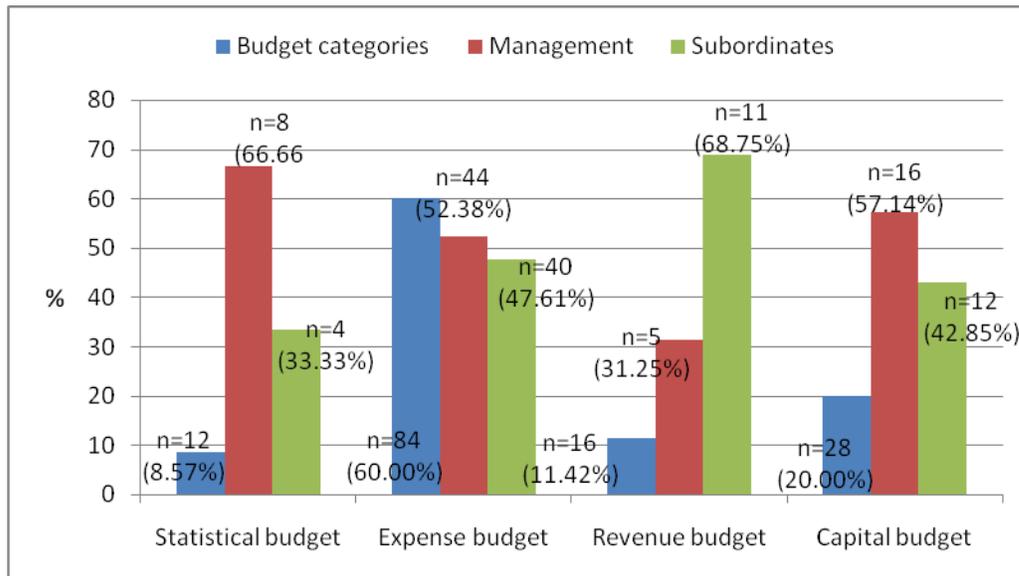


Figure 5.25 Sections contained in the operational budget (n=140)

5.4.3.2.10 Financial aspects addressed at budget meetings

Figure 5.26 depicts what financial aspects are addressed at budget meetings. Of the respondents 68 (40.23%) and 66 (39.52%) indicated respectively that a variance report and summary of expenditure and request patterns are the most commonly representative aspects at budgetary meeting. Their appears to be slight difference between the responses of the management and subordinate groups which could have been due to different levels of involvement in budgetary issues in terms of skills, experience and delegations.

The “budget review process during meetings should seek to identify a more comprehensive discussion not only on under and over expenditure patterns, but also in terms future financial needs, and changes according to services offered to enable staff to meet goals and objectives within the organization” (Fallon & Zgoszinski 2005:271).

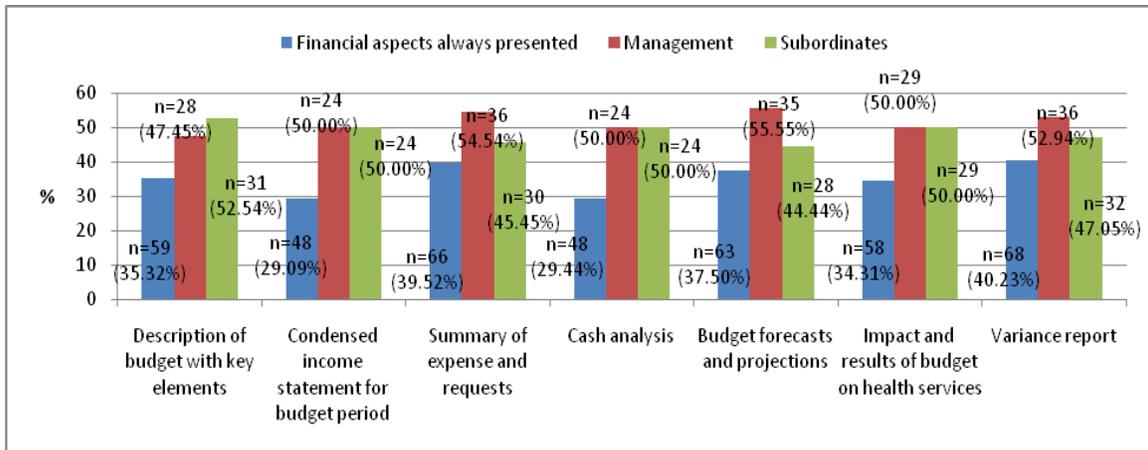


Figure 5.26 Financial aspects addressed at budget meeting (n=169)

5.4.3.2.11 Occurrence of financial activities at institution level

By “organizing financial activities managers allocate work, coordinate tasks and delegate authority and responsibility” (Smit et al 2007:193). However, only 64 (36.15%) of the respondents who answered this question indicated that financial tasks and resources are assigned to subordinates. More or less a third of the respondents confirmed that the listed activities occurred in their organization, refer to figure 5.27.

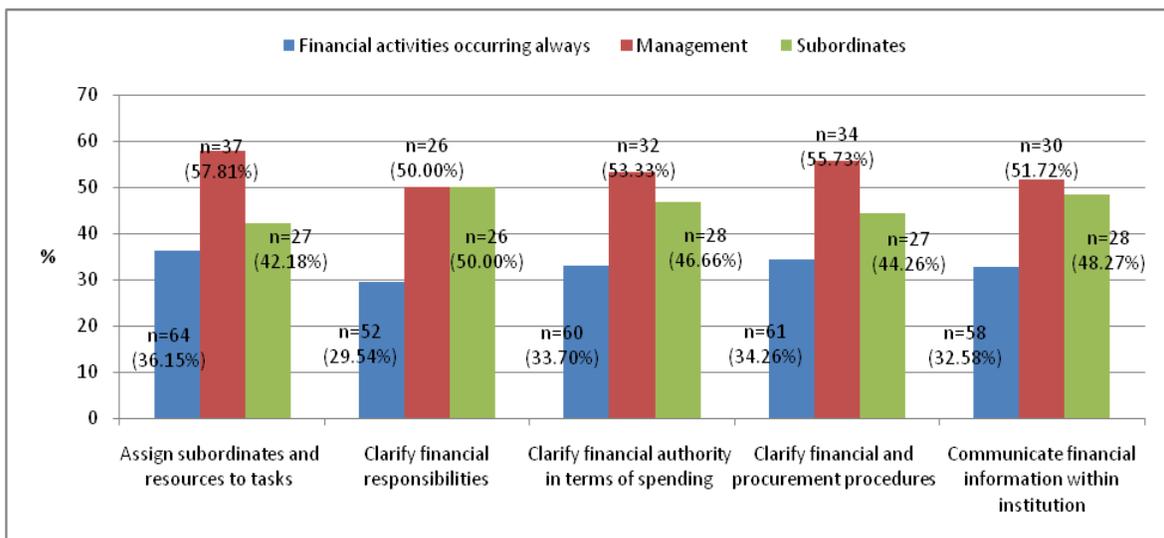


Figure 5.27 Occurrence of financial activities at institution level (n=178)

5.4.3.2.12 Financial delegation of authority

According to Smit et al (2007:208) “managers who train their staff to accept more responsibility are in a good position to develop staff and make better decisions by involving staff who are closer to the practical execution of financial routine work, as it is neither possible nor desirable for management to perform all financial responsibilities. Management should pass authority to staff to assign a portion of their workload”.

The majority of respondents 179 (98.35%) responding to this question, indicated that financial delegation of activities are applied within the institution. However, it is evident that the different aspects of financial delegation are poorly applied according to the low response rate of less than 40%, across the management and subordinate groups in performing financial tasks (figure 5.28).

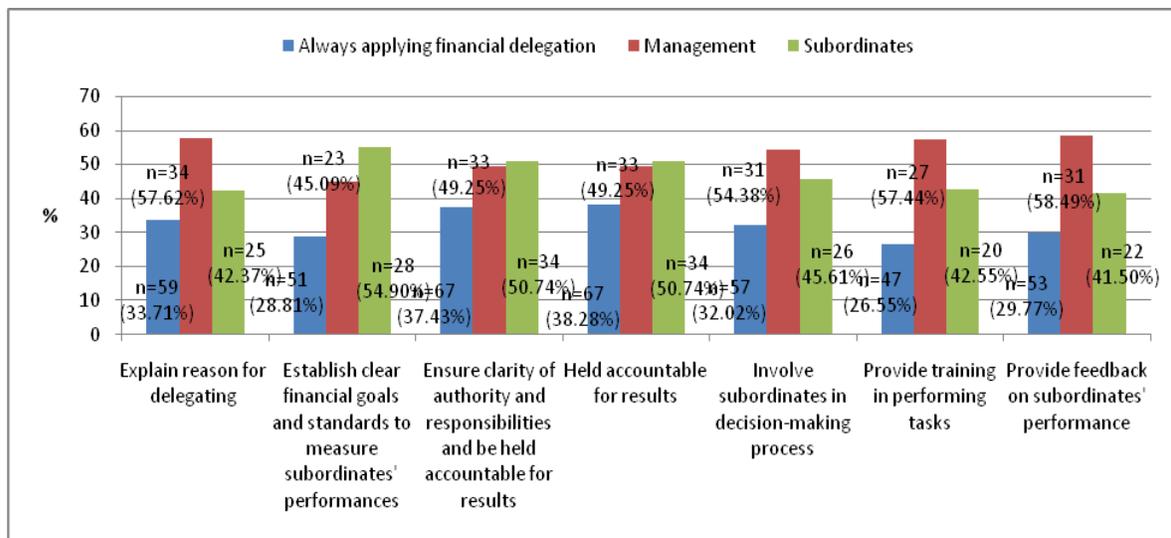


Figure 5.28 Financial delegation of authority (n=179)

5.4.3.3 Leading

In organizations, “leading influences and directs the behavior of staff to achieve goals and objectives” (Smit et al 2007:269). The performance of any organization is “directly related to effective leading of staff to greater achievement and productivity” (Watson 2006:310-311).

5.4.3.3.1 Application of management activities by supervisor

“Goals and objectives form an inherent part of the institution’s planning and should be differentiated in terms of functional level, the focus and time-frame” (Smit et al 2007:139-140). Leadership, more especially “supervision entails activities such as giving orders according to procedures and policies, take steps to improve performance, deal with conflict and communicate with staff” (Smit et al 2007:272). More than a third of the respondents indicated that supervisors do apply the listed management activities; however it is disconcerting to note that both the management and subordinate groups poorly apply management activities (figure 5.29).

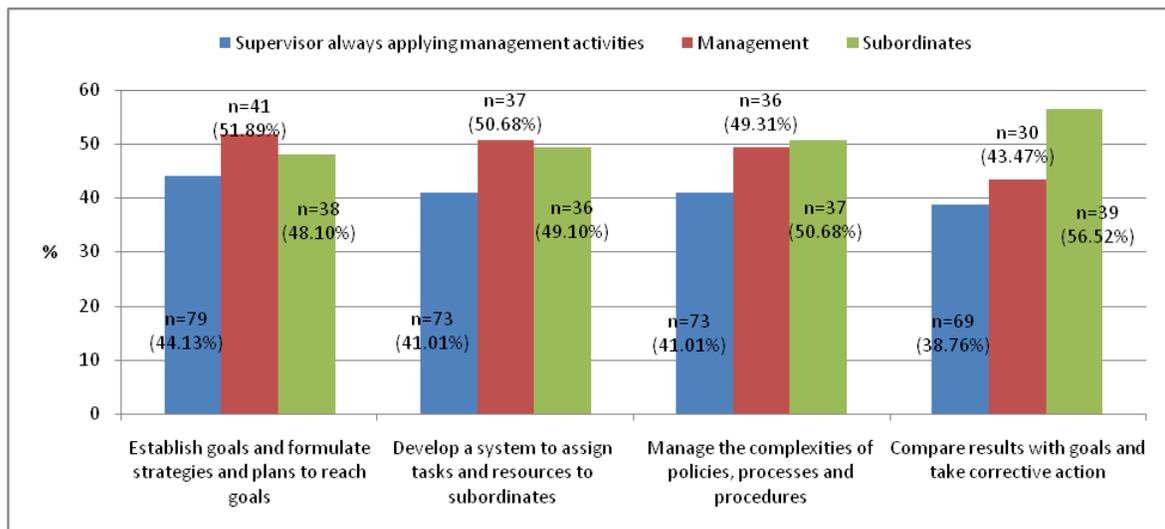


Figure 5.29 Application of management activities by supervisor (n=179)

5.4.3.3.2 Activities performed by supervisor

According to Smit et al (2007:278) leaders “focus on the behavioral aspects of management which entails the development of a vision, mission and strategy to mobilize staff to change the organization in the right direction”. More than half of the respondents indicated that their supervisors do establish a vision 93 (52.24%) and mission 92 (51.39%) as a means of leading the staff. Approximately 40 percent of the respondents indicated that the other four listed management activities were applied by supervisors, refer to figure 5.30.

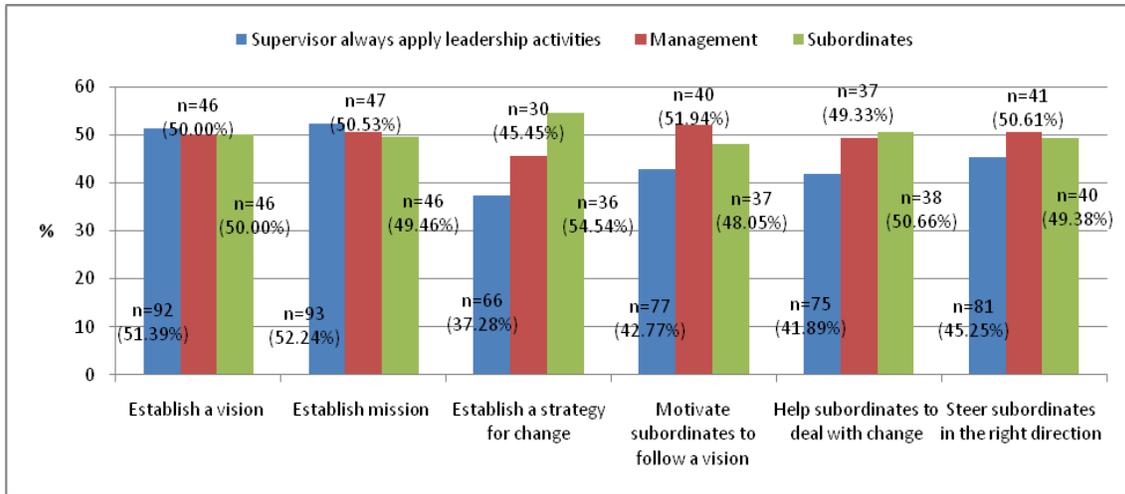


Figure 5.30 Application of management activities by immediate supervisor (n=180)

5.4.3.3.3 Delegation of authority for requisitioning, ordering and payment of procurement

Ninety one (53.84%) of the respondents who responded to this question indicated that the delegation of authority regarding requisitioning, ordering and payment of procurement is decentralized at the institution level, in contrast 86 (54.77%) were of the opinion that the noted authority was centralized at head office, a clear deduction is thus not possible (figure 5.31).

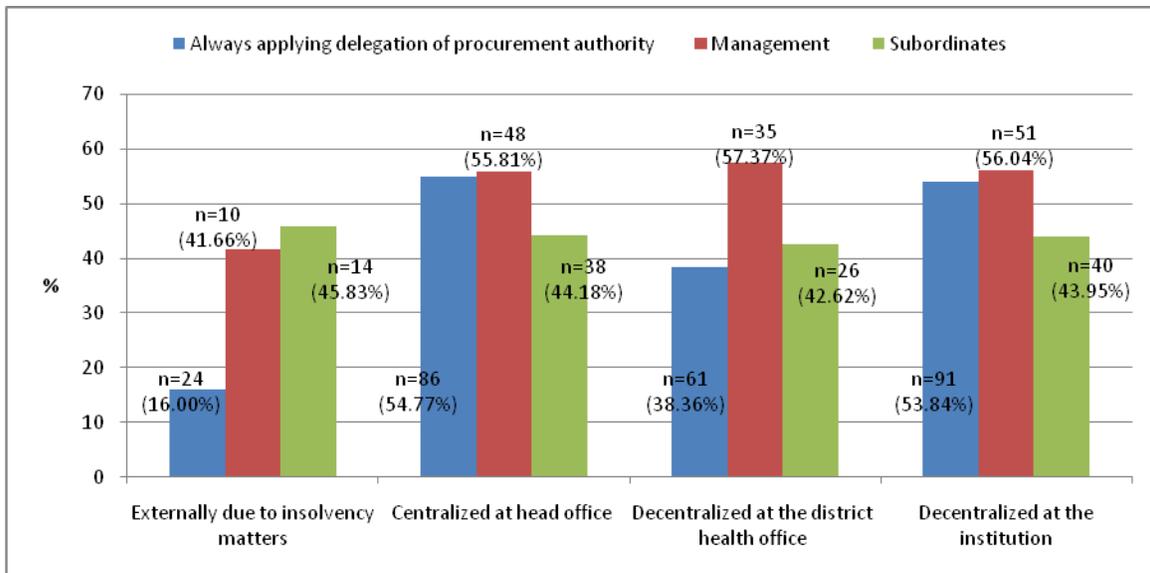


Figure 5.31 Delegation of procurement authority (n=169)

5.4.3.4 Control

Organizations utilize control as a tool to ensure that planned organizational activities are followed so that the goals and objectives can be achieved. According to Smit et al (2007:387) the “control process manages to bridge the planned goals with the practical implementation of these goals and is intertwined with planning, organizing and leading within the organization”.

5.4.3.4.1 Control measures

Figure 5.32 depicts how frequently control measures are followed in the institution. Smit et al (2007:387-388) believe that “a control process is needed in all organizations to ensure that all organizational activities in all departments are in accordance with organization goals, control results in better quality of service rendered, control reduces resource wastage and limits errors and control facilitates delegation and teamwork”. More than 40 percent of the respondents responding to this question indicated that they always adhere to the listed control measures within the institutions and realize that control measures results in better quality of service, minimize costs and determine progress (figure 5.32).

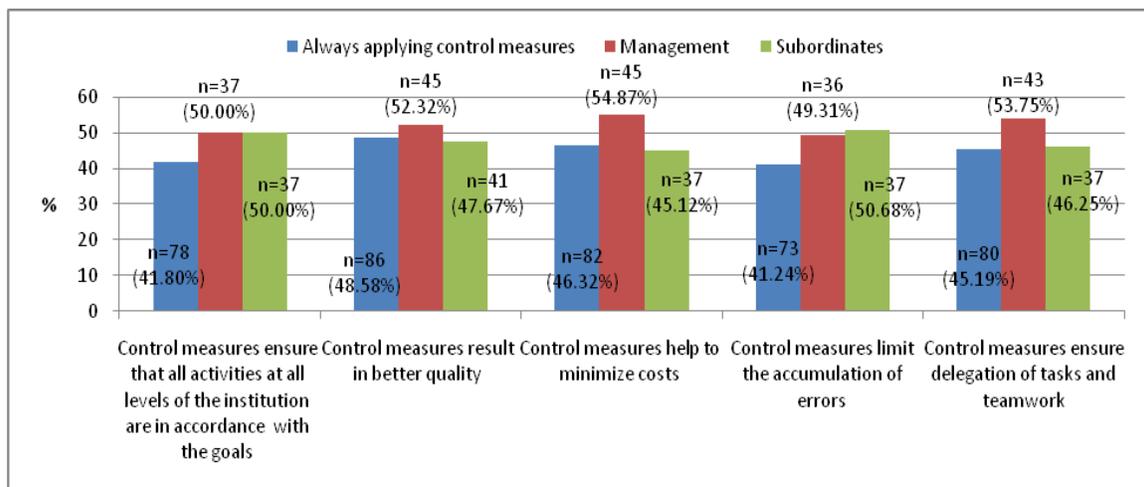


Figure 5.32 Frequency of control measures in the institution (n=177)

5.4.3.4.2 Aspects controlled

In delivering services to clients control measures within the organization are important aspects to control. Aspects to be controlled include the “collection of revenue, goods received and procurement management control and control of financial, physical, human

and information resources” (Hannagan 1998:423-424; Smit et al 2007:403). More than half of the respondents felt that registers such as patient revenue collection (104; 60.46%), cashbook balancing (99; 58.92%), attendance registers (128; 71.91%), overtime registers (139; 78.53%) and asset registers (101; 57.71%) are important instruments for control in the institutions. It is disconcerting to note that disposal and redundant registers are among the lowest control measures controlled with 64 (36.78%) of the respondents completing this register. The poor controlling of the disposal and redundant register could have been the result from minimum experience in skills obtained in disposal and redundant procedures (figure 5.33).

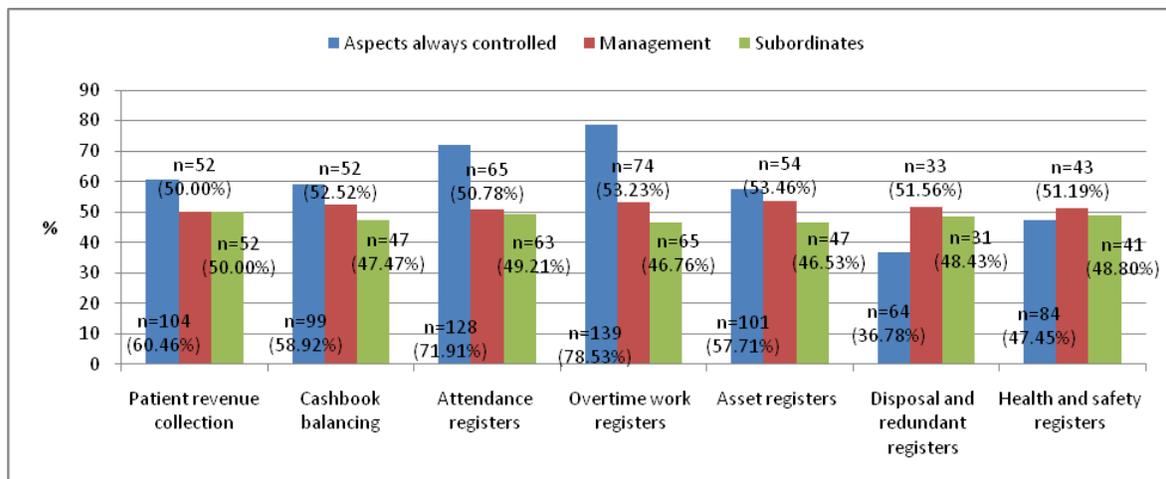


Figure 5.33 Aspects controlled (n=178)

5.4.3.4.3 Internal financial reporting

According to the Oxford Advanced Learner’s Dictionary (2005:918) a “meeting is an occasion when staff on functional levels within organizations come together to discuss work related matters”. The majority of the respondents 140 (76.92%), who responded to this question indicated that financial reporting within the institution occurs with discussions in management and budget meetings (figure 5.34).

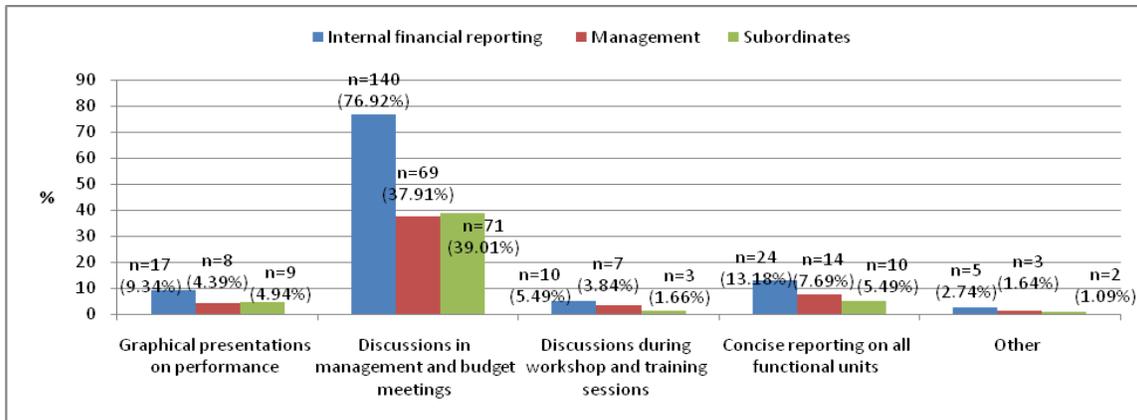


Figure 5.34 Internal financial reporting (n=140)

5.4.3.4.4 Executing financial control measures in terms of the Public Financial Management Act

According to Plunkett, Attner and Allen (2005:580-581) “financial audits may be conducted internally or externally to determine if financial data, records, reports and statements are correct and consistent with the organization’s policies, rules and procedures. Internal audits are likely to be conducted by staff within the department of health situated at central head office who know operations well”. “External audits provide certified inspection through third parties to analyze execution of policies and procedures by the organization in relation to daily operations” (Plunkett, Attner & Allen 2005:581). Approximately half of the respondents (93; 51.09%) who responded to this question indicated that financial control measures such as internal auditing of accounting practices (controlling of records, expenditure and revenue collection), and external auditing (84; 46.15%) are applied in terms of the PFMA (figure 5.35).

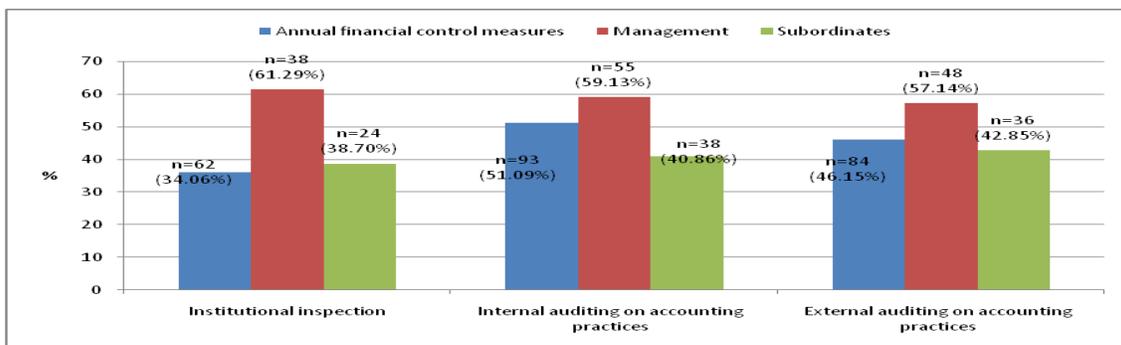


Figure 5.35 Annual financial control measures in terms of the Public Financial Management Act (n=182)

5.4.3.4.5 Financial elements reported on during meetings

Figure 5.36 depicts reporting on different aspects of financial matters such as daily operations, patient revenue collection, and maintenance of buildings, human resources and transport expenses. It is positive to note that 94 (53.71%) of the respondents indicated that human resource matters (productivity, salary, overtime and quality control) were reported during financial meetings, and this maybe due to the fact that human resource expenses contributed to 54.02 % of all expenses within the department of health (Department of Health and Social Services Annual Report 2007:173) (figure 5.36). Seventy nine (56.42%) and 67 (39.64%) of the respondents indicated that maintenance issues on buildings, health and safety and patient revenue collections were frequently reported during financial meetings. In retrospect, the formulation of the question in view of response alternatives daily operational expenses, poses a problem as it contains similar responses under human resources matters (salary, overtime and operations) which may also be included as operational expenses. The respondents might well have been aware thereof, but might not have been familiar with its content, thus providing an invalid response to this question.

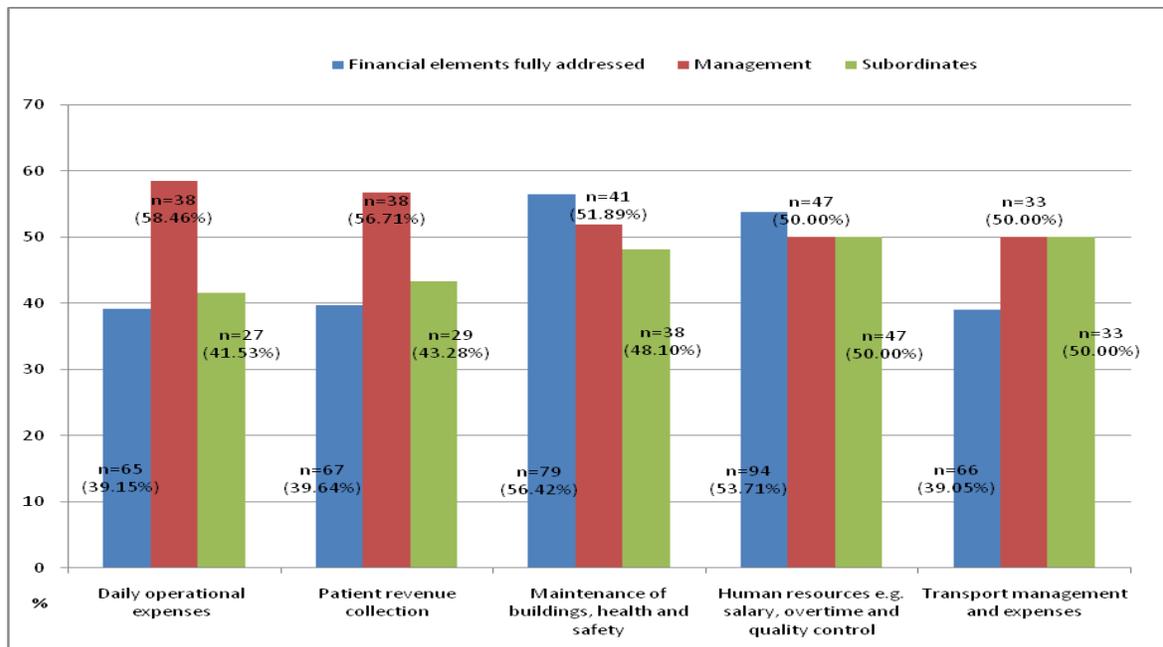


Figure 5.36 Financial elements reported on during meetings (n=175)

5.4.4 Section D: Basic Accounting System (BAS)

According to Lalli (2003:7.1) “accounting systems are developed to handle large volumes of accounting transactions such as requisitioning, ordering and paying for goods and service within an organization”. Stair and Reynolds (2003:388) believe that “accounting systems include the budget, accounts receivable, salary system, asset management and a general ledger. Not all accounting systems operate the same way, but generally focus on general ledger system with sub-systems which include transactions and activities categorized into income (cash), expenses, liabilities and assets”. According to Module 1 of the National Treasury Guidelines (2000:5), the Public sector (which includes all departments) utilizes the Basic Accounting System (BAS) to process all financial transactions and activities.

5.4.4.1 Indicators

According to the General Principles of BAS (2000:1-54) the “accounting system consist of four basic structures by which financial information is introduced and utilized namely, business, configuration, reporting, and controlling” (see fig 2.2). The business function of the BAS is the key indicator and provides financial information on income generated, expenditure patterns and payments within institution.

5.4.4.2 Aspects addressed by the accounting system

Expenditure patterns within organization provide access to financial information related to expenses on operations. These expenses can develop into a pattern which produces good or poor results in terms of how the organization follows its set objectives and goals. Based on the “organizational plan, management measures and monitors its operations and establishes and enforces standards in limiting spending in each department and the organization as a whole” (Plunkett, Attner & Allen 2005:570). It is positive to note that respondents indicated that the BAS accounting system does address expenditure patterns such as the purpose, reason and description of expenses (55; 33.53%), benefit of expenses in terms of goals and objectives (52; 31,70%) and reducing expenses via different options in outputs (46; 28.39%) (figure 5.37). However, it is disconcerting to note that less than 35% of the respondents responding to this question knew that an expenditure system is part of the accounting system that provides for expense patterns. The low response rate to the

questions listed in both management and subordinate groups’ maybe the result of the level of their experience, knowledge and understanding of accounting activities.

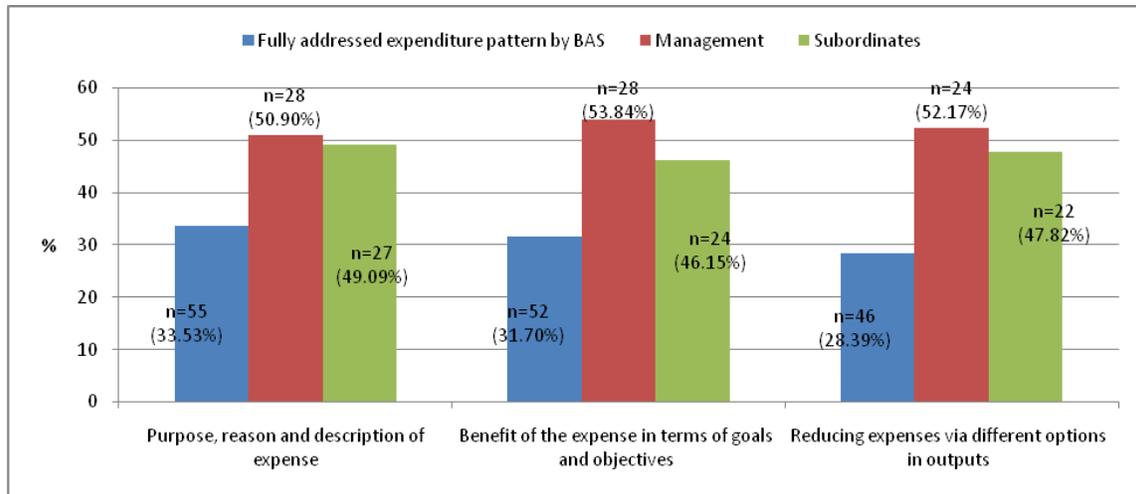


Figure 5.37 Aspects addressed by the accounting system (n=164)

5.4.4.3 Accounting system as a financial tool

According to Smit (2007:397) and Fallon and Zgodzinski (2005:260) “financial resources of any organization must be controlled by the management within that organization to make informed decisions”. It is evident that the accounting system supports financial aspects such as financial history (67; 39.41%), expenditure (87; 52.40%) and revenue information (86; 51.60%), accurate budgetary information (71; 43.03%), updating of financial data (65; 40.37%), interfacing with other systems (66; 40.00%) and printing financial report (80; 48.91%) (figure 5.38). What is a major concern, as accounting systems are effective when integrated with other control systems, is more accurate when combined with other systems such as the patient income system, pharmacy system, salary system and the inventory system to achieve goals and objectives of the organization.

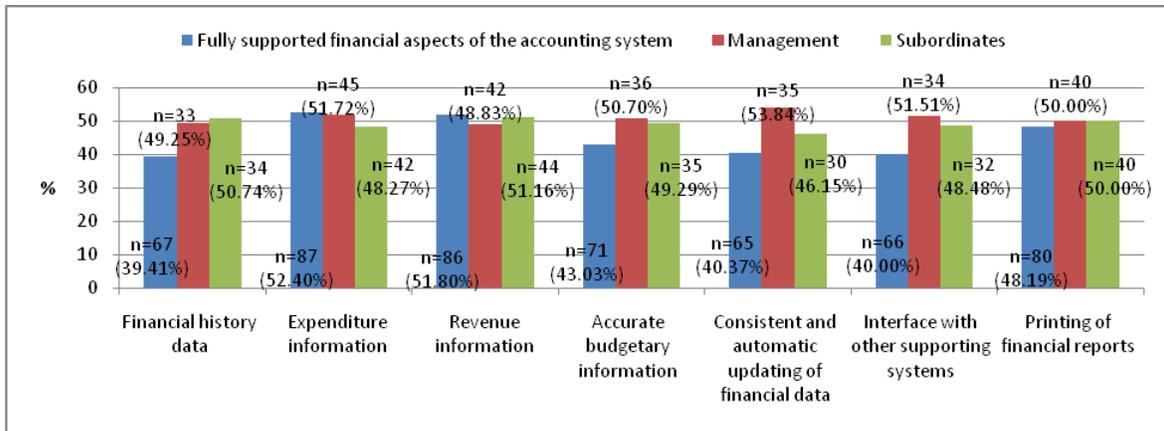


Figure 5.38 Financial aspects supporting the accounting system (n=166)

5.4.4.4 Revenue collection in the accounting system

More than one third of the respondents indicated that the accounting system does make provision for patient revenue collection in terms of patient income statements on patient turnover (64; 38.09%), statements on patient visits (66; 39.28%), and statements on patient days (80; 48.19%), revenue forecasts linked with expenditure pattern (60; 36.14%) and patient tariff adjustments (65; 39.63%) (figure 5.39)

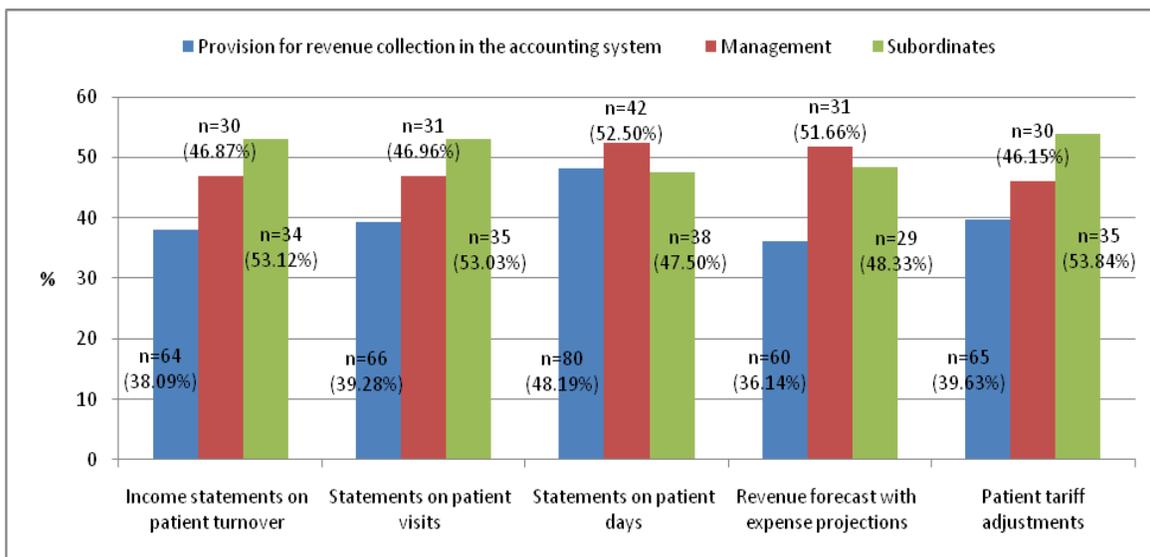


Figure 5.39 Revenue collection in the accounting system (n=168)

A significant difference ($p = < 0.003$) was detected between the mean scores of Group A ($\mu=1.3571$) and Group B ($\mu=1.6842$) indicating that the subordinates is of higher opinion than the management that patient days is used to ensure revenue collection.

Table 5.4 Cross tabulation between the respondents' job position (Management [Group A] and Subordinates [Group B]) and the provision of revenue collection on patient days in the accounting system (n=80)

Variable	Groups	Mean	N	Std. Deviation	p value
Statements on patient days to ensure revenue collection	Management (Group A)	1.3571	42	.48497	0.003
	Subordinates (Group B)	1.6842	38	.47107	
	Total	1.5125	80	.50300	

5.4.4.5 Capital assets information in the accounting system

“Capital assets represent major expenses for any organization, where some assets (furniture, medical equipment, buildings and vehicles) have only limited life expectations, which depreciate in value” (Stair & Reynolds 2003:391). More than on third of the respondents indicated that the accounting system does make provision for capital asset management in terms of purpose, reason and description of capital expenses (61; 36.96%), renovation and maintenance expenses (60; 37.03%), disposal and replacement of equipment (54; 33.12%), impact on revenue and expenses (60; 37.26%) and capital priority lists (52; 32.50%) (figure 5.40). In both management and subordinate groups low responses were obtained which may have been the result of non-involvement in capital asset information. According to Department of Health and Social Services Annual report (2007:132) “shortcomings have been recorded in the management of capital assets”.

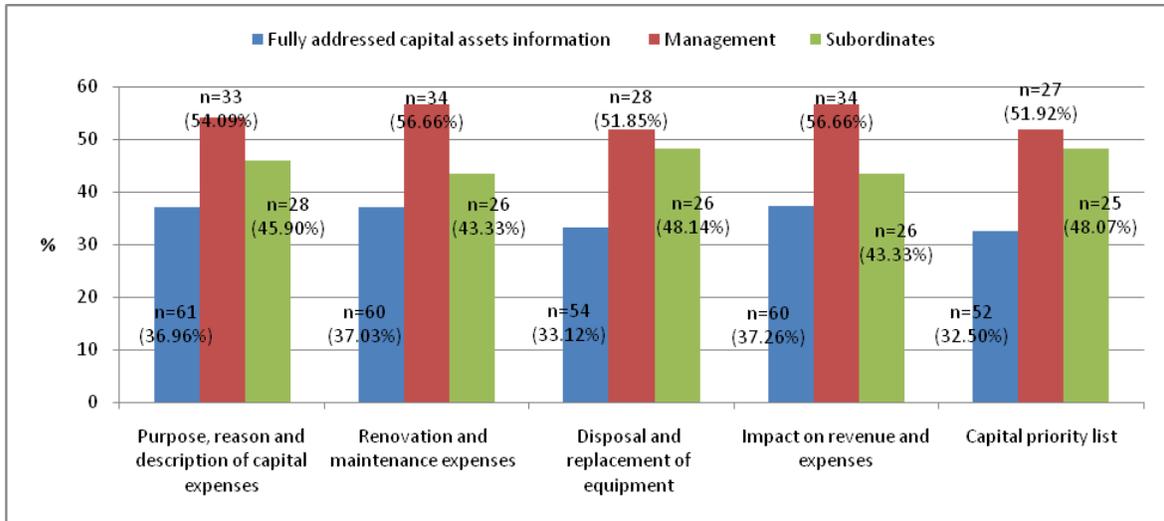


Figure 5.40 Capital asset information in the accounting system (n=165)

5.4.4.6 Relevance of the accounting system

In terms of key characteristics of the accounting system, the respondents indicated that the BAS is integrated with the planning process (67; 41.35%), compatible with the salary system (88; 52.69%), is flexible to change (75; 46.58%), is timely with financial information (70; 42.94%), not complex (65; 41.93%) and provide an accurate financial picture of financial activities (73; 45.06%) (figure 5.41).

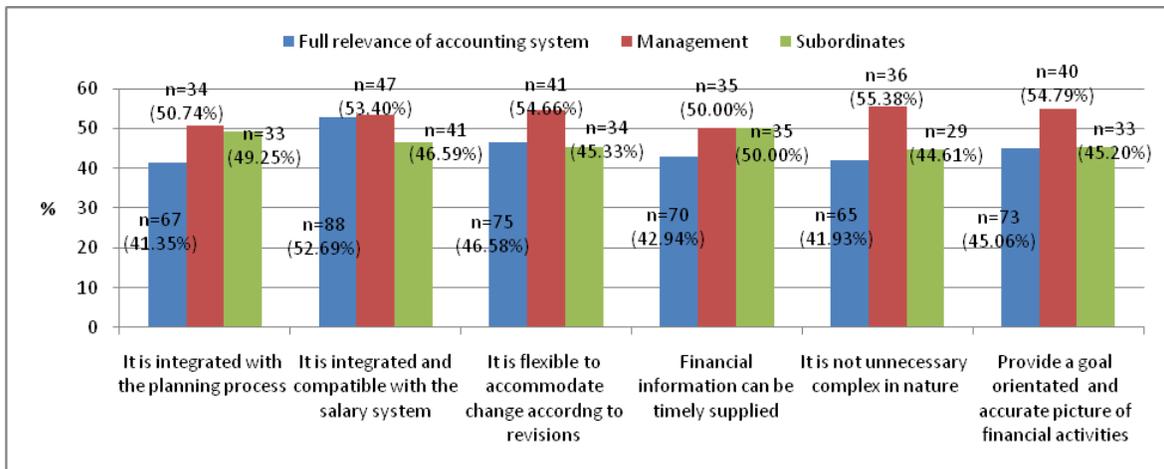


Figure 5.41 Relevance of accounting statements (n=167)

5.4.5 Section E: Knowledge of accounting practices and accounting system

According to Fallon and Zgodzinski (2005:254) the “fundamental principle of accounting is to record all financial transactions as costs”. “Accounting practices in more detail are mostly concerned with managing financial activities such as planning finances, receiving revenue, controlling expenditure and the management of assets and liabilities”. These “accounting practices would include acquisition, utilization and control of finances according to an accounting system through requisitioning, ordering and payment of goods and services to render a service” (Plunkett, Attner & Allen 2005:15; Smit 2007:14). Kwok (2005:189) explains accounting systems as the “recording of financial transactions (budgets, revenue collection, expenses and asset management) to monitor financial activities”.

5.4.5.1 Functions of Accounting Officer

According to Plunkett et al (2005:15) “the purpose of the accounting officer is to manage the flow of funds into and out of the organization and to assist executive, middle and first-line management on how to use organizational funds effectively, which includes the utilization and allocation of financial resources, and monitoring and control of all financial activities”. Responsibilities include the “provision of timely and accurate financial information necessary to direct strategic decisions and to assess the performance of the organization units such as district offices, hospitals, community health centers and clinics” (Stenzel 2007:57).

It is positive to note that the majority of respondents correctly indicated that the primary function of the accounting officer is to manage all organizational resources effectively and efficiently (135;81.81%), manage departmental revenue, expenditure, assets and liabilities (134; 82.80%), implement departmental financial control systems (132; 81.96%), enforce financial discipline within the organization which include all operational units (130; 82.27%) and provide timely and quality information on the management of budgets (140; 85.88%)(figure 5.42). From the responses to this question it is obvious that the management group has a better understanding of the Accounting Officers’ functions.

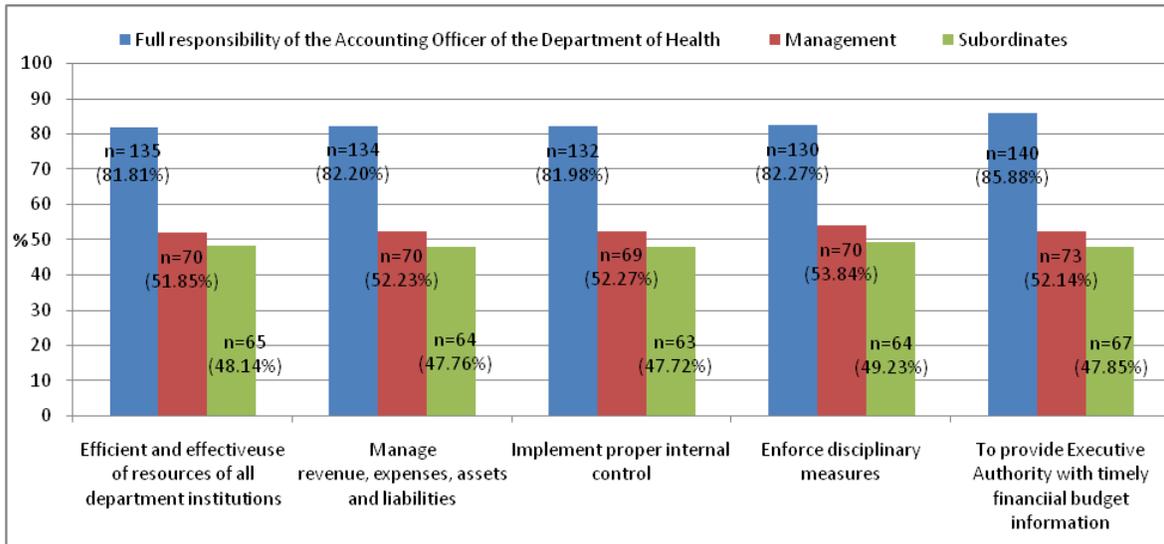


Figure 5.42 Functions of Accounting Officer (n=165)

5.4.5.2 Functions of the System Controller

According to BAS Module 3 (2000:8-22) the system controller must ensure successful operation of the BAS system. It is positive to note that the majority of respondents correctly indicated the functions of the system controller to attend to access issues on the accountings system (112; 69.56%), act as communicator (118; 74.21%), create security profiles (120; 75.00%) and train and evaluate the system users respectively (110; 69.18%) (figure 5.43).

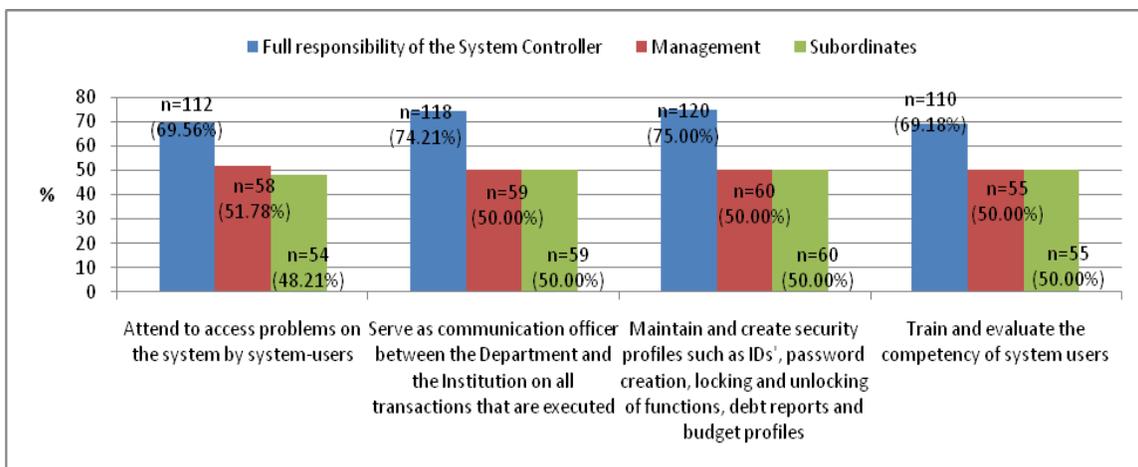


Figure 5.43 Functions of the System Controller (n=161)

A significant difference ($p = < 0.033$) was detected between the mean score of Group A ($\mu=1.8103$) and Group B ($\mu=1.6296$) indicating that the management group to a higher extent regard the system controller to take full responsibility for access problems on the system than the subordinates.

Table 5.5 Cross tabulation between the respondents' job position (Management [Group A] and Subordinates [Group B]) and attendance of system controller to access problems on the system by system-users (n=112)

Variable	Groups	Mean	N	Standard Deviation	p value
Attend to access problems on the system by system-users	Management (Group A)	1.8103	58	.48744	0.033
	Subordinates (Group B)	1.6296	54	.39545	
	Total	1.7232	112	.44942	

5.4.5.3 Safekeeping of financial documents and registers in terms of accounting practices

In terms of “accounting practices requisition and order books have face value and need to be kept safe at all time” (Republic of South Africa: National Treasury - General Principles for BAS learners guide. 2000. Chapter 1, Module 1, Version 1). According to Barr and Dowding (2008:102), “written health records (general registers, attendance registers, leave registers and drug and death registers) are vital and should be accurate and completed as near to the completion of the specific task as possible”. It is positive to note that of the respondents believe that financial and health records (such as requisition and order books (127; 72.15%), drug (150; 85.71%), patient (131; 75.28%) and death registers (141; 80.57%) should be kept safely at all times (figure 5.44).

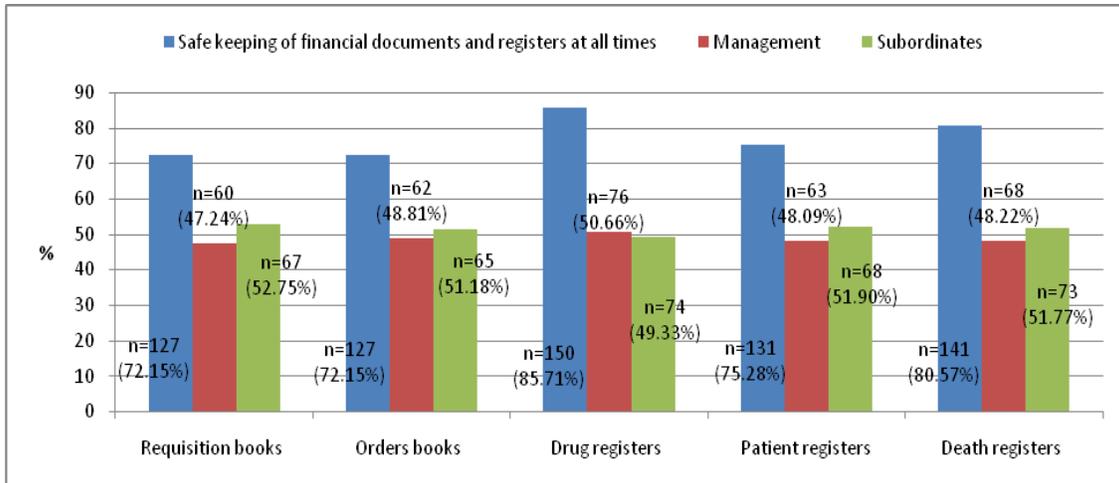


Figure 5.44 Safekeeping of financial documents and registers in terms of accounting practices (n=176)

5.4.5.4 Quality of internal auditing

According to Plunkett et al (2005:580-581) “internal audits are formal investigations conducted to determine if financial data such as records, reports and statements are correct and consistent in terms of procedural and legal policies of the organization”. The respondents indicated the quality of internal auditing as poor (80; 44.94%), satisfactory (64; 35.95%) and excellent (34; 19.10%) (figure 5.45). The responses to this question is in line according to the Department of Health and Social Services Annual report (2007: 132) that there is “serious concern about the lacking quality of internal control in terms of internal auditing”.

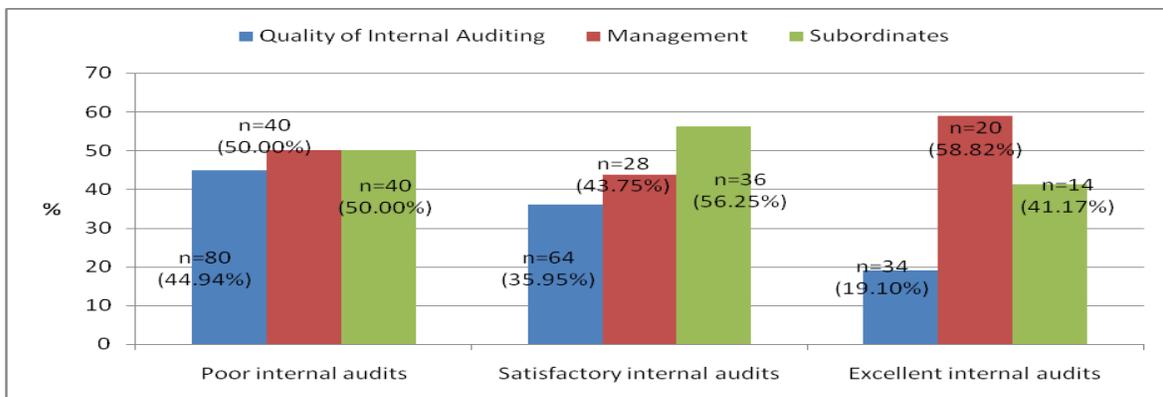


Figure 5.45 Quality of internal audits (n=178)

5.4.5.5 Reporting of financial irregularities

The respondents indicated the reporting of financial irregularities are poor (99; 55.93%), satisfactory (53; 29.94%) and excellent (25; 14.12%) (figure 5.46). The poor reporting of financial irregularities could have been the result of poor control in terms of financial activities. Another issue that may need further exploring is “whether the accounting system incorporated sufficient internal controls to ensure adherence to financial regulations” (Plunkett, Attner & Allen 2005:580).

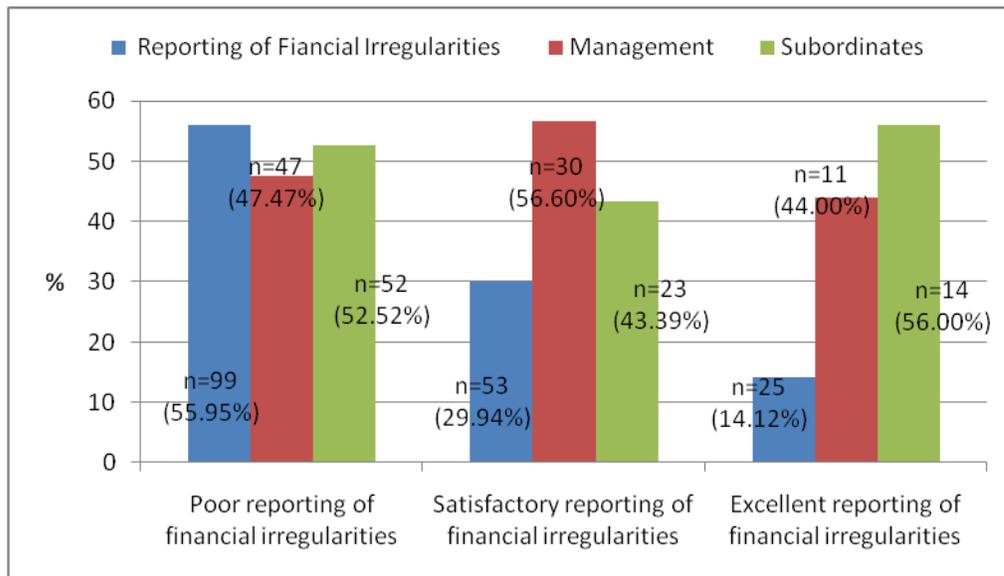


Figure 5.46 Reporting of financial irregularities (n=177)

5.5 Conclusion

Under biographic information the respondents indicated that they are appropriately qualified, where more than 80% has five years experience in their job or profession. Of the 70 (38.46%) respondents responding, only 58 (82.85%) have financial experience varying between one and seven years. Under financial legislation and regulations, 122 (70.52%) of the respondents indicated that they are not aware of the Public Financial Management Act. A significant difference was detected, indicating that the subordinates were stronger of the opinion that accurate information as an aspect of financial principle were evident in their institutions than the management group. The most important pre-requisites for sound financial management were identified by the respondents as accuracy skills (171; 97.15%).

A significant difference where detected under the item “existence of documentation”, were more subordinates indicated that a financial policy was available than the management. Less than a third of the respondents received training on financial activities such as compiling budgets, interpreting financial statements and applying the PFMA. Three major shortcomings were identified, where the budget is centralized (109; 64.88%), lack of information exists during the budgetary process (103; 59.93%) and the lack of transparency (102; 58.28%). Eighty four (60.00%) of the respondents identified the expense budget as the most prominent budget in their institutions.

More than a third of the respondents indicated that supervisors do apply management activities such as establishing goals, formulate strategies, assign tasks and compare results with goals and objectives. One hundred and thirty nine (78.53%) of the respondents regard overtime registers as the most controlled register. Only 62; 34.04% of the respondents indicated financial control measures are applied according to the PFMA.

From the response it is evident that the BAS accounting system supports financial aspects such as financial history data, expenditure and revenue information, accurate budgetary information, updating of financial data, interfacing with other systems and printing financial report, where the expenditure pattern (87; 52.40%) seems to be more widely known or referred too by the respondents. More than on third of the respondents indicated that the accounting system does make provision for capital asset management in terms of purpose, reason and description of capital expenses (61; 36.96%), renovation and maintenance expenses (60; 37.03%), disposal and replacement of equipment (54; 33.12%), impact on revenue and expenses (60; 37.26%) and capital priority lists (52; 32.50%). Low responses were obtained which may have been the result of non-involvement in capital asset information as indicted according to the Department of Health and Social Services Annual report (2007:132) as shortcomings in the management of capital assets.

A significant difference was detected, indicating that the management group to a higher extent regards the system controller to take full responsibility for access problems on the system than the subordinates.

The respondents indicated the quality of internal auditing as poor (80; 44.94%), where the responses to this question is in line according to the Department of Health and Social Services Annual report (2007: 132) that there is “serious concern about the lacking quality of internal control in terms of internal auditing”. The respondents also indicated the reporting of financial irregularities are poor (99; 55.93%), which could have been the result of poor control in terms of financial activities.

The data analysis was supported by a statistician calculated frequencies, summarizing numerical data, utilizing *t*-test, ANOVAs’, and determine reliability (Cronbach’s *alpha* coefficient) according to the SPSS version 15.0 statistical software program. The data analysis was then verified by the researcher and comparisons were made by using the SPSS version 14.0 statistical software program. The researcher interpreted the data according to the statistical analysis and created bar and pie diagrams to enhance the reader’s understanding of the study contents.

From this information conclusions and recommendations will be made and presented in chapter 6.

6.1 Introduction

All organizations face challenges from many sources which include an uncertain economy, technological development, a demand for efficiency and workforce specialization. Financial management in any organization involves decisions about a strategy to be followed on how financial activities (revenue collection, expenditure according to a plan, liabilities and assets) are recorded, controlled and managed.

From the literature it is clear that managing finances involves a great deal of planning, organizing, leading and controlling of resources which are seldom available in unlimited quantities. Therefore, financial management encompasses all the activities that apply to finances within an organization utilizing an accounting system to record transactions and summarize how funds were expended. It was established from the literature review that in general, staff within organizations found it difficult to manage and use its resources effectively. This study was undertaken against this background to determine the level of financial management competencies in the public hospital sector of one province in South Africa.

The purpose of this study was to investigate and describe financial management in public hospitals with reference to: financial planning, financial organizing, financial leading and financial control in order to design an intervention program to enhance financial management skills. More specifically, the objectives of this study were to:

- explain the financial indicators relevant to financial management in terms of the Basic Accounting System Program (BAS) and management policy for public hospitals,
- determine the current state of financial management in selected public hospitals,
- developing recommendations to facilitate and enhance the financial management in public hospitals.

This chapter discusses the conclusion and recommendations of the study in terms of financial management in public hospitals and makes recommendations regarding identified shortcomings.

6.2 Conclusions

The conclusions will be discussed under the different sections of the questionnaire and acknowledges the responses of the respondents.

6.2.1 Section A: Biographic information

The following conclusions results from the acquired responses pertained to biographic information.

6.2.1.1 Respondent's qualifications

Most respondents, who indicated their level of training, received formal training of some kind beyond secondary training. However, according to figure 5.1 more respondents obtained diploma courses (86; 53.75%) than degree courses (74; 46.25%). It can be deduced that the majority of respondents (160; 87.91 %) have received formal training applicable to the profession/job they practice in the public hospital sector gaining basic knowledge to execute their work. In correlation with the respondents' job position, of the management group 43 (53.75%) obtained a degree qualification and 37 (46.25%) have a diploma or a short course. In the subordinate group, 31 (38.75%) received a degree and 49 (61.25%) obtained a diploma or a short course. Ingram and Albright (2007:238) emphasize that "training forms the basis of knowledge that will ensure employees develop skills for their jobs".

6.2.1.2 Position of respondents

It appears that both the management and subordinate groups are equal in size, each containing 91 (50:00%) respondents. The respondents that hold management positions are considered to be first line-managers within the hospital environment whereas the subordinates consist of respondents within the hospital with less authority than first line-managers positions.

6.2.1.3 Respondents' experience

It was evident that more than half (51; 54.83%) of the respondents have more than seven years of experience in the process of **management** within the different institutions (fig 5.3). Of the 93 (51.09%) respondents responding to this question 56 (60.21%) hold line management positions, and 37 (39.78%) are subordinates. Figure 5.4 indicates that only 58 (31.85%) of the respondents have some experience in relation to **financial activities** in terms of the management of finances. Of the 70 (38.46%) respondents answering this question 42 (60.00%) are first-line managers and 28 (40.00%) are subordinates. It was therefore deduced that the majority respondents (112; 61.53%) are inexperienced in **financial activities** and are not acquainted with the financial management of public hospitals. "Finances are part the organization's resources which needs to be managed on a daily basis in order to offer services proclaimed in its mission statement" (Iles 2006:117).

In terms of **supervision**, figure 5.5 indicates that of the respondents, 108 (59.34%) have supervisory experience for 1 to more than 7 years and can be concluded that the respondents were well versed in the process of supervision, therefore knowing how to support and guide their subordinates. In terms of **supervision**, sixty nine (60.52%) respondents hold line management positions and 45 (39.47%) are subordinates. One hundred and fourteen (62.63%) of the respondents indicated the duration of their **job/professional** experience, where 101 (85.59%) had been in their current **job/profession** for five years and longer (fig 5.6). In terms of **job/profession**, 57 (48.30%) are line managers whereas 61 (51.69%) are subordinates.

6.2.2 Section B: Financial legislation and regulations

The following aspects on financial legislation and regulation as acquired from the respondents responses

6.2.2.1 Public Financial Management Act

According to the findings more than two thirds (122; 70.52%) of the respondents are aware of the Public Financial Management Act and its contents relating to accountability and sound management of revenue, expenditure, assets and liability matters in the execution of

the public hospitals official's daily tasks. It appears that the formulation of question 4 posed a problem as it contains two variables. The respondents might well have been aware of the Act, but might not have been familiar with its content, thus providing an invalid answer to the second variable of the question.

6.2.2.2 Rollover funds

The respondents were almost equally divided in view of the purpose of rollover funds according to fig 5.9 as it is evident that (67; 46.52%) of the respondents correctly indicated the purpose of rollover funds in finalizing financial activities for a particular financial year. However, it is disconcerting that the rest of the respondents (69; 47.01%) incorrectly indicated the purpose rollover funds may be used.

6.2.2.3 Application of the Public Financial Management Act (PFMA) in institutions

It is disconcerting to note that only 51 (28.02%) of the respondents were correct in identifying that the responsibility for applying the PFMA lies with the management of the hospital. The management group was also identified as the group with more delegation authority and were better versed in who is responsible for applying the PFMA in their institutions than did the subordinates.

6.2.2.4 Responsibilities of the National Treasurer

It is positive to note that 118 (64.48%) respondents indicated that the National Treasury is responsible for monitoring the application of the PFMA (figure 5.10), but it is disconcerting that only a quarter (44; 24.17%) of the respondents knew there is a link between financial inspections and auditing in the application of the PFMA, it is disconcerting to note that 138 (75.82%) of the respondents do not realize this. The reason maybe twofold; either these respondents did not know, or they maybe too far removed from the activities of the National Treasurer due to their job description to be expected to have this information.

6.2.2.5 Compliance with financial legislation

According to the findings it appears that 100 (55.55%) of the respondents were of the opinion that they comply with the financial legislation in terms of accounting practices (figure 5.11). This view is in contrast with the annual report of the Department of Health and Social Services (2007:132) which indicates “strong evidence of non-compliance to legislative requirements”.

6.2.2.6 Financial management principles

Of the eight financial principles (appropriate controls, clearly defined objectives, clearly defined responsibilities, accurate information, performance, openness, integrity and accountability) in the institution, the respondents indicated that, appropriate controls (86; 52.76%) and accountability (91; 53.21%) were the most evident financial principles in their institution (figure 5.12). However, in terms of the respondents’ job position in correlation with accurate information of financial principles, the management group and the subordinate group differs significantly (table 5.2). It is concluded that the subordinate group was of a stronger opinion that accurate financial information were more evident than the management group.

6.2.2.7 Pre-requisites for sound financial management

The purpose of the question were not to determine whether respondents possess the pre-requisites for sound financial management (such as to be suitable qualified, to have analytical skills, to be set on accurate recording, thoroughness in all activities, to be an effective communicator, to be a visionary leaders and to have accuracy skills), but to determine if they have a clear understanding of a sound financial management environment (figure 5.13). It is concluded that the most important pre-requisites for sound financial management were identified as accuracy skills (171; 97.15%), analytical skills (166; 93.78%) and accurate recording (165; 94.82%).

6.2.3 Section C: Financial Management

Under this section conclusions are made that relate to acquired information pertaining to planning, organizing, leading and controlling in terms of financial management activities.

6.2.3.1 Planning

6.2.3.1.1 Characteristics of the planning process

More than half, 94 (52.80%) of the respondents indicated that plans are carried out in accordance with the vision, mission, goals and strategies of the institution, 92 (51.68%) indicated that plans focus on the entire institution, and 89 (50.85%) recorded that plans focus on organizational resources (figure 5.14). It is concluded that planning occurs as an every day activity within the different institutions.

6.2.3.1.2 Steps in the planning process

Almost two thirds of the respondents indicated the following: that goals need to be identified to give direction to plan in the planning process (112; 64.00%), accommodating change (100; 58.82%), while (101; 57.38%) acknowledged plans are implemented by allocating resources to achieve institutional goals. It is concluded that goals are evident when planning occurs within the different institutions.

6.2.3.1.3 Existence of documentation in the institution

More than 80% of the respondents indicated that a written format of the following documentation exists; a vision document, a mission document, conditions of employment, job descriptions with duty sheets, a contingency document and a financial policy document. However, it seems of the respondents indicated that the conditions of employment document (143; 81.71%) to be the most evident document used in the different institutions (figure 5.16). A significant difference was detected indicating that the subordinates were stronger of the opinion that the financial policy was available in their institutions than the management group. It is concluded that the subordinates are mainly responsible for the execution of financial activities (such as ordering, payments, revenue collection and procurement of supplies) related to financial management.

6.2.3.2 Organizing

6.2.3.2.1 Training in financial activities

According to the findings, of the 175 respondents, 50 (28.67%) received training in preparing and compiling budgets, 37 (21.26%) in terms of interpreting financial statements, 58 (32.95%) on interpreting and applying the PFMA and 25 (14.28%) as BAS users on the accounting system (figure 5.17). It is noted in the literature review (chapter3) that managing institutional resources requires the understanding of financial processes (requests for financial finances, applying financial regulations, utilizing budgets and resources consumed) at different operational levels within the institution. It is concluded that less than a third of respondents in both the management and subordinate groups received financial training.

6.2.3.2.2 Budget plan

An effective financial plan (budget) is essential to all institutions irrespective of the size of the institution. Only forty five (30.20%) of the respondents correctly indicated that a zero-based budget plan is followed in their institutions (more management than subordinates) (figure 5.18). It is conclude a concern as the majority of the respondents did not knew which budget plan is followed, clearly illustrating the poor involvement of staff with financial budget activities.

6.2.3.2.3 Budget communications

Organizations used different mediums (orally, non-verbally and a written format) to communicate information to units within the organization. Of the 120 respondents who answered this question, 65.93% received budgetary information via monthly meetings and discussions and 80 (43.95%) indicated that internal circulars serve the purpose. It is concluded that the communication process followed, to convey budgetary information are properly communicated.

6.2.3.2.4 Staff involvement in the budgetary planning sessions

According to the findings all categories of staff (management, medical and paramedical, emergency, nurses, administration, finance, cleaning and maintenance) appear to be involved in the budgetary planning process. However, two categories of staff, namely, management (126; 71.59%) and the financial staff (131; 78.91%) featured prominent in the budgetary planning process. It is concluded that all staff should be equally involved according to their function within the institution in the planning and deployment of financial resources.

6.2.3.2.5 Consideration of financial statements in the financial planning process of units

Financial statements are an important tool to reveal major cost drivers in the deployment of financial resources. According to figure 5.21, all 82; 48.52% of the respondents who answered this question made use of financial statements in their financial planning process. It could be deduced that the remaining respondents (100; 54.94%) who did not answer this question; either, are not expected from them to be involved due to their level of functioning or are not interested in financial planning.

6.2.3.2.6 Shortcomings in budgetary process

According to the findings, the respondents identified three major shortcomings in the budgetary process as, budget is too centralized (109; 64.88%), lack of information during the budgetary process (103; 59.93%) and lack of transparency (102; 58.28%) (figure 5.22). It is concluded that proper informed decisions regarding the financial budgetary process is not possible in the utilization of resources in the execution of day-to-day operational activities.

6.2.3.2.7 Circulation of financial statements

The results show that only 55 (33.13%) of the respondents indicated that financial statements are circulated on a monthly basis, whereas the remaining 111 (66.86%) respondents indicated that financial statements are either circulated weekly, every six months, yearly or never (figure 5.23). It is concluded that regularly access and review of

financial statements are essential to intervene when tendencies occur in over or under spending.

6.2.3.2.8 Frequency of budgetary planning sessions

According to the findings, 67 (38.50%) of the respondents indicated that yearly planning sessions occur on budgetary matters, whereas the remaining 107 (61.49) indicated that budgetary planning sessions are either planned monthly, every six months, less than once a year or never (figure 5.24). What is concluded, are that budgetary planning sessions are guided by the financial information that is scrutinized during assessment of the institutions' past, present and future financial activities.

6.2.3.2.9 Operational budget categories

Of the 140 (76.92%) respondents who answered this question 84 (60.00%) identified the expense budget as the most prominent budget in their operational budget. It is concluded that every organization utilize more than one type of budget that relate to a specific aspect of the organization with different goals and objectives and for assigning responsibilities to put these goals and objectives into practice.

6.2.3.2.10 Financial aspects addressed at budget meetings

Figure 5.26 depicts the different financial aspects that are addressed at budget meetings. According to the findings, the respondents indicated that a variance report (68; 40.23%) and summary of expenditure (66; 39.52%) are the most commonly representative aspects at budgetary meeting. Slight difference appear between the responses of the management and subordinate groups which is concluded as different involvement levels in budgetary issues in terms of skills, experience and delegations.

6.2.3.2.11 Occurrence of financial activities at institution level

Only 64 (36.15%) of the respondents who answered this question indicated that financial tasks and resources were assigned to subordinates. More or less a third of the respondents confirmed that activities (such as clarifying financial responsibilities, clarifying financial authority in terms of spending, clarifying financial and procurement procedures and communicating financial information) all do occur at institution level.

6.2.3.2.12 Financial delegation of authority

The findings show that the majority of respondents (179; 98.25%) responding to the question on financial delegation of activities is of the opinion that they apply within the institution. It is concluded that, in terms of the different aspects of financial delegation (such as explaining the reason for delegating, establishment of clear financial goals and standards, ensuring clarity of authority and responsibility and to be held accountable for results, involving subordinates in the decision-making process, providing training in performing tasks and provide feedback on subordinate's performance) are poorly applied according to the low response rate of less than 40% across the management and subordinate groups in performing financial tasks (figure 5.28).

6.2.3.3 Leading

6.2.3.3.1 Application of management activities by supervisor

More than a third of the respondents indicated that supervisors do apply management activities (such as establish and formulate strategies to achieve goals, developed a system to assign tasks and resources for subordinates and managing policies and procedures and compare results to take corrective actions), however it is disconcerting to note that both the management and subordinate groups poorly apply these management activities (figure 5.29).

6.2.3.3.2 Activities performed by supervisor

According to the findings, more than half of the respondents indicated that their supervisors do establish a vision 93 (52.24%) and mission 92 (51.39%) as a means of leading the staff. Approximately 40 percent of the respondents indicated that management activities (such as a strategy to change in the institution, motivate subordinates to follow a vision, to help subordinates to deal with change and to steer the subordinates in the right direction to change), were applied by supervisors, refer to figure 5.30.

6.2.3.3.3 Delegation of authority for requisitioning, ordering and payment of procurement

Approximately 50 percent of the respondents indicated that delegation of authority is either centralized at head office or decentralized at institution level, a clear deducted is thus not possible.

6.2.3.4 Control

6.2.3.4.1 Control measures

More than 40 percent of the respondents responding to this question indicated that they always adhere to the control measures which serves the purpose (such as to be inline with institutional goals, results in better quality better of service, minimize costs, limits errors and ensures delegation of tasks and teamwork) (figure 5.32). It is concluded that the low response to these control measures could have resulted in the poor level of financial management within the different institutions as explored in chapter 1.

6.2.3.4.2 Aspects on control measures

According to the findings, more than half of the respondents felt that registers such as patient revenue collection, cashbook balancing, attendance registers, overtime registers and asset registers are important instruments for control in the institutions. It is concluded that the disposal and redundant registers were among the lowest control measures controlled with 64 (36.78%) of the respondents completing this register. These registers are directly related to the management of assets, and according to the Department of Health and Social Services Annual Report (2007:132) has been recorded as a “major shortcoming”.

6.2.3.4.3 Internal financial reporting

According to the findings more than 70% of the respondents indicated that financial reporting within the institution occurs with discussions in management and budget meetings (figure 5.34). It is concluded that a platform for discussion of financial matters had been established at different meetings.

6.2.3.4.4 Executing of financial control measures in terms of the Public Financial Management Act

Only 62 (36.06%) of the respondents indicated that institutional inspections are executed. Approximately 50 percent of the respondents who responded to the questions on financial control measures such as internal and external auditing of accounting practices (controlling of records, expenditure and revenue collection) are applied in terms of the PFMA (figure 5.35). It is concluded that monthly institutional inspections were poorly executed, where internal and external auditing are executed by third parties to oversee the process of financial control.

6.2.3.4.5 Financial elements reported on during meetings

It is positive to note that respondents report on daily operational expenditure (65; 39.15%), on patient revenue collection (67; 39.64%), on maintenance of (buildings, health and safety) (79; 56.42%), on human resource matters (productivity, salary, overtime and quality control) (94; 53.71%) and on transport management and expenditure (66; 39.05%) during monthly financial meetings (figure 5.36). It is concluded that the above listed costs drivers are not thoroughly discussed during meetings, which could have been the result from in-experienced personnel and poor financial ability to interpret financial reports.

6.2.4 Section D: Basic Accounting System (BAS)

The following conclusions result from the acquired responses pertained to the accounting system that is practiced.

6.2.4.1 Aspects addressed by the accounting system

The respondents indicated that the BAS accounting system does address expenditure patterns such as the purpose, reason and description of expenses (55; 33.53%), benefit of expenses in terms of goals and objectives (52; 31,70%) and reducing expenses via different options in outputs (46; 28.39%) (figure 5.37). It is concluded that the low response rate to these questions maybe the result of the level of experience, knowledge and understanding of accounting activities of both management and subordinate groups.

6.2.4.2 Accounting system as a financial tool

According to the findings, the accounting system supports financial aspects such as financial history, expenditure and revenue information, accurate budgetary information, updating of financial data, interfacing with other systems and printing financial report, all with approximately 50 percent (figure 5.38). Accounting systems are effective when integrated with other control systems, accurate when combined with systems such as the patient income, pharmacy, salary and inventory systems. It is concluded that better control would apply when more than one system is interfaced with the accounting system.

6.2.4.3 Revenue collection in the accounting system

According to the findings, the respondents indicated that the accounting system does make provision for patient revenue collection in terms of patient income statements on patient turnover (64; 38.09%), statements on patient visits (66; 39.28%), and statements on patient days (80; 48.19%), revenue forecasts link with expenditure pattern (60; 36.14%) and patient tariff adjustments (65; 39.63%) (figure 5.39). A significant difference was detected indicating that the subordinates are of a higher opinion than management that patient day is used to ensure revenue collection.

6.2.4.4 Capital assets information in the accounting system

Approximately 38 percent of the respondents indicated that the accounting system does make provision for capital asset management in terms of purpose, reason and description of capital expenses, renovation and maintenance expenses, disposal and replacement of equipment, impact on revenue and expenses and capital priority lists (figure 5.40). In both management and subordinate groups low responses were obtained. This is supported by the Department of Health and Social Services Annual report (2007:132), that “shortcomings have been recorded in the management of capital assets”. It is concluded that this may have been the result of non-involvement in the management of capital assets, which contribute to major expenses for the institutions in terms of furniture, medical equipment, buildings and vehicles, if not properly managed.

6.2.4.5 Relevance of the accounting system

In terms of key characteristics of the accounting system, the respondents indicated with approximately 50 percent that the BAS is integrated with the planning process, compatible with the salary system, is flexible to change, is timely with financial information, not complex and provide an accurate financial picture of financial activities (figure 5.41). It is concluded that the accounting system applies to every aspect of financial management from the planning process to the executing of organizational activities in terms of flexibility, time and providing an accurate financial picture.

6.2.5 Section E: Knowledge of accounting practices and accounting system

The following conclusions result from the acquired responses pertaining to the knowledge of accounting practices and the accounting system as practiced

6.2.5.1 Functions of the Accounting Officer

It is positive to note that more than 80 percent of respondents correctly indicated that the primary function of the accounting officer is to manage all organizational resources effectively and efficiently, manage departmental revenue, expenditure, assets and liabilities, implement departmental financial control systems, enforce financial discipline within the organization which include all operational units and provide timely and quality information on the management of budgets (figure 5.42). It is concluded that from the responses to these questions the management group has a better understanding of the Accounting Officers' functions than the subordinates.

6.2.5.2 Functions of the System Controller

Approximately 70 percent of the respondents indicated that the functions of the system controller are to attend to access issues on the accountings system, act as communicator, create security profiles and train and evaluate the system users respectively (figure 5.43).

A significant difference was detected indicating that the management group to a higher extent regards the system controller to take full responsibility for access problems on the system than the subordinates. It is concluded that the system controller plays a prominent role in the execution of financial tasks on the BAS system.

6.2.5.3 Safe keeping of financial documents and registers in terms of accounting practices

According to the findings, more than 70 percent of the respondents believe that financial and health records (such as requisition and order books, drug, patient and death registers) should be kept safely at all times (figure 5.44). It is concluded that the difference in responses are evident in both the management and subordinate groups on the safekeeping of financial and health documentation which could be due to the level of delegation authority of financial activities, knowledge and competency on procedural matters relating to safekeeping of documentation.

6.2.5.4 Quality of internal auditing

According to the findings, more respondents indicated the quality of internal auditing as poor (80; 44.94%), in contrast to excellent (34; 19.10%) (figure 5.45). The responses to this question is in line according to the Department of Health and Social Services Annual report (2007: 132) that there is “serious concern about the lacking quality of internal control in terms of internal auditing”. It is concluded that, these responses are the result of non-involvement in auditing matters, which could have been the reason of the unqualified audit reports as pointed out under chapter 1.

6.2.5.5 Reporting of financial irregularities

The respondents indicated the reporting of financial irregularities are poor (99; 55.93%), in contrast to excellent (25; 14.12%) (figure 5.46). It is concluded that the poor reporting of financial irregularities could have been the result of poor control in terms of financial activities.

6.3 General conclusions

The overall conclusion from this study is that management and subordinates realize that financial management is part of the management process, but certain shortcomings exist that requires immediate intervention. The following general conclusions in terms of the findings of the study (table 6.1).

Table 6.1 Summary on general conclusions

Section of Questionnaire	Positive Conclusion	Negative Conclusion
Biographical	It is positive to note that all the respondents underwent formal and informal training to be appointed in the position according to their years of experience in health.	However it is evident that not all managers and subordinated have adequate experience in financial activities.
Financial legislation and regulations	It is noted that the Public Financial Management Act (PFMA) is applied institutionally.	More than 50% of the respondents identified that clearly defined objectives and responsibilities, accurate information, openness, integrity and the authority to apply the PFMA are not clear.
Financial management - Planning	It is positive to note that the majority of respondents indicated their awareness of documents such as documented vision, mission, and conditions of employment; job descriptions, contingency plans and financial policy exist.	It is disconcerting to note that more than 50% of the respondents indicated that planning is not carried out within a proper time-frame and are not aimed at integrating management functions.
Organizing	According to the findings, less than 30% of the respondents received training in preparing and compiling budgets and training of the BAS accounting system as users, interpreting financial statements and interpreting and applying the PFMA respectively.	Two major shortcomings have been identified, more than half of the respondents, indicated lack of information during the budgetary process and lack of transparency. Less than 40% of respondents in both the management and the subordinate groups indicated that financial delegation is poorly applied in terms of financial management.
Leading	According to the findings, more than a third of the respondents indicated that supervisors do establish and formulate strategies to achieve goals, developed a system to assign tasks and resources for subordinates and manage policies and procedures and compare results to take corrective actions.	Both the management and subordinate groups identified with more than 50% that a strategy for change, to motivate and help with change and steer subordinates in the right direction are not always evident in the institution.
Control	It is positive to note that the respondents report on daily operational expenditure, patient revenue collection, maintenance of buildings, health and safety, human resource matters (productivity, salary, overtime and quality control) and on transport management and expenditure during monthly financial meetings.	It is disconcerting to note that more than 50% of respondents in both the management and subordinate groups indicated that control measures applied are not in line with institutional goals to minimize costs and to limit errors. It is concluded that the lack of properly applied control measures are evident and have resulted in a poor level of financial management within the institutions.
Accounting system	The respondents indicated that the BAS accounting system does address expenditure patterns such as the purpose, reason and description of expenses, benefit of expenses in terms of goals and objectives and reducing expenses via different options in outputs.	The major concern as indicated by the respondents is the lack of interface of the accounting system with other supporting systems, as other systems such as the patient income system, pharmacy system, salary system and the inventory system runs concurrently with the BAS accounting system.
Knowledge of accounting practices and the accounting system	More than 80% of the respondents indicated that responsibilities of the accounting officer is to manage the flow of funds into and out of the institution, to make provision for the utilization of financial resources and to monitor financial activities and provide accurate financial information to assist management to apply strategic decisions in daily operations of the institutions.	Internal audits are executed to determine if financial information such as records, reports and statements are correct and consistent with procedural and legal policies of the institution. Non-involvement in the control measures of the institutions, could have been the reason of the qualified audit reports as pointed out under chapter 1.

6.4 Recommendations

From the forgoing conclusions, the following recommendations are made to support the existing subject knowledge of financial management

6.4.1 Recommendations pertaining to the objectives of the study

6.4.1.1 Financial management

It is evident that the majority of respondents are inexperienced regarding the management of finances. Once staff have been recruited it is important to identify different levels of skills and knowledge within the structure of the organization for the purpose of further developing staff to acquire more skills which will improve knowledge on management for success.

- **Financial planning**

In order for management to have effective plans and yield desired results with the minimum resources, it is recommended that all levels of staff from cleaners to top management perform a situation analysis as the initial stage of strategic planning to pinpoint the current state of the organization in view of available resources and technological needs to reveal strengths and weaknesses. A review of strategic plans by top management will focus on the entire organization aligning it with the changing environment, whereas the middle and first line management will focus on the operational plans pertaining to finances, human resources and procurement and the subordinates will focus on the carrying out of strategy plans.

- **Financial organizing**

The organization's strategic plans will have a great deal to do with the way financial activities and in particular, the budget, is compiled and applied. If an organization wants to be well-managed, much emphasis should be placed on the budget and its processes. It is recommended that the budget is discussed more comprehensively at meetings by all management levels and subordinates in the institutions, with a serious commitment and that the budget is closely monitored to

identify positive and negative variances. To achieve this, costs drivers should be identified and standardized in terms of patient turnover, resources required such as personnel, energy consumption, procurement of supplies and transport activities. Through a cost drivers approach changes are in line with the kinds of activities that will be needed to support objectives, the cost of each and the total costs of services that are offered. This approach would empower management and subordinates to manage finances at all operational levels within the institution.

- **Financial leading**

More emphasis should be placed on leading as a function of management. This process entails directing subordinates to achieve financial goals through the elements of authority, power, delegation, responsibility and accountability to direct the behavior of subordinates to accomplish financial goals through direction, supervision, motivation, mentorship and coaching. More focus should be placed on the interaction between institutional members and operational units, to change behavior that is in the institution's best interests regarding the use of resources. The objective would be to mentor and support subordinates to manage and learn in order to maximize their potential, and to develop appropriate skills to improve overall performance in terms of deployment of personnel, methods of procurement, delegation of responsibilities, and new procedures in the ordering of goods and services.

- **Financial controlling**

Financial activities of institutions relate to and require reporting on daily operations in terms of revenue collection, expenditure and stock management to determine if operations are in-line with the set objectives and goals of the institution. Because financial control is essential in the utilization of resources it is at the centre of all operational activities. More emphasis should be placed on financial information to be timely controlled, summarized on a departmental basis, breakdown of financial activities according to activities and transaction by transaction analysis for in depth discussions at meetings for corrections.

- **Accounting system**

Accounting systems such as the BAS can be classified as operational and management control systems, which are utilized by system end-users to execute the practical aspects related to financial activities and to provide information for management to support the decision making process. Accounting systems have a certain life cycle and due to constant changes in how organizations conduct their business needs to be upgraded in terms of accounting procedures and standards.

It is recommended that the accounting system should allow management to have authority to use their judgments in running their responsibility centers, and hold managers responsible only for those resources over which they exert a reasonable control.

6.4.1.2 Financial training

It is recommended that all staff, according to the hierarchy within the institution undergo continuous training related to the management of finances on aspects such as the planning process, organizing activities and resources, accounting practices and controlling financial activities. Table 6.2 provides a summary of training in terms of job position within the institutions.

Table 6.2 Training on financial matters in line with job position in the institution

Training aspect	Training levels
Application of the Public Financial Management Act	Top management, middle and first-line management and subordinates
Financial responsibilities of officials	Top management, middle and first-line management
Financial planning – the planning process	Top management, middle and first-line management and subordinates
Financial organizing – budget process, budget types, budget techniques and budget characteristics	Top management, middle and first-line management and subordinates
Financial leading – authority, delegation, supervision, responsibility and accountability	Top management, middle and first-line management
Financial control – cost-effectiveness and financial control	Top management, middle and first-line management and subordinates

Different techniques of training (in-service, computer-based and internet-based) should be combined and applied directly to the work environment to increase knowledge and skills, motivation, quality and productivity.

The objectives of the study were met by:

- explaining the financial indicators relevant to financial management in terms of the Basic Accounting System (BAS) and management policy (Chapters 2 and 5 section b, d and e),
- determining the current state of financial management in public hospitals (Chapter 5 section c),
- developing recommendations to facilitate and enhance the financial management in public hospitals (Chapter 6, annexure F and F_a).

In view of the findings derived from the data analysis, impressions and conclusions of this study, it is clear that much emphasis should be placed on training, development and awareness of financial management in developing the necessary knowledge and skills. In order to support the recommendations of this study a training program was developed for future implementation. A hard copy of the training program content is attached as annexure F, and [F_a contains the CD ROM for the electronic version.](#)

6.5 Limitations of the study

In terms of the compilation of the questionnaire, in question 4 the respondents were required to indicate if they were aware of the Public Financial Management Act and its' contents (item 5.4.2.1). In retrospect, the formulation of this question poses a problem as it contains two variables. The respondents might well have been aware of the Act, but might not have been familiar with its content, thus providing an invalid answer to the second variable of the question.

The response alternatives to questions 13 and 14 should have been measured by nominal measures (yes or no) instead of the given response alternatives. The respondents might well have been aware thereof, thus providing an invalid response to this question.

In question 33, information was required on the reporting of financial elements, the first response alternative namely “daily operational expenses”, posed a problem as it contains similar aspects indicated under the remaining four alternatives, thus necessitating a double response on the same aspects. The respondents might well have been aware thereof, but might not have been familiar with its content, thus providing an invalid response to this question.

6.6 Conclusion

This chapter provided a brief overview of the purpose of the study, the scope of findings, the recommendations and the proposed training course. The conclusions of the study dealt with the qualification status and employment position of the respondents, and their knowledge and understanding of financial legislation and regulations within the public hospital sector in one province. Furthermore it measured the respondent’s ability to apply the management process (planning, organizing, leading and controlling) in terms of finance related activities. The last two sections of the chapter indicated the respondent’s ability to interpret and understand financial indicators pertaining to the financial practices of the BAS accounting system in the public hospital setting and the respondent’s knowledge of accounting practices and the accounting system.

Regarding the recommendations derived from the conclusions of this study, it is clear that much emphasis should be placed on training, development and awareness of financial management in developing the necessary management knowledge and skills of subordinates. The overall conclusion on the current state of financial management in selected public hospitals lead to the development of a training program for future implementation (Annexure F and F_a).

It is believed that the recommendations made in this chapter may assist managers at different levels to develop their staff to acquire more skills, increase motivation, quality and productivity for effective management of financial activities in the public health sector.

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GLOSSARY OF KEY TERMS

- **Account**

Pinson (2004:199) defines accounts are “recordings of increases and decreases in each asset, liability, and revenue and expense item”.

- **Accountant**

The Oxford Advance Learner’s Dictionary (2005:10) describes an “accountant as someone whose work is to keep or check financial accounts”.

- **Accrual-basis accounting** – Van Wyk (2003: ix) defines “this accounting practice as revenue recognized and all expenses incurred in a given period”. According to Kwok (2005:28) an “accrual accounting practice recognizes financial transactions and financial events when they occur and not only when they are paid which is linked to assets and liabilities of an organization”.

- **Accounting**

Kwok (2005:189) explains “accounting as an entity or subject that applies to the recording of financial transactions as expressed in terms of financial results or failures of an organization”. Black (2000:2) explains “accounting as the recoding, summarizing and interpretation of financial information in organizations”.

- **Appropriation account**

Black (2000:70) defines an “appropriation account as allocating profits and losses in the form of financial transactions (payments of salaries, shares, etc) to partnerships and in terms of this study it reflects the profit and losses the government is responsible for”.

- **Asset**

An asset is an “item controlled by an organization, has a value and is measurable in terms of cost” (Anthony & Breitner 2003:158).

- **Budgets** – For Smit, Dams, Mostert, Oosthuizen, van der Vyver and van Gass (2002:10) a “budget is a summary of expected income and proposed expenditure based on the volume of proposed functional activity of an organization during a specific period and the means whereby it will be financed”. Budgets represent a financial request for funds and it is characterized by a future work plan to execute

programmes in order to achieve organization goals. “Two kinds of budgets are commonly used, in which costs are associated with various estimated expenditure and revenue factors. Operational budget – a plan for current expenditure in one year cycles. Capital Budget – a plan that details expenditure in terms of equipment, building and structures, and maintenance projects” (Thornhill & Hanekom 1996:122).

- **Cash-basis accounting** - Van Wyk (2003: ix) defines this as “an accounting practice in which cash is received as revenue and expenses are paid in a given period”.
- **Debt**
According to Keown, Martin and Petty (2007:568), “debt is considered as liabilities consisting of credit that a supplier extends or, it may also be a loan from a financial institution that provides this service”.
- **Effectiveness**
Hellriegel, Jackson, Slocum, and Straude (2004:344) argues that “effectiveness measures the outcome achieved by members in a team according to certain criteria, for example, a team may take longer than expected to make decisions and therefore illustrate poor performance on time lines, but the decision taken may prove to be wise and satisfying in view of outcomes and are considered to be effective”.
- **Efficiency**
According to Hellriegel et al (2004:130), “efficiency is achieved by minimizing inputs such as labor and capital and maximizing output such as productivity, for example the use of computers and technology allow an organization to produce a paper free environment to produce lower stationary costs”.
- **Expenditure**
Expenditure represents the “decrease in an asset or increase in a liability associated with the acquisition of goods or services” (Anthony & Breitner 2003:161).
- **Equity**
“Equity is capital or money supplied by the owner of an organization to operate the organizational activities according to its goals” (Anthony & Breitner 2003:161).

- **Expense**
 “Expense is a decrease in equity caused by operations during a specific period where resources have been consumed during an accounting period” (Anthony & Breitner 2003:162).
- **Financial Indicators** – According to the Oxford Advanced Learner’s Dictionary (2005:758) an indicator “ is a sign that shows you what something is like”. With reference to Monekosso (1994:139) “financial indicators are observable, quantifiable criteria which can be measured as part of monitoring and evaluation in order to determine the extent to which financial objectives and targets have been met”.
- **Financial Management** – van der Waldt and Du Toit (2003:301) argue that the term includes “budget control, cost benefit analysis and estimates in planning, control inventory and the optimal use of finances”. According to Rädcl and Reynders (1974:363) “financial management entails financial planning, financial organizing, financial leading and financial control of resources in view of required activities, and is part of the general management which implies authority over subordinates, to act in a particular manner and utilize resources to achieve set goals”.
- **Health** – The Oxford Advanced Learner’s Dictionary (2005:690) defines health as “a state of being in good health, thus being physically and mentally fit as a result of good diet and exercise”. According to Monekosso (1994:16) health is defined “as an absence of illness and it implies that you are well”.
- **Inventory**
 According to Anthony and Breitner (2003:163), “inventory items are goods and materials held by an organization for a period, which will be utilized for operational purposes”.
- **Journal**
 According to Bagranoff, Simkin and Strand (2005:181), a “journal is a chronological record of transactions in various accounts such as assets, liability, revenue and expense accounts and these accounts are referred to as the

organization's chart of accounts". In terms of the General Principles of BAS (2000:44), a "journal" is an "accounting transaction recorded in chronological order before being posted to the general ledger accounts". In addition to the above, the "journal is used to record miscellaneous transactions that do not fit into sales, purchases, cash receipts, cash disbursements, and payroll journals – in other words journal entries correct financial transactions that were processed incorrectly in" (Black 2000:126).

- **Knowledgeable/Skilled**– In the Oxford Advanced Learner's Dictionary (2005:821), the word is explained as follows: "Knowing a lot about something – to be well informed in a particular field". Applied in this study it would mean a person who can manage financial activities in terms of policies and prescripts pertaining to finances.
- **Liability**
A "liability is a claim of a creditor against goods and services rendered" (Anthony & Breitner 2003:163).
- **Management**
According to Schermerhorn (2008:17) and Williams (2006:4), "management involves planning and decisions about organizational resources to accomplish performance goals". Smit et al (2007:9) define "management as the process of planning, organizing, leading and controlling allocated resources of an institution to perform stated institutional goals productively". Some other interpretations of management are; "a process of getting things done by people who operate in an organization" (Hellriegel & Slocum 1978: 15-16); management "applies to people and things (it could include money, material, equipment and information), it has to do with giving direction and presupposes authoritative action" (Thornhill & Hanekom 1996:12). According to Donabedian's theory it relates to "inputs as the structure, which is transformed according to processes and activities resulting in outcomes".

- **Receipt**

According to the Oxford Advance Learner's Dictionary (2005:1213), a "receipt is issued for goods or services rendered and paid for, but it may also be considered as money that has been received".

- **Revenue**

According to Berry and Jarvis (2006:69), "revenue is the inflow of economic benefits in the form of cash and cash due to be paid in future from the sale of goods or delivery of services". It is an "increase of money resulting from operational activities during a period from the sale of goods or services" (Anthony & Breitner 2003:167).

- **Suspense account**

All "transactions that are not familiar lies in the suspense account waiting to be approved for services and goods rendered" (National Treasury Guidelines, Module 3 (2000:8-19)

- **Treasury**

According to the National Treasury Guidelines, Module 3 (2000:8), the "treasury is a legislative body that plays a role in terms of a government's expenditure, income, and balance of payments". The Oxford Advanced Learner's Dictionary (2005:1576) argues that the "treasury controls public money".

- **Virement**

According to Adedian, Strachen and Ajam (2001:140) "virement applies when funds allocated to a budget line item are reallocated to another budget line item in terms of expenditure activities".

- **Warrant voucher**

The Oxford Advance Learner's Dictionary (2005:1657) describes a "warrant as a face value item which allows you to receive money".

ANNEXURES

Annexure A: Requesting permission to study

Hendry van der Heever
P.O.Box 391 Radium 0483
Telephone: + (27) 014 7330771
Work: + (27) 012 5214267
Email: vdhh@worldonline.co.za
hheever@medunsa.ac.za
hendry_heever@embanet.com

The Director General
Department of Health
Private Bag X 11285
Nelspruit
1200

26 July 2007

PERMISSION TO CONDUCT STUDY

RESEARCH SUBJECT: THE FINANCIAL MANAGEMENT OF PUBLIC HOSPITALS

INSTITUTION: UNISA FACULTY: HEALTH SCIENCES

I am a doctoral student studying with the University of South Africa (UNISA) under supervision of Professors M.C. Bezuidenhout and S.P. Human in the Health Studies Department. This research is focused on the management of finances in the public hospitals. The purpose of this study is to investigate public hospitals in terms of financial management with reference to: planning, organizing, leading and control in order to design an intervention strategy to enhance financial management skills in public hospitals.

The objectives of the study are to:

- Explain the financial indicators relevant to financial management in terms of the Basic Accounting System Program (BAS) and management policy for public hospitals,
- Determine the current state of financial management in selected public hospitals,
- Conduct a gap analysis between expected norms and actual performance,
- Develop intervention strategies to facilitate and enhance the financial management within public hospitals,

The data instrument is a questionnaire with open ended and close ended questions. Respondents shall give consent in terms of the information requested and may refuse to

part take in the study. The intent is to commence with the data collection from April to May 2008.

Your permission is sought to conduct the pre-testing of the data collection instrument at a public hospital as indicated by yourself and then to randomly select three public hospital in the province for collection of the data.

Enclosed please find the research proposal marked as Appendix A and the provisional data collection instrument marked as Appendix B which contains the consent form.

H van der Heever

Yours truly,
Hendry van der Heever (Researcher)

Cc:
Professor MC Bezuidenhout
Department of Health Studies
School of Social Sciences
College of Human Sciences
University of South Africa (UNISA)
P O Box 392
UNISA (Pretoria)
South Africa
0003

Phone: + 27 (012) 429-6369
Fax : +27 (012) 429-6688
E-Mail: bezuimc@unisa.ac.za

Professor SP Human
Department of Health Studies
School of Social Sciences
College of Human Science
UNISA
PO Box 391
UNISA (Pretoria)
South Africa
0003

Phone: + 27 (012) 429
Fax: + 27 (012) 4296688
E-Mail: sphuman@unisa.ac.za

Annexure B: Permission from Department of Health to conduct study

MPUMALANGA PROVINCIAL GOVERNMENT

Number 7
Government Boulevard
Riverside Park
Extension 2
Nelspruit
1200
South Africa



Private Bag X11285
Nelspruit, 1200
Tel: (013) 766 3429/30
Int: +27 13 766 3429/30
Fax: (013) 766 3458
Fax: +27 13 766 3472

Department of Health and Social Services

Litiko Letemphilo Nemisebenti
Yenzalalakahle Yesive

Umanyango WezePilo
neZehlalakahle

Departement van Gesondheid
en Maatskaplike Dienste

Enquiries: Nkhumiseni Mphathele (013) 766 3235

**Mr. H. van der Heever
P.O. Box 391
Radium
0483**

04 December 2007

Application For Research Ethics Approval: Financial management of Public Hospitals.

The Provincial Research and Ethics Committee has approved your research proposal in the current format. No issues of ethical consideration were identified.

Kindly ensure that you provide us with the report once your research has been completed.

Kind regards,

Miss N.A. Mphathele: Research—coordinator
Pp: Mpumalanga PHREC
Acting-Chairperson: Prof. J.P. Shongwe

04/12/2007
Date

Annexure C: Consent

Consent Form

STUDY SUBJECT: FINANCIAL MANAGEMENT OF PUBLIC HOSPITALS

PO Box 392 Dept of Health Studies UNISA 0003

Researcher: H van der Heever PO Box 391 Radium 0483 vdhh@worldonline.co.za

Telephone: 014-7330771 / 012 5214267 / 0735230834

This consent form is designed for you to indicate your understanding of the purpose of the study and that you are aware of your human rights as a respondent and to confirm your willingness to take part.

The purpose of this study is to investigate public hospitals in terms of financial management with reference to: planning, organizing, leading and controlling in order to design strategies to enhance financial management skills in public hospitals.

The objectives of the study are to:

- Explain the financial indicators relevant to financial management in terms of the Basic Accounting System Program (BAS) and management policy for public hospitals,
- Determine the current state of financial management in selected public hospitals,
- Conduct a gap analysis between expected norms and actual performance,
- Develop intervention strategies to facilitate and enhance the financial management within public hospitals,

Please tick as appropriate

	YES	NO
1. I have read the questionnaire.		
2. I understand that I am free to refuse to take part in the study as I wish.		
3. I understand that I may withdraw from the study at any time without a reason.		
4. I may ask for more information about the study.		
5. I understand that all information on the study shall be treated as confidential.		
6. I shall not be identified in the study report.		
7. I agree to take part in the study.		

Signature:

Date:

Researcher:

The above informed consent form has been adapted from:

Gray, D. E. 2005: *Doing Research in the real world*. London: Sage Publications Ltd.

Annexure D: Questionnaire

Questionnaire

On

FINANCIAL MANAGEMENT OF PUBLIC HOSPITALS

Part of a Study for a Doctoral Degree

By

Hendry van der Heever

Contact Details: PO Box 391 Radium 0483

vdhh@worldonline.co.za / Hheever@medunsa.ac.za

014 733 0771 / 012 521 4267 / 079 951 1484

For office use only

1	0	0
1	2	3

Please complete the questionnaire according to your personal views and experiences; it will take approximately 25 minutes.

Please do not write your name on the questionnaire!

The questionnaire will be kept in a safe place to ensure confidentiality.

Please complete all questions and mark with a tick (☑) in the box were applicable. Where applicable, you may mark more than one response alternative.

Questionnaire
Financial Management in Public Hospitals

A. Biographic Information

1. What is your highest qualification? Choose from the list

For office use only

- 1.1 Doctoral degree
- 1.2 Masters degree
- 1.3 Honors degree
- 1.4 Bachelors degree
- 1.5 Medical degree
- 1.6 Diploma
- 1.7 Short courses (Specify)

.....

.....

.....

2. What is your current position in the hospital?

For office use only

2.1 Chief Executive Officer

2.2 Financial Manager

2.3 Unit Manager

2.4 Employee

2.5 Other (Specify)

.....

3. How many years of experience do you have in:

		0 no experience <input type="text" value="1"/>	1-4 years <input type="text" value="2"/>	5-6 years <input type="text" value="3"/>	7+ more years <input type="text" value="4"/>	For office use only
3.1	Management					<input type="text" value="6"/>
3.2	Finance					<input type="text" value="7"/>
3.3	Supervising					<input type="text" value="8"/>
3.4	Your profession					<input type="text" value="9"/>
3.5	Other (Specify)					<input type="text" value="10"/>

B. Financial Legislation and Regulations

4. Are you aware of the Public Financial Management Act and its content?

4.1

4.2

If your answer to question 4 was **YES**, please proceed with the following questions, however, if your answer was **NO**, please proceed to question 8.

5. According to financial practice, in which category are rollover funds allowed in terms of the Public Financial Management Act?

		For office use only
5.1	Payment of capital funds (renovations, new building projects)	12
5.2	Payments for goods and services	13
5.3	Other (specify)	14

6. Whose responsibility is it to apply the Public Financial Management Act in your organization?

		For office use only
6.1	Chief Financial Officer (Head of the Department)	15
6.2	Hospital management	16
6.3	Financial Manager	17
6.4	Unit Manager	18

7. What are the responsibilities of the National Treasurer?

7.1	Monitoring the application and compliance of the Public Financial Management Act.	19
7.2	Initiate financial inspections and audit reporting.	20
7.3	Ensure sufficient funds to meet all likely objectives and responsibilities.	21

8. According to your view, to what extent does your institution comply with financial legislation in terms of accounting practices?

		For office Use only
8.1 Not at all	<input type="text" value="1"/>	<input type="text" value="22"/>
8.2 Poorly	<input type="text" value="2"/>	<input type="text" value="23"/>
8.3 Satisfactorily	<input type="text" value="3"/>	<input type="text" value="24"/>
8.4 Very well	<input type="text" value="4"/>	<input type="text" value="25"/>

9. Which of the following financial management principles are evident in your organization? Please respond to each item.

		Not at all <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Fully comply <input type="text" value="4"/>	For office use only
9.1	Appropriate controls					<input type="text" value="26"/>
9.2	Clearly defined objectives					<input type="text" value="27"/>
9.3	Clearly defined responsibilities					<input type="text" value="28"/>
9.4	Accurate information					<input type="text" value="29"/>
9.5	Performance agreements					<input type="text" value="30"/>
9.6	Openness					<input type="text" value="31"/>
9.7	Integrity					<input type="text" value="32"/>
9.8	Accountability					<input type="text" value="33"/>

10. Which of the following pre-requisites are important for sound financial management? Please respond to each item.

		Not Important 1	Slightly Important 2	Important 3	Very Important 4	For office use only
10.1	To be suitably qualified (e.g. degree, diploma, and experience)					34
10.2	To have analytical skills					35
10.3	To be set on accurate recording					36
10.4	Thoroughness in all activities					37
10.5	To be an effective communicator					38
10.6	To be a visionary leader					39
10.7	Accuracy skills					40

C: Financial Management

C1: Planning

11. Which of the following characteristics reflects the planning process in your institution? Please respond to each item.

		Not at all 1	To a minor extent 2	To a substantial extent 3	Fully comply 4	For office use only
11.1	Plans are carried out according to a specific time-frame					41
11.2	Plans focus on the entire institution					42
11.3	Plans are concerned with the institution's vision, mission, goals and strategies					43
11.4	Plans aim at integrating all management functions					44
11.5	Plans focus on the application of the organization's resources					45

12. Which of the following steps are applicable for the planning process in your institution? Please respond to each item.

		Not at all <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Fully <input type="text" value="4"/>	For office use only
12.1	Accommodating change					<input type="text" value="46"/>
12.2	Goals need to be identified to give direction to plans					<input type="text" value="47"/>
12.3	Plans have various courses of action to achieve goals					<input type="text" value="48"/>
12.4	Evaluate various courses of action and select one or several actions					<input type="text" value="49"/>
12.5	Plans are implemented by allocating resources to achieve institutional goals					<input type="text" value="50"/>

13. Which of the following documents exist in your institution? Please respond to each item.

		Not at all <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Fully <input type="text" value="4"/>	For office use only
13.1	A documented vision policy					<input type="text" value="51"/>
13.2	A documented mission policy					<input type="text" value="52"/>
13.3	Conditions of employment document					<input type="text" value="53"/>
13.4	Job description with duty sheets					<input type="text" value="54"/>
13.5	A contingency plan for emergency incidents					<input type="text" value="55"/>
13.6	A financial policy					<input type="text" value="56"/>

C2. Organizing:

14. In which of the following financial activities have you received training? Please respond to each item.

		Not at all <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Fully <input type="text" value="4"/>	For office use only
14.1	Preparing and compiling budgets					<input type="text" value="57"/>
14.2	Interpreting financial statements					<input type="text" value="58"/>
14.3	Interpreting and applying the Public Financial Management Act					<input type="text" value="59"/>
14.4	Training on the BAS accounting system as users					<input type="text" value="60"/>

15. Which budget plan is followed in your institution? Please indicate only one response?

			For office use only
15.1	Line item budgeting	<input type="text" value="1"/>	<input type="text" value="61"/>
15.2	Program budgeting	<input type="text" value="2"/>	
15.3	Zero-based budgeting	<input type="text" value="3"/>	
15.4	Other: Specify	<input type="text" value="4"/>	

16. Through which channels are the budgetary process communicated within your institution? Mark all those applicable to your institution.

16.1	Internal circular	<input type="text" value="1"/>	<input type="text" value="62"/>
16.2	Monthly meetings and discussions	<input type="text" value="2"/>	<input type="text" value="63"/>
16.3	At workshop sessions	<input type="text" value="3"/>	<input type="text" value="64"/>
16.4	At training sessions	<input type="text" value="4"/>	<input type="text" value="65"/>

For office use only

17. To what extent does staff have representation on budgetary meetings and are involved on budgetary planning sessions? Please respond to each item.

		Not at all involved <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Fully involved <input type="text" value="4"/>	For office use only
17.1	Management staff					<input type="text" value="66"/>
17.2	Medical and Paramedical staff					<input type="text" value="67"/>
17.3	Emergency medical staff					<input type="text" value="68"/>
17.4	Nursing staff					<input type="text" value="69"/>
17.5	Administration staff					<input type="text" value="70"/>
17.6	Financial staff					<input type="text" value="71"/>
17.7	Food service staff					<input type="text" value="72"/>
17.8	Maintenance staff					<input type="text" value="73"/>
17.9	Cleaning staff					<input type="text" value="74"/>

18. Do you consider financial statements in the financial planning of your unit?

		For office use only
18.1	<input type="text" value="Yes"/>	<input type="text" value="75"/>
18.2	<input type="text" value="No"/>	
18.2	<input type="text" value="I do not have access to relevant financial statements."/>	

19. What are the shortcomings in your budgetary process? Please respond to each item.

		Not at all <input type="text" value="1"/>	Minor Short-comings <input type="text" value="2"/>	Substantial Short-comings <input type="text" value="3"/>	A severe problem <input type="text" value="4"/>	For office use only
19.1	Lack of transparency					<input type="text" value="76"/>
19.2	Centralization of budget					<input type="text" value="77"/>
19.3	Decentralization of budget					<input type="text" value="78"/>
19.4	Poor budget control					<input type="text" value="79"/>
19.5	Lack of information					<input type="text" value="80"/>
19.6	Lack of commitment					<input type="text" value="81"/>
19.7	Poor linkage to objectives					<input type="text" value="82"/>
19.8	Inexperienced budgetary personnel					<input type="text" value="83"/>
19.9	Other (Specify) _____					<input type="text" value="84"/>

20. How often are internal financial statements on budget matters circulated in your institution? Only mark the applicable alternatives.

		For office use only
20.1	Weekly <input type="text" value="1"/>	<input type="text" value="85"/>
20.2	Monthly <input type="text" value="2"/>	
20.3	Every six months <input type="text" value="3"/>	
20.4	Yearly <input type="text" value="4"/>	
20.5	Less than once a year <input type="text" value="5"/>	
20.6	Never <input type="text" value="6"/>	

21. How often are budgetary planning sessions held in you institution? Only mark the applicable alternatives.

			For office use only
21.1	Monthly	1	86
21.2	Every six months	2	
21.3	Yearly	3	
21.4	Less than once a year	4	
21.5	Never	5	

22. Which of the following sections are contained in your operational budget? Only tick one item?

22.1	Statistical budget	1	87
22.2	Expense budget	2	
22.3	Revenue budget	3	
22.4	Capital budget	4	

23. How frequently are the following features in your budget presented at budget meetings? Please respond to each item.

		Not at all	To a minor extent	To a substantial extent	Always	For office use only
		1	2	3	4	
23.1	Description of budget with key elements					88
23.2	Condensed income statement for the budget reporting period					89
23.3	A summary of expenses and requests					90
23.4	A summary of cash analysis					91
23.5	Budget forecasts and projections					92
23.6	Impact and results of budget on health services rendered					93
23.7	A variance report on expenditure					94

24. By organizing financial activities managers allocate work, coordinate tasks and delegate authority and responsibility. How frequently do the following financial activities occur in your organization? Please respond to each item.

		Not at all <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Always <input type="text" value="4"/>	For office use only
24.1	Assign subordinates and resources to tasks					<input type="text" value="95"/>
24.2	Clarify financial responsibilities					<input type="text" value="96"/>
24.3	Clarify financial authority in terms of spending					<input type="text" value="97"/>
24.4	Clarify financial and procurement procedures					<input type="text" value="98"/>
24.5	Communicate financial information within institution					<input type="text" value="99"/>

25. Financial delegation of authority is a process that assigns subordinates to make decisions and to act on various work related situations. Please indicate how frequently the following occur in your organization. Please respond to each item.

		Not at all <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Always <input type="text" value="4"/>	For office use only
25.1	Explain the reason for delegating					<input type="text" value="100"/>
25.2	Establish clear financial goals and standards to measure subordinate's performances					<input type="text" value="101"/>
25.3	Ensure clarity of authority and responsibilities and be held accountable for results					<input type="text" value="102"/>
25.4	Held accountable for results					<input type="text" value="103"/>
25.5	Involve subordinates in the decision-making process					<input type="text" value="104"/>
25.6	Provide training in performing tasks					<input type="text" value="105"/>
25.7	Provide feedback on subordinates' performances					<input type="text" value="106"/>

C3. Leading:

26. To what extent does your immediate supervisor apply the following management activities in your organization? Please respond to each item.

		Not at all 1	To a minor extent 2	To a substantial extent 3	Always 4	For office use only
26.1	Establish goals and formulate strategies and plans to reach goals					107
26.2	Develop a system to assign tasks and resources to subordinates					108
26.3	Manage the complexities of policies, processes and procedures					109
26.4	Compare results with goals and take corrective actions					110

27. To what extent does your immediate supervisor as leader apply the following activities in your organization? Please respond to each item.

		Not at all 1	To a minor extent 2	To a substantial extent 3	Always 4	For office use only
27.1	Establish a vision					111
27.2	Establish a mission					112
27.3	Establish a strategy for change					113
27.4	Motivate subordinates to follow the vision					114
27.5	Help subordinates to deal with change					115
27.6	Steer subordinates in the right direction to change					116

28. Where is the delegation of authority based regarding the requisitioning, ordering and payment of procurement in your institution? Please respond to each item.

		Not at all <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Always <input type="text" value="4"/>	For office use only
28.1	Externally due to insolvency matters					<input type="text" value="117"/>
28.2	Centralized at head office					<input type="text" value="118"/>
28.3	Decentralized at the district health office					<input type="text" value="119"/>
28.4	Decentralized at the institution					<input type="text" value="120"/>

C4. Control:

29. How frequently do the following control measures realize in your institution? Please respond to each item.

		Not at all <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Always <input type="text" value="4"/>	For office use only
29.1	Control measures ensure that all activities at all levels of the institution are in accordance with the goals					<input type="text" value="121"/>
29.2	Control measures result in better quality					<input type="text" value="122"/>
29.3	Control measures help to minimize costs					<input type="text" value="123"/>
29.4	Control measures limit the accumulation of errors					<input type="text" value="124"/>
29.5	Control measures ensure delegation of tasks and teamwork					<input type="text" value="125"/>

30. How frequently are the following aspects checked in your institution? Please respond to each item according to the scale provided.

		Not at all <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substanti al extent <input type="text" value="3"/>	Always <input type="text" value="4"/>	For office use only
30.1	Patient revenue collection					<input type="text" value="126"/>
30.2	Cashbook balancing					<input type="text" value="127"/>
30.3	Employee attendance registers					<input type="text" value="128"/>
30.4	Overtime work registers					<input type="text" value="129"/>
30.5	Asset registers					<input type="text" value="130"/>
30.6	Disposal and redundant registers					<input type="text" value="131"/>
30.7	Health and safety registers					<input type="text" value="132"/>

31. How is internal financial reporting in your institution conducted? Only respond to the applicable items.

		For office Use only
31.1	Graphical presentations on performance. <input type="text" value="1"/>	<input type="text" value="133"/>
31.2	Discussions in management and budget meetings. <input type="text" value="2"/>	<input type="text" value="134"/>
31.3	Discussions during workshop and training sessions. <input type="text" value="3"/>	<input type="text" value="135"/>
31.4	Concise reporting on all functional units. <input type="text" value="4"/>	<input type="text" value="136"/>
31.5	Other (specify) _____ <input type="text" value="5"/>	<input type="text" value="137"/>

32. In terms of the Public Financial Management Act, how frequently are the following financial control measures executed?

		Monthly <input type="text" value="1"/>	Bi-annually <input type="text" value="2"/>	Annually <input type="text" value="3"/>	Less than once a year <input type="text" value="4"/>	Never <input type="text" value="5"/>	For office use only
32.1	Institutional inspection of procurement such as records for requisition of material and goods, orders, payments, deliveries, fleet inspections						<input type="text" value="138"/>
32.2	Internal auditing inspections by the Head Office on accounting practices related to accounting records revenue, expenditure, capital assets and BAS accounting system procedures						<input type="text" value="139"/>
32.3	External auditing inspections by the Dept of Auditor-General and third party appointed auditors e.g. Price Waterhouse Cooper, etc on accounting practices such as revenue, expenditure, capital assets						<input type="text" value="140"/>

33. Which financial elements are being reported on during meetings? Please respond to each item.

		Not reported on <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Fully reported <input type="text" value="4"/>	For office use only
33.1	Daily operational expenses					<input type="text" value="141"/>
33.2	Patient revenue collection					<input type="text" value="142"/>
33.3	Maintenance issues in terms of buildings, health and safety					<input type="text" value="143"/>
33.4	Human resource matters such as productivity, salary, overtime, operations and quality control					<input type="text" value="144"/>
33.5	Transport management and expenses					<input type="text" value="145"/>
33.6	Other (specify)					<input type="text" value="146"/>

D. Accounting system such as BAS.

D1: Indicators

34. Does the accounting system make provision for the expenditure pattern of your institution by addressing the following aspects? Please respond to each item.

		Not addressed <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Fully addressed <input type="text" value="4"/>	For office use only
34.1	Purpose, reason and description of expense					<input type="text" value="147"/>
34.2	Benefit of the expense in terms of goals and objectives					<input type="text" value="148"/>
34.3	Reducing expenses via different options in outputs					<input type="text" value="149"/>

35. The accounting system serves as a financial control tool. Indicate which of the following features are supported in your institution by the systems? Please respond to each item.

		Not supported <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Fully supported <input type="text" value="4"/>	For office use only
35.1	Financial history data					<input type="text" value="150"/>
35.2	Expenditure information					<input type="text" value="151"/>
35.3	Revenue information					<input type="text" value="152"/>
35.4	Accurate budgetary information					<input type="text" value="153"/>
35.5	Consistent and automatic updating of financial data					<input type="text" value="154"/>
35.6	Interface with other supporting systems such as patient records, pharmacy, salaries and inventory					<input type="text" value="155"/>
35.7	Printing of financial reports in terms of budget projections, expenditure rate and payments					<input type="text" value="156"/>

36. Does the accounting system make provision for revenue collection of your institution by addressing the following aspects? Please respond to each item.

		Not at all <input type="text" value="1"/>	To a minor extent <input type="text" value="2"/>	To a substantial extent <input type="text" value="3"/>	Always <input type="text" value="4"/>	For office use only
36.1	Income statements on patient turnover					<input type="text" value="157"/>
36.2	Statements on patient visits					<input type="text" value="158"/>
36.3	Statements on patient days					<input type="text" value="159"/>
36.4	Revenue forecast with expense projections					<input type="text" value="160"/>
36.5	Patient tariff adjustments					<input type="text" value="161"/>

37. Does the accounting system make provision for capital assets information of your institution by addressing the following aspects? Please respond to each item.

		Not addressed 1	To a minor extent 2	To a substantial extent 3	Fully addressed 4	For office use only
37.1	Purpose, reason and description of capital expenses					162
37.2	Renovation and maintenance expenses					163
37.3	Disposal and replacement of equipment					164
37.4	Impact on revenue and expenses					165
37.5	Capital priority list					166

38. Do you agree with the following statements on the accounting system? Please respond to each item.

		Fully disagree 1	To a minor extent 2	To a substantial extent 3	Fully agree 4	For office use only
38.1	It is integrated with the planning process					167
38.2	It is integrated and compatible with the salary system (PERSAL), procurement system (LOGIS) and pharmaceutical systems					168
38.3	It is flexible to accommodate change according to revisions					169
38.4	Financial information can be timely supplied					170
38.5	It is not unnecessary complex in nature					171
38.6	Provides a goal orientated and accurate picture of financial activities					172

D2. Knowledge of Accounting practices and the Accounting system

39. Which of the following functions are the responsibilities of the Accounting officer of the Department of Health? Please respond to each item.

		Not his/her responsibility	He/she has some responsibility	He/she is mainly responsible for it	He/she takes full responsibility	For office use only
		1	2	3	4	
39.1	Efficient, effective, economical and transparent use of the resources of all departmental institutions					173
39.2	Management of revenues, expenditures, assets and liabilities of all departmental institutions					174
39.3	To implement proper processes for internal control and risk management					175
39.4	To enforce appropriate disciplinary measures during all-transactions					176
39.5	To provide the Executive Authority and the National Treasury with timely and quality financial information on the management of all budgets					177

40. Which of the following functions are the responsibilities of the System Controller on the accounting system? Please respond to each item.

		Not his/her responsibility <input type="text" value="1"/>	He/she has some responsibility <input type="text" value="2"/>	He/she is mainly responsible for it <input type="text" value="3"/>	He/she takes full responsibility <input type="text" value="4"/>	For office use only
40.1	Attend to access problems on the system by system-users					<input type="text" value="178"/>
40.2	Serve as communication officer between the Department and the Institution on all transactions that are executed					<input type="text" value="179"/>
40.3	Maintain and create all security profiles such as user ID's, password creation, locking and unlocking of functions, debt reports and budget profiles					<input type="text" value="180"/>
40.4	Train and evaluate the competency of systems users					<input type="text" value="181"/>

41. According to your view, how well is the safe keeping of the following documents and registers in terms of accounting practices upheld? Please respond to each item.

		Not kept safely <input type="text" value="1"/>	To a minor extent kept safely <input type="text" value="2"/>	To a substantial extent kept safely <input type="text" value="3"/>	Kept safely at all times <input type="text" value="4"/>	For office use only
41.1	Requisition books					<input type="text" value="182"/>
41.2	Orders books					<input type="text" value="183"/>
41.3	Drug registers					<input type="text" value="184"/>
41.4	Patient registers					<input type="text" value="185"/>
41.5	Death registers					<input type="text" value="186"/>

42. According to your view, what is the quality of internal auditing at your institution? Select one appropriate response only?

		For office use only
42.1 Poor	<input type="text" value="2"/>	<input type="text" value="187"/>
42.2 Satisfactory	<input type="text" value="3"/>	
42.3 Good	<input type="text" value="4"/>	
42.4 Excellent	<input type="text" value="5"/>	

43. According to your view, are financial irregularities in your institution properly reported? Select one appropriate response only?

		For office use only
43.1 Poor	<input type="text" value="2"/>	<input type="text" value="188"/>
43.2 Satisfactory	<input type="text" value="3"/>	
43.3 Good	<input type="text" value="4"/>	
43.4 Excellent	<input type="text" value="5"/>	

Thank you for your participation

Annexure E: Agreement to use data set

MPUMALANGA PROVINCE

No. 7 Government
Boulevard
Riverside Park Ext. 2
Building no. 3
Nelspruit
1200



Private Bag X11285
Nelspruit
1200
South Africa
Tel: 013-766 3297
Fax: 013-766 3472

Department of Health INFORMATION MANAGEMENT & RESEARCH UNIT

DEPARTEMENT VAN GESONDHEID	LITIKO LETEMPILO	UMNYANGO WEZAMAPHILO
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DATA USER'S AGREEMENT

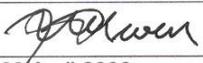
The Mpumalanga Department of Health encourages all interested users to request Data Sets and information for decision making, monitoring and implementation of health care. Users are however required to read and sign the User's Agreement Information, which stipulates the conditions for use of the Data Sets prior to Data Set being made available.

Please read the following agreement. All users of Information Data Sets agree to the following conditions listed below. If you accept these conditions, fill in the required information and sign at the appropriate place.

1. The User agrees that Mpumalanga Province Department of Health is the owner of the Data Sets/Information.
2. The data set will only be available on request.
3. The data format will include provincial and district data.

4. The use of these Data Sets in research communication, scholarly papers, journals and the like is encouraged, but the authors of these communications and documents are required to acknowledge/cite the Provincial Information Unit as the source of the data. A copy of any document produced from the Data Set for publication or other forms of circulation should be submitted to the Director Health Programs Department of Health.
5. The User agrees that any publication resulting from the use of the data will not be used for personal or institutional gain, either financial or academically.
6. The User agrees that any use of the data or reliance by the User on any of the data is at the User's own risk and that the Department of Health shall not be liable for any loss or damage howsoever arising as a result of such use.
7. The User acknowledges that the Provincial Department of Health collected the data for management and information purposes and there could be discrepancies, errors or omissions in any or all of the data.
8. The User agrees that he/she will make no statement nor permit others to make statements indicating or suggesting that interpretations drawn are those of the Provincial Department of Health.
9. The User agrees that his/her signature indicates his/her agreement to comply with the above-stated requirements.
10. Failure of the User to comply with the terms of this agreement shall result in legal action.
11. To assure strict confidentiality, no individual patient data will be released, only collated/ grouped data.

Please complete this form

NAME (PRINT OR TYPE)	H van der Heever
ORGANISATION	UNISA – University of South Africa
DEPARTMENT	Health Science
STATUS	Researcher
TITLE	Mr.
ADDRESS	P.O. Box 391
CITY;	Raduim
PROVINCE	Limpopo
COUNTRY	South Africa
TELEPHONE	079 951 1484
FAX	014 733 0771
E-MAIL	Vdhh@worldonline.co.za
SIGNATURE	
DATE	22 April 2008
INTENDED USE OF THIS DATA SET	Research communications, journals, paper presentation, and Ph.D. thesis

Note: If the data set is to be used for any other purpose not mentioned in this agreement, a new agreement must be signed to outline the intended use at that point.

Annexure F: Short course in Financial Management in Public Hospitals

(See enclosed CD-Rom)

1. Course goal and objectives

At the end of this course the participants should be able to skillfully, effectively and responsibly manage the allocated finances of the institutions/units in which they render health services.

The objectives of the course are to;

- Enable all levels of management and subordinates to manage and fully understand finances on their level and
- To enable all levels of management and subordinates to develop the necessary skills to manage finances effectively at their level and to adhere to documentation requirements

2. Course description

It is proposed that the course is:

- presented at each public hospital only for its own staff;
- divided into four modules attended by the following levels of staff:
Module one, two and three: Executive, Middle and Operational Management (first-line managers and supervisors) and subordinates.
Module three and four: Operational Management (first-line managers and supervisors) and subordinates.
- The course duration is four days – one day per module

3. Course content

Course: Short course in Financial Management in Public Hospitals

Module 1: Introduction to Management

Lesson 1: Overview of Management

Lesson 2: Different levels and kinds of leadership styles in organizations

Module 2: Application of Public Financial Management Act (PFMA)

Lesson 3: Background and Introduction to PFMA and Constitution of RSA

The Act, came into effect from 1 April 2000, gives effect to sections 213 and 215 to 219 of The Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) for the national and provincial spheres of government.

Lesson 4: Role players and summary of Act

National Treasury - comprised of the Minister of Finance together with the national department or departments responsible for financial and fiscal matters where the Minister is the head of the Treasury.

Provincial Treasuries - their Role and Function are to prepare and manage provincial budgets, and enforcing uniform treasury norms and standards as prescribed by the National Treasury and PFMA.

Accounting Officers - responsibilities of accounting officers, including internal controls in departments and any entities they control; to ensure that departments do not overspend their budgets; to report on a monthly and annual basis, including the submission of annual financial statements two months after the end of a financial year; and to publish annual reports in a prescribed format which will introduce performance reporting.

Chapter Summary of the Act

- **Chapter One** deals with definitions, objects, application of the Act to include national and provincial government institutions with all the departments under their control.
- **Chapter Two** establishes and deals with their function and responsibilities of the National Treasury.
- **Chapter Three** establishes provincial treasuries and deals with their functions and responsibilities in view of provincial revenue funds.
- **Chapter Four** deals with the budget process and implementation of the budget.
- **Chapter Five** deals with the appointment of accounting officers and their responsibilities and the disciplinary sanctions that will apply.
- **Chapter Six** of the Act ensures that all public entities are listed.
- **Chapter Seven** covers the responsibilities of Ministers and MECs, who are the executive authorities.

- **Chapter Eight** of the Act outlines general principles on borrowing funds.
- **Chapter Nine** of the Act lists the areas over which the National Treasury issue treasury regulations and instructions.
- **Chapter Ten** of the Act defines financial misconduct, and the procedures for disciplining public officials.
- **Chapter Eleven** establishes an Accounting Standards Board.
- **Chapter Twelve** deals with miscellaneous issues related to the implementation of this Act.

Module 3 Financial management – Planning and Organizing

Lesson 5: Financial planning process

Lesson 6: Budget process, budget types and budget techniques

Module 4 Financial Management – Leading and Controlling

Lesson 7: Authority, delegation, responsibility and accountability

Lesson 8: Cost effectiveness and financial control