

HOSPICE PALLIATIVE CARE ASSOCIATION OF SOUTH AFRICA

Financial Management and Internal controls

BACKGROUND: Hospice historical perspective.

Internal control is the responsibility of management. Auditors and / or outside consultants cannot be depended on to detect or rectify weaknesses in an organizations internal controls. By the time that they do detect irregularities, if ever it is usually to late to retrieve the funds.

Historically, there has been a strong compassionate and clinical slant to the focus of most SA hospices and rightly so. This is one of the reasons why financial controls have been neglected by many hospices. There may also be a reluctance to offend existing staff by implementing diminished or changed authority. There is possibly also a reluctance to imply that the integrity of hospice staff is questioned.

HPCA has identified certain risk areas within hospices countrywide, and has drafted new policies and procedures to address these shortcomings. HPCA would suggest that all hospices consider these new policies to be value-added input from the Association. The intention is to protect the interest of the individual member hospices, as well as the reputation of the name "Hospice" in South Africa. Continued funding by all funders is absolutely dependant on the credibility of HPCA and it's member hospices. Experience has shown us that any reports of irregularities concerning any hospice would affect all hospices negatively.

POLICY: Scope of Policy.

If any hospice is a recipient of donor funds directed through HPCA, or if they are accredited as HPCA members, then they need to implement the following requirements. These measurements are basically commonsense and are implemented in most businesses.

PROCEDURES: To be implemented by HPCA member Hospices

The minimum security measurements which need to be in place in every member hospice are as follows:

- There should be an order system in place for all purchases, which should require authorization by a departmental manger or senior staff member prior to purchase.
- Every order must be signed by a responsible official and compared with the final invoice from the supplier.
- Every payment must be authorized by the responsible official, either departmental managers and / or general managers.
- Any stock kept at the hospice should be recorded and monitored to limit shrinkage.
- Hospice assets should be recorded in a register and controlled to avoid abuse or unauthorized use of these assets e.g. vehicles.
- All assets should be insured to limit loss in the event of theft or damage
- Every hospice should have two cheque signatories for every cheque payment.
- Cash cheques should be avoided. If a cash cheque is necessary, full documentary evidence and special authorization must be file with the payment voucher.
- No blank cheques should be signed and left in an unsecure place.
- Every electronic Funds Transfer payment should have two releasing authorizations who should ideally be senior personnel. This is non-negotiable donor requirement of both CIDA and PEPFAR and also applies to all member hospice who are recipients of these funds.
- Staff with releasing authority must never disclose their password to anyone.
- Documentary evidence of all payments must be filed in a logical filing system. The banking details of every new creditor loaded on the system must be released bt two people one of whom should be a senior official.
- Any changes to beneficiary / creditor details on the banking system must also be authorized by a senior official together with another personnel member.

- The bank statement and bank reconciliation must be visually reviewed by a senior official on a monthly basis to detect any abnormal payments. The reconciliation should be signed as proof of such a review. This also acts as a strong moral deterrent.
- Creditors and or suppliers' statements must be reconciled and reviewed on a regular basis by a senior staff member.
- Salary payments must be visually reviewed monthly to ensure that there are no unauthorized salary increases or employees.
- A senior official should sign the salary report on a monthly basis.
- Division of duties is important. A proper division of financial duties is a necessary policy for a good Internal Control System. This means that, for instance, the person who makes out cheques should not be the same person signs the cheques. It is more difficult to crack such a system without collusion of at least one other staff member.
- Any money receive through the post should be entered into a mail register, and a receipt must be issued. A receipt should be issued for all moneys received and balanced to the amount banked.
- Shop takings and shop stock security are known areas of risk. Cost effective systems should e implemented to limit risk.
- Fundraising events were cash is handled need extra attention. There needs to be as much division of duties as possible to limit the opportunity to misappropriate cash. Accurate records and reconciliations are essential.
- Managers and /or accountants should check that the PAYE and VAT returns are up to date and that all monies deducted from salaries are paid to SARS by the due date to avoid unnecessary penalties and interest.
- Senior management should take responsibility for the safeguarding of valuable records, documents and items e.g. cheque books, safe keys, salary registers etc.
- Accountability and transparency have become increasingly important considerations in the accounting realm. Responsibility for critical aspects must be delegated to named personnel who are made aware of their responsibilities. They must know that they are held accountable
- Regular and effective backups should be made of all accounting information and a copy should be stored off-site in a secure location.
- Regular financial reports should be prepared for management and the Board which should highlight any irregularities. Prompt corrective action should be taken if necessary.
- When appointing staff in responsible financial positions, ensure that all references are thoroughly checked and that reliable appointments are made. This is your first defense against theft and fraud.
- Last but not least, it is managements responsibility to ensure that the systems (or lack thereof) in place at the hospice do not provide temptation for the employees.