



ORIGINAL ARTICLE

An analysis of financial management practices in the regional health office (Kalutara) Sri Lanka.

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Abstract

Background - As money is a major resource, its proper management is very important to obtain maximum benefits from available funds. The regional director of health services (RDHS) office, Kalutara, Sri Lanka is the office responsible for carrying out curative, preventive, and rehabilitative health services for the people through the health institutions coming under the provincial administration. The objective of this case study was to review the financial management practices at the regional health office, Kalutara.

Methodology - Key informant interviews, focus group discussion and desk review of financial records, reports, circulars, and guidelines were used to gather data. SWOT analysis is used to assess the strength, weaknesses, opportunities, and threats. TWOS matrix had been prepared to identify the strategies to improve the financial management practices of the regional health office, Kalutara.

Results - Utilization of almost all funds received to the office and good commitment of regional director office staff was their main strength. They have weaknesses like poor monitoring and evaluation of financial and physical progress, unnecessary cut down of employee claims, and OTs, misplacement of vouchers, and audit queries.

Conclusions – This study recommended convincing the political leadership to obtain more funds, establish a fair monitoring mechanism to assess the physical and financial progress of the projects, requesting adequate financial allocations to pay the full claim, and overtime and regional health office staff and institutions heads should be given the training to conduct works to minimizing the audit queries.

Keywords: Financial management, SWOT analysis, TWOS matrix

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1 | INTRODUCTION

Sri Lanka is a country with 9 provinces, 25 districts, and 331 divisional secretary areas for administrative purpose and the administration decentralized into the Provincial Councils in 1989 by the 13th amendment to the constitution and in accordance 9 Provincial Directorates of Health Services and 25 Regional Directorates of Health Services was established (Ministry of Health Sri Lanka, 2020). The Sri Lankan health system is structured with different systems of medicine such as Allopathic, Traditional, Ayurvedic, Unani, Siddha, Homeopathy, and Acupuncture, the main public health delivery system is Allopathic Medicine (Ministry of Health Sri Lanka, 2020). The public health sector is organized into two parallel services of community health services focusing mainly on promotive and preventive health and curative care services ranging from non-specialized primary care services to tertiary care, specialized care hospitals. In addition to the line Ministry, the Regional Director of Health Services are responsible for these services in their respective region/district (Ministry of Health Sri Lanka, 2020). Securing, controlling, and allocating financial resources are considered the main functions of financial management. The main objectives of financial management are to increase profits and utilize capital or funds to maximize the efficiency of the organization. However, the financial management goals heavily depend on the organizational functions (Zager, 2006).

Financial Management also explains as planning, organizing, directing, and controlling the activities such as procurement and utilization of funds of the organization. It involves applying general management principles to the financial assets of the organization (Management study guide, 2018). Financial management is considered the heart of a successful business. It involves several aspects, from managing cash flow and tracking business performance to developing plans that secure that business stakeholders can make the maximum opportunities (Financial management and business success-a guide for entrepreneurs, no date).

The function of financial management comprises the assessment of the financial effectiveness and effi-

ciency of the ongoing projects and planning for future activities of organization's; providing higher officials with accurate financial information to obtain the correct decisions on correct time; transparently managing cash and managing inventories to minimize costs and functions efficiently. Further, financial management involves handling routine financial operations, such as making funds available for day-to-day expenses, preparing payroll, and maintaining cash for any unexpected costs (Hatzakis, Nair, & Pinedo, 2010).

As money is a major resource, its transparent management is crucial to achieving maximum benefits from scarce resources. The regional director of health services must prepare a good plan to acquire financial resources, utilize them efficiently and effectively, monitor them regularly to obtain the maximum benefit for hospitals and other health care institutions under him. As financial resources are scarce in countries like Sri Lanka, it is paramount to design and implement effective, transparent, and feasible financial management systems in the RDHS office to provide optimum service to the district. The process of financial management can be divided into four major categories of budgeting and resources allocation, financial management accounting, financial information, and control (Ministry of Health, 1995).

Preparation of budget is a regular activity carried out annually by most of the health care institutions and it is a plan computed in monetary terms which had been prepared and approved before the financial year starts. It consists of income to be generated and expenditure to be incurred during the respective year. It also includes the capital to be invested to achieve the expected outcome. The capital budget and the recurrent budget are the main two types of budgets prepare by any organization. The capital

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budget is used to acquire fixed assets, and it is necessary to forecast and decide in advance to allocate money for equipment, furniture, land, and building procurement. These details are included in the capital budget. A recurrent budget is necessary to forecast and decide on the going expenditure of the institution which is necessary to provide the services to customers. These expenditures like personnel emoluments, traveling expenses, supplies including drugs are recurrent expenditures (Roland et al, 2002).

The objectives in financial management are an adequate supply of funds, adequate profit to stakeholders, optimum funds utilization, safety in transactions, plan a sound capital structure (MSG, 2015). This emphasized that financial management is more than preparing accounting records. It is a vital part of organizational management and would not be seen as a separate task to be left to finance staff (NCVO, 2015). According to S.C. Saxena (2011), financial management has a wide scope. This includes anticipation, acquisition, allocation, appropriation, and assessment.

The Kalutara district comprises a population of 1,221,948 according to the 2012 census which spreads across a 1,598 km² area with a 764.7/km² population density in 2012 (City population, no date).

The regional director of health services (RDHS) office, Kalutara is the office responsible for carrying out curative, preventive, and rehabilitative health services for the people through the health institutions coming under the provincial administration. There are 03 base hospitals, 18 divisional hospitals, 27 primary medical care units, and 13 MOH offices under the purview of RDHS Kalutara. The total number of employees is 2879. The financial resource is crucial for the functioning of all these institutions which provide health care services. Therefore, it is important to review the financial management practice of the RDHS office, Kalutara, Sri Lanka. The objective of this case study was to review the Financial Management practices at RDHS Office, Kalutara

2 | METHODOLOGY

This descriptive qualitative study was carried in 2019 at the RDHS office Kalutara and it had both cross-sectional and retrospective components. Key informant interviews (KII), focus group discussions (FGD), and the desk review of secondary data was done to gather the data, and SWOT analysis and TWOS matrix were used to analyze and report the findings.

All study instruments were piloted at RDHS office Galle. Key informant interviews were performed with the deputy RDHS, accountant, medical officer-planning, regional epidemiologist, medical officer-maternal and child health, administrative officer, and management assistants of accounts branch of RDHS office Kalutara, by the principal investigator. Focus group discussion was conducted, with randomly selected 10 heads of institutions with a minimum of one year work of experience in the RDHS division.

All discussions were mediated by the principal investigator, and they were conducted in both English and their first language (Sinhalese) according to the participants' choice. The key informant interview formats and guides for focus group discussions were designed to gather data. The responses of key informants and participants of focus group discussions were coded and were analyzed by using SWOT analysis and TWOS matrix. SWOT analysis conducts to assess the strength, weaknesses, opportunities, and threats in the financial management process of the Kalutara RDHS office. TWOS matrix had been prepared to identify the strategies to improve the financial management practices.

Data were obtained from a desk review of secondary data from the records of the account branch for the period 01.01.2018 to 30.09.2018 with the use of a checklist. The desk review aimed to determine the funds received and the recurrent and current expenditure, within the aforesaid period. The principal investigator personally met all the key informants and participants of focus group discussions and explained the aims and methods of the study, before the commencement of the study. All questions from the participants regarding the study were answered by the principal investigator before and during the

AN ANALYSIS OF FINANCIAL MANAGEMENT PRACTICES IN THE REGIONAL HEALTH OFFICE (KALUTARA) SRI LANKA.

study. Administrative approval was obtained from the regional director of health services, Kalutara, and informed verbal consent was obtained before the KII and FGD from the participants. The anonymity of the participants was preserved

3 | RESULTS

The accountant of the RDHS Office who is specifically qualified in accountancy is the head of the financial branch under the supervision of RDHS. Different areas in the financial management process of RDHS are assigned to development Officers (DO) and management assistants (MA) with the guidance of an accountant. Some officers could cover up the duties of the officers who are absent or on leave.

TABLE 1: Funding sources and amounts received by 30.09.2018

| Source of funding | Amount received in 2018 Rs (Millions) |
|--|---------------------------------------|
| Province Specific Development Grants Health Sector | 179.655 |
| Development Plan 2 (HSDP2) | 110.000 |
| Ministry of Health- Primary Health Care (PHC) | 12.406 |
| Ministry of Health – Estate Health | 12.200 |
| Total | 314.261 |

The capital allocations are used for construction projects, procurements of equipment's and conducting programs. The planning unit usually monitors the physical progress of the annual plans. They produce the monthly progress report to the finance branch as a reporting system. The financial progress of special projects is reviewed monthly. There were delays in reviewing the financial progress of certain projects implemented in health institutions due to a lack of trained manpower at the institutional level. Table 1 describes the funding sources and amounts received by 30.09.2018, while Table 2 shows the recurrent

Expenditure of RDHS Office, Kalutara for 2018 (up to 30.09.2018)

TABLE 2: Recurrent Expenditure of RDHS Office, Kalutara for 2018 (up to 30.09.2018)

| Expenditure area | Amount Rs. |
|---|-----------------------|
| Personal Emoluments | |
| Salary and emoluments | 468 036 66.91 |
| Overtime and holiday payments | 186 335 764.10 |
| Cost of living payments | 617 373 178.22 |
| Travel expenses | |
| Travel expenses (local) | 12 182 741.17 |
| Supplies | |
| Stationary, office items, and consumables | 4 035 073.76 |
| Fuel and lubricants | 11 544 049.71 |
| Uniforms and Food | 29 416 905.66 |
| Medical supplies | 11 602 258.00 |
| Machines and electrical equipment | 39 305.00 |
| Other supplies | 1 287 137.19 |
| Maintenance expenses | |
| Vehicle maintenance | 9 625 864.35 |
| Machines and electrical equipment | 4 016 423.03 |
| Building construction and maintenance | 590 497.15 |
| Other | 1 287 137.19 |
| Contractual services | |
| Postal and telecommunication | 1 297 679.51 |
| Electricity and water | 20 599 006.98 |
| Taxes | 507 000.00 |
| Other | 22 057 535.72 |
| Other expenses | 364 840.68 |
| Total | 934,630,434.68 |

Financial Management process at the RDHS office

The finance branch of the RDHS Office, Kalutara follows standard accounting procedures in approval, certification, and making payments by the general

financial regulations (FR) of Sri Lanka and the financial Guidelines of the Western Provincial Council. The process followed is at the finance branch is good.

Persons for authorization, delegating powers, approving, certifying, and making payments are mentioned with the ceiling amounts for each level in the Western Province financial guidelines. Salaries were paid in time. Monthly accounts summary indicating the deposits and expenditures made during the month was prepared using a computer software program. It is done on regular basis and submitted to the PDHS office. From the PDHS office, the summary report is sent to the Provincial Ministry of Health. The finance branch follows national procurement guidelines and manual in procurements and the bill is settled only after the good/service is supplied to the institution concerned or the general stores. The items procured are distributed from general stores according to the distribution list of the planning unit to make sure the items are delivered to the correct institutions.

Internal audits use to conduct audits more frequently and the general audit pays a visit once a year usually. The average number of audit queries raised per year in the recent past has been about 100. Quarterly audit meetings are conducted regularly to answer audit queries at the RDHS office. This meeting is chaired by the RDHS, and the other participants are the accountant, AO, Chief MA, two MAs handling audits subject and the subject MA / DO relevant to the purview of the audit query, and representatives from the general or internal audit. Annual board of surveys should be done in Regional Medical Supplies Division (RMSD) and general stores.

TWOS matrix had been prepared to identify the strategies to improve the financial management practices of the RDHS office, Kalutara. TWOS matrix prepared for this process is given below.

4 | DISCUSSION AND CONCLUSIONS

The TOWS Matrix helps businesses to identify their strategic options to improve their financial performance (Wehrich, 1982). RDHS, Kalutara gets the opportunity to make the most of its strengths and get around its internal weaknesses and learn to deal

| | Strength (S) | Weaknesses (w) |
|--------------------------|---|---|
| Internal factors | <p>S₁ - They expend almost all budgets which they received</p> <p>S₂ - Good commitment of RDHS Accountant</p> | <p>W1 - Poor Monitoring and evaluation</p> <p>W2 - Poor attitudes of staff</p> <p>W3 - no board of survey</p> <p>W4 - unnecessary cut down of claims and extra duties</p> <p>W5 - Misplaced vouchers</p> |
| Opportunities (O) | <p>SO Strategies</p> <p>SO1 - As they utilize all funds, they can use political support to obtain more funds for district</p> <p>SO2 - As RDHS and accountant shows good commitment, they can bring more projects to the district</p> | <p>WO Strategies</p> <p>WO1 - Obtain political support to get enough funds to provide full claims and OTs.</p> |
| Threats (T) | <p>ST Strategies</p> <p>ST1 - top officials show good commitment. So, they can discuss with the ministry and PC to obtain enough funds on time.</p> <p>ST2 - RDHS can monitor the progress of programs and get down the vouchers as soon as they finish.</p> | <p>WT Strategies</p> <p>WT1 - improve monitoring and evaluation of physical and financial progress of the projects.</p> <p>WT2 - arrange necessary things to conduct board of survey.</p> <p>WT3 - Answer properly and on time to audit queries. Try to minimize audit queries.</p> <p>WT4 - Proper mechanism must be developed to streamline the vouchers</p> |

FIGURE 1: TWOS Matrix developed to identify the strategies to improve financial management

with them properly. Externally, it can learn carefully, look for possible opportunities and they learn how to control and overcome potential threats. RDHS office, Kalutara utilizes almost all funds they received. Therefore, they should convince the political authority to obtain more funds to improve healthcare service delivery.

The financial decisions in an organization mainly rely on correct financial information, and officers in the financial department provide higher officials with regular reports about the financial situation of the institute. Based on the information, the higher managers adopt concepts, and theories to make the correct decisions (Bazzoli, Chen, Zhao & Lindrooth, 2008). Department of accounts of RDHS office, Kalutara committed to their works and preparation of financial reports, have done promptly. Because the RDHS and Accountant possess timely information, they could discuss and convince the province and line ministry to obtain more funds and projects to the district and to implement the projects timely.

AN ANALYSIS OF FINANCIAL MANAGEMENT PRACTICES IN THE REGIONAL HEALTH OFFICE (KALUTARA) SRI LANKA.

Employers must pay the right payments at the right time to their employees. High and low wages are based on different factors like the nature and scope of work, and the average wage of workers in the same sector as employees compare themselves to other employees who do similar work (Schweitzer, Kuron, Lyons & Ng, 2014). As the RDHS office Kalutara has been received limited funds, they were compelled to limit claims and overtime payments of employees unnecessarily which will result in demotivating the staff of the district and unhappiness about the top management.

Internal control systems should be established to ensure safe custody of all assets and to detect and safeguard against probable fraud. Internal financial control on the origin of the financial budget in hospitals and successful implementation of the financial plan refers to the effectiveness of the financial management system (Xu, Hou, & Chen, 2017). The financial department should follow quick and achievable financial procedures to identify and avoid potential issues in their organization. This helps organizations to take quick action when addressing any financial issues in the future (Karim, Nevola, Morris, Tilford, & Chen, 2018). There is no proper mechanism to conduct the regular test checks and some of the procurements and omission of few works leads to audit queries in RDHS office Kalutara. To answer the audit queries, the staff need more time and it limits the time to involve in other works. This suggests that RDHS staff and institutions head should be given training on financial regulations and to conduct works to minimize the audit queries. The staff of the financial branch should be trained on how to answer the audit queries and they should advise to answer them on time. The limitations of the current study include lack of customer experience component and inability to quantify the level of effectiveness within the scope of the current study.

Based on the findings of the current study, it is recommended that RDHS should in place a good monitoring mechanism to assess the financial progress of the projects and regular conduction of head of institutions meetings will strengthen this which will be able to get down the vouchers of finished programs on time. Further, RDHS and accountants should discuss with the politicians and officials of the provincial

council to obtain more funds. RDHS staff and institutions heads should be given training on financial regulations and to conduct works to minimize the audit queries. Strengthening the financial management will improve the healthcare delivery in an organization.

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