

Preventing fraud in general practice

Accountant Keith Taylor offers some guidance on how shared accountability and control can help to protect your practice



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Often, the burden of total financial responsibility for GP practices rests solely with the practice manager. Given the role's already wide-ranging remit, this is an unreasonable expectation.

GPs have responsibility for the practice and, therefore, should not expect to offload their financial obligations onto anyone else. To protect practice managers and everyone else working at the practice, including GP partners, a proper system of financial checks and balances should be in place, with no one person expected to shoulder sole financial accountability.

When considering these controls, it is helpful to first set out the objectives. The fundamental objective is to ensure that all practice income is properly banked and recorded, and that all costs have been incurred and authorised correctly. In other words, you need to eliminate the understatement of income and the overstatement of expenditure.

An accurate system of shared accountability and control will provide effective management data that can be applied to strategic planning by the team for the overall direction of the GP practice. It will also provide a safeguard against fraud by any one person or group of people. There is a belief that the accountants appointed by the practice will detect fraud when they prepare the annual accounts.

However, it is essential to understand that the work accountants do is solely designed to prepare the annual accounts of the practice. Their engagement does not encompass the

detection of fraud and so any detection by them will be by good fortune.

Segregation of duties

As a general rule, it is not good practice for only one member of staff to deal with any particular financial transaction from beginning to end without the involvement of someone else at another stage. While staff resources are scarce and there are many calls on the time of the practice managers and the partners, a key control weakness can prove to be very expensive. Where possible, we recommend an element of oversight, for example:

- For cash receipts separate the tasks of handling cash and recording the receipts
- For authorisation of payments and expenses a partner should always have sight of supporting invoices.

Main risk areas

Payroll

The risks with payroll transactions are:

- Staff being paid at a rate that has not been authorised
- Staff being paid for hours they have not worked
- Payments being made to ghost staff.

These risks can be minimised by a person (in practice, this is likely to be a partner) other than the one who processed the payroll, conducting a critical review of payroll reports ensuring:

- The names of those being paid are all known current staff who are working
- The salaries are being paid at the contractually agreed rate

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- Overtime paid is supported by authorised claims
- Other additions to salary payments are properly authorised and due.

Payments to suppliers

The risks with payments to suppliers are:

- Payments made where no goods or services have been supplied
- Payments made where supplies have been made but the payment is for an incorrect amount.

Partners should carry out checks as follows:

- Agree the proposed payment to suppliers' invoices or statements ensuring that the name of the supplier is known to the practice, and that the relevant goods and services have been delivered
- Check the practice bank statements and seek out supporting evidence for any unusual transactions
- Examine the bank reconciliation each month and ensure that there are no old outstanding items
- If payments are made by cheque, ensure that there are two signatories
- If online banking facilities are used, a partner should authorise the processing of payments
- Consider who has authority to make

payments, what their levels of authorisation are and whether they are appropriate.

Cash transactions

The vast majority of practice income is credited directly into the practice bank account. However, over-the-counter receipts of cash should be recorded immediately and banked regularly. Cash handling and recording should be segregated if possible.

Role of the practice manager

Usually, the practice manager carries the responsibility for financial probity – and the vast majority of them do this with great commitment. Thus, if a review of financial controls is to be undertaken it should be with tact, and the full consultation and involvement of the practice manager. The relationships accountants enjoy with the managers of GP practices are vital to the continuing wellbeing of the relationship with the practice and its partners.

All accountants would wish to see those relationships maintained in good order throughout any such review. If you consider that your practice may benefit from a comprehensive health check of fraud detection measures and support your specialist medical accountant should be able to assist you. **PM**

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