

Financial Management

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Introduction

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FINANCIAL MANAGEMENT
SAMA Annual Conference 2015

Making business practical...



... because the theory isn't!



Do...

CONTROLS surrounding DEBTOR management

- Review the debtors age analysis at least monthly.
- The debtors age analysis is a summary of how “old” your debt has become.
- Any debtors with aging in excess of 60 days runs a high risk of not paying and should be managed actively to ensure receipt of payment.



Do...

CONTROLS surrounding DEBTOR management

- Follow up on continuous small balance write-offs by accounting or practice management staff.
- Beware of rolling of debtors.



Do...

CONTROLS surrounding CASH management

- Cash flow is king.
- Bank reconciliations are the ECGs of the financial world.
- Bank balance as per bank statement VS bank balance as per general ledger.
- Inspect large or unusual reconciling items and follow up.



Do...

UNPREDICTABILITY

- Ask your accountant/practice staff for a listing of all salary bank accounts and supplier bank account on an annual basis and make a quick comparison.
- Ask to see medical scheme correspondence where the full invoice is not paid instead of just writing the difference off.



FRAUD vs ERROR

- The difference is intent.
- Error is much easier to find than fraud – criminals always hide the evidence.



Do...

RECOGNISE your IT RISK

- Costs of PMA and EDI systems can quickly amount to a practice's second highest expense after salaries.
- Find out if you are on fixed or variable pricing rates. If you are a specialist with high value claims it will probably be more cost effective to be on a fixed rate claims model and if you are GP with lower claims value but higher volumes it may be more cost effective for you to be on a variable percentage claim model.



Do...

RECOGNISE your IT RISK

Example:

Assume that you can either pay R7.90 per claim (fixed) or 1.0% of the value of the claim (variable).

If you are a GP submitting an average consultation claim of R350.00 you would rather pay 1.0% which is R3.50 versus R7.90.

If you are a Specialist submitting an average consultation claim of R950.00 you would rather pay R7.90 versus R9.50 (which is 1% variable of R950.00).



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DOES...

MY PRACTICE NEED TO BE **AUDITED?**

- External Assurance Audit.
- Calculate the Public Interest score – significant changes from the 1973 Companies Act to the 2008 Companies Act.
- Regulations 26, 27, 28 and 29 published in 2011.

PUBLIC INTEREST SCORE

- Number or points equal to average number of employees during the year
- 1 point for every R1million (or part thereof) in third party liability at year end
- 1 point for every R1million (or part thereof) in turnover at year end
- 1 point for every shareholder (profit company)/every member (non profit)

Statement Status	0 - 99	100 - 349	≥ 350
Private Company Non-Owner Managed			
AFS were internally compiled by Management	Independent Review (Independent Auditor or Accounting Officer)	Audit (Independent Auditor)	Audit (Independent Auditor)
AFS were externally compiled by Independent Accounting Professional	Independent Review (Independent Auditor or Accounting Officer)	Independent Review (Independent Auditor or CA (SA))	Audit (Independent Auditor)
Private Company - Owner Managed			
AFS were internally compiled by Management	No External Intervention	Audit (Independent Auditor)	Audit (Independent Auditor)
AFS were externally compiled by Independent Accounting Professional	No External Intervention	No External Intervention	Audit (Independent Auditor)



DOES...

MY PRACTICE NEED TO BE **AUDITED?**

- SARS may still conduct an Income Tax, VAT, PAYE, UIF etc. audit on your practice regardless of your Public Interest Score.
- A SARS audit is not subject to the 2008 Companies Act, only your need for an independent financial audit.



Risk...

... is there to be managed



DON'T...

UNDERESTIMATE the cumulative effect of
OPERATING EXPENSES



DON'T...

ASSUME that the bank has offered you the best **RATES**
on **FINANCING** because you are a **DOCTOR**

- Shop around for rates – you will never see a bank with a “SALE” sign.
- Attempt to re-negotiate rates on an annual basis.
- Rates are linked to risk – if you can prove that your risk profile has reduced over the last year push your bank to reduce rates or see other banks to take over financing (keep cancellation and refinancing charges into consideration over the lifetime of the asset).



DON'T...

HACK A BUDGET

- Budgets should be based on quantifiable information.
- Recommendation of how to set up a budget for a medical practice – start with the profit that you would like to make before tax then work your way back to the revenue that you would need to generate to cover the expenses (based on prior periods and best estimates). Then take a step back and based on industry rates charged calculate how many patients you would need to see per day and ask yourself whether it is possible/reasonable.



DON'T...

CONFUSE CASH flow and REVENUE

- Revenue \neq Cash flow.
- Revenue only becomes cash flow once you have realised your debtors when payment is received.
- You can't pay expenses with debtors.





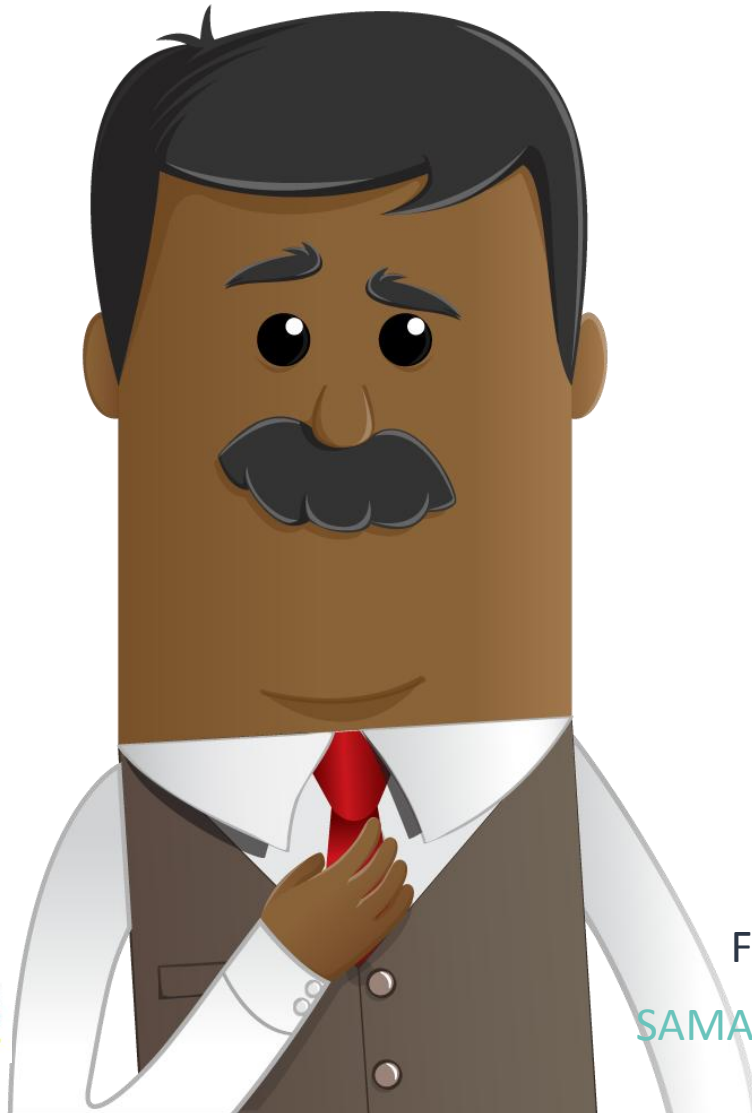
INSUFFICIENT PRACTICE COST INFORMATION

- Doctors don't have access to sufficient Practice Cost Information.
- A Practice Cost Study consisting of a couple of practices a year is not going to cut it.
- A systematic process of Practice Cost Consolidation and Analysis needs to take place on a national level and on a continuous basis.

Questions?

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