EFFECTIVENESS OF INTERNAL CONTROLS OVER CASH MANAGEMENT IN LOCAL AUTHORITIES: THE CASE OF KINONDONI MUNICIPAL COUNCIL
EFFECTIVENESS OF INTERNAL CONTROLS OVER CASH MANAGEMENT IN LOCAL AUTHORITIES: THE CASE OF KINONDONI MUNICIPAL COUNCIL

By
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A Research Report Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Accounting and Finance (MSc-A&F) Mzumbe University, Dar es Salaam Business School,

2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled Effectiveness of Internal Controls over Cash Management in Local Authorities: The Case of Kinondoni Municipal Council, in partial/fulfillment of the requirements for award of the degree of Master of Science in Accounting And Finance of Mzumbe University.

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I, Urion Paul, declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other university for a similar or any other degree award.

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ACKNOWLEDGEMENT

My sincere heartfelt appreciation goes to the Almighty God for the courage and good health He gave me during my research project and not forgetting the support and guidance to me by my dear supervisor Mr Fredy Feruzi who worked tirelessly to see that I come to the end of the project.

I also appreciate the hospitality of the management and staff of Kinondoni Municipal Council who took it to themselves to understand the task that was before me and facilitate my exercise smoothly, most especially, by answering my questionnaires and some questions which I conducted by interviewing them. In a special way my appreciation goes to the Municipal Treasury of KMC, Mr Shekidula and the CEO of KMC Eng Musa Natti and other staffs of KMC Mrs Mwanga Salima, Miss Pendo, Mr Mwaikatale, Mr Dauda, Mrs Riwa, Miss Neema Those are staffs of KMC who showed me the right procedures and led me to the right sources of information.

My sincere appreciation also goes to all my family members. First of all, my beloved father Eng Genard. A. Urio who financed the whole cause of my masters degree for 100% and my Mother Mrs Urio, also without forgetting my sisters Magreth, Rosemary, Digna, Emelda, Chelsea, Noela, Irene and my brother Vicent. My friends: Mr Joshua, Albert, Ms Happyness, Ms Jesca, Mr Godlizen, Mr Sawaya, Mr Mangazine, Mr Chacha.
ABBREVIATIONS

CAG  Controller and Auditor General
COSO  Committee for Sponsoring Organization
DED  District Executive Director
DT  District Treasury
ICS  Internal Control System
IFMS  Integrated Financial Management System
ISA  international Standards on Auditing
IT  Information Technology
LAAC  Local Authorities Accounting Committee
LGAs  Local Government Authorities
LGFA  Local Government Financial Act
TACAIDS  Tanzania Commission for Aids
TASAF  Tanzania Social Action Fund
ABSTRACT

The researcher was inspired to undertake this study as a result of the increased in publications in the country about the mismanagement of cash in Local government authorities and sometimes accused of misappropriations.

The study set out to establish the effectiveness of internal controls over cash management. This was a result of poor implementation of internal controls procedures by management which was found by the Controller and Auditor General reports realize this weakness and Local Authority Accounting Committee reports also showed the direct weaknesses of the internal control system in LGAs.

The major objectives of the study were; to examine the effectiveness of internal controls procedures in Local Authorities, to examine the cash management procedures in Local Authorities and to examine the relationship between internal controls and cash management in Local authorities.

Literatures on the subject from various writers have been referred to, as a means of establishing clear knowledge of the topic. These literatures give a theoretical and empirical view of the subject.

To achieve the objectives, the researcher collected data from both primary source and Secondary sources by use of questionnaires and some by interviews. The sample constituted 20 respondents and the findings indicated that Kinondoni Municipal Council has internal controls procedures though they are not adequate.

Based on the findings that shows that the internal control system policies in Kinondoni Municipal Council is there and they have already introduced in the system but the implementation of those policies is the major problem which hinder the effectiveness of internal control in local government. The researcher recommended that for an effective internal control system, there should be made the reminding and closely supervision of the duties and policies so that to ensure the proper implementation. And also a clear on the regular vacation to the staffs, especially those concerned with ICS.
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CHAPTER ONE

INTRODUCTION

This chapter introduces the dissertation on the effectiveness of the internal control over cash management in local government. The chapter contains seven sections; section one focuses on background of the study, section two focuses on statement of the problem, section three focuses on research question, section four focuses on research objectives, section five focuses on significance of the study, section six focuses on research scope and section seven focuses on limitation face the researcher.

1.1 Background of the Study

The term “Internal controls” in the modern times consists of policies and procedures established by an organization to provide a reasonable assurance that the organization related objectives will be achieved (Meigs and Meigs, 1998). They help to examine and evaluate the organizations cash management processes and other related financial risks, and facilitate the making of recommendation for achievements of the firm’s key objectives.

Foulks (2004) defines these procedures to include; segregation of duties, authorization of transactions, job rotations, reconciliations, proper documentation, to mention but a few. In today's communities, it’s generally accepted that organizations, both private and public, have internal controls to reduce on the level of financial risks, promote effective cash management mechanisms and increase productivity.

According to the new definition of internal controls, auditors ought to play a relevant role in evaluating and improving the effectiveness of the whole controls to enable effective cash management and risk management processes. In fact, the internal auditing process provides assurance to management and the audit committee that risks to the organization are understood and manage appropriately. (IIA, 2003)
Internal controls involve cash planning which is done through cash budget together with the statement of cash inflows (between cash inflow and outflow), therefore it is the role of the firm or organization to manage, match receipt and payment so that there are no redundant surplus cash balance which is a cost to an organization. (Kakuru 2000).

In 1996, Tanzania adopted a policy of cash budgeting, whereby expenditures take place only when the means of financing have first been secured. A new Integrated Financial Management System (IFMS) was introduced in 1998 to better control expenditures and avoid a buildup of unauthorised arrears. The introduction of the new Public Finance Act and associated regulations, in July 2001, provides an ideal opportunity to undertake a more stringent control of new arrears and reinforce the importance of budget discipline across the government. (Macroeconomic and Financial Management Institute of Eastern and Southern Africa The World Bank,2001).

Cash management however, involves the contribution of many actors at different levels of the organization; the board of directors and the chief executive officer have the responsibility for setting the strategic directions of the business and creating the environment for an effective cash management system. Controller and Auditor general (CAG) reports in government financial year 2010/2011 realize the weakness of internal controls in Local Government Authorities (LGAs) that enhance the risk associated in management operations, corruptions and fraud management and control.

During audit test check on cash management in the LGAs, various issues were noted which caused by the weakness of the internal control system. Some of things which were discovered were;

(i). Outstanding item in bank reconciliation
(ii). Surprise cash survey and surprise cash checks; This revealed that 39 councils neither had the arrangement nor conducted surprise checks of cash on hand by the director or his authorized representative.
(iii). Outstanding imprest
(iv). Loss of cash/stores

It could not be established whether actions were taken against responsible officers following these incidences as required.

In the context of cash management therefore, the management, and the internal audit department will help in the cash management process throughout the organization and providing assurance on the management of cash, supporting the cash management process as providers of tools and techniques or as analysts in the identification of cash misappropriations, training of line staff most especially the accountants, facilitating self-assessment workshops, coordinating financial report to the board of auditors and top management.

Also the review of the audit reports for Kinondoni Municipal Council. The internal control set up of kinondoni Municipal Council complies with the orders described in section 3.4 and the public procurement act 2004. Nevertheless, there are weaknesses arising from review of internal control system which show that the council has not fully complied with specific orders in the laws and regulation as provided.

1.2 Statement of the problem
Internal control in local government has one of among strategies for the aim of increasing the effectiveness in Local governments operations. Every organization needs strong internal controls or effective internal controls mechanisms such as, authorization of access assets and accounting records, regular independent verification, a system of internal checks (segregations of duties), and suitable documents to capture transactions, proper procedures for processing transactions, employee of honest and capable employees.

Despite the fact that in Local governments authorities such as control measures (internal controls) has been introduced in operations by authority but steel cash inflows and cash outflows have continued being mismanaged. This is probable
caused by weak internal control or the internal controls are not effective and the controls are abused by those with authorities that affect its effectiveness.

Controller and Auditor general (CAG) reports in government financial year 2010/2011 realize the weakness of internal controls in Local Government Authorities (LGAs) that enhance the risk associated in management operations, corruptions and fraud management and control.

The chairman of Local Authorities Accounting Committee (LAAC) Hon Augustino Liatonga Mrrema presented the Committee’s report inclusive of recommendations concerning the accounts of the Local Government Authorities for the financial year ended 30th June 2009, which was showing directly the weakness of internal controls in Local government Authorities.

This report was presented to the National Assembly on 4 April 2011. On coming up with the structured response concerning the audit report on the financial statements for the year ended 30th June 2010, the PMG did not take into account the LAAC recommendations. The summary of LAAC recommendations were not responded to as follows: With regards to salaries paid to ghost workers, LAAC recommended that, the Government should have appropriate plans which will ensure that, salaries paid to ghost workers (Shs.792.2mil) are recovered including salaries not remitted to Treasury. The Committee also recommended to the Government to find a permanent solution concerning salary payments to ghost workers. LAAC found out that, the issue of inadequacy in the Internal Control System has a direct relationship with paying salaries to ghost workers together with fictitious prices in procurements.

The committee recommended that, the Government should revisit its circulars on the procedures for use of funds in some of the projects like TASAF, TACAIDS, DADPS, CDG and UDEM. Statements of receipts and payments prepared by the Councils regarding these projects show that most of the project funds are used for payments of allowances instead of using it for the core functions.
Despite the fact that a lot of research have been done by different researchers concerning with Internal control over cash in local government, little have been covered in Management of cash specifically. For this case researcher decided to undertake the effectiveness of internal control over cash management in our local authorities

1.3 Research objectives

1.3.1 General objective
To examine how the internal control system (ICS) in cash management help the local government to be in a better position in managing cash hence to prevent frauds and theft

1.3.2 Specific objectives
The specific research objective was;
(i). To explore how effective are the internal controls procedures over the cash management in our local government
(ii). To examine the cash management procedures in local government
(iii). To examine how cash inflows and cash outflows are managed in Local government

1.4 Research questions
The intended research question was;
(i). How effective are the internal controls procedures over cash management in our local government?
(ii). What are the cash management procedures in local government?
(iii). How cash inflows and cash outflows are managed in local government?

1.5 Significance of the study
It is quite important to produce an academic study which can effectively add to professional knowledge and understanding, and which will combine a review of literature with an analysis of data collected from those involved in the field. Showing
how cash is managed in local government, how internal control assist cash
management and also how effective internal control over the cash management in
Local government for the case of Kinondoni Municipal Council

The study provides relevant information regarding the weaknesses with the internal
control system in local government and the importance of internal controls as well.

The study will add to existing literature regarding the relationship between internal
controls and cash management to the benefit of future users, investors in the related
field, scholars to mention but a few

The study will also contribute to both theory and policy by creating a source of home
tailored literature for future use in Tanzania as far as cash management is concerned.
Given the novelty of this area of investigation, future researchers will be aroused for
making more enquiries as broadly and robustly as possible. The study report will
enrich the researcher’s capability to do research, and will serve as a reference
material to other scholars.

The study will help the government in modify and make sound policies on the
problem facing the management of cash in our local government in Tanzania

1.6 Research scope
The coverage area or the area under which research was conducted was Dar Es Salaam region ate Kinondoni Municipal Council considering easiness on data access
and cost as the researcher in Kinondoni town dweller. Also only one Council has
been chosen under assumption that the behaviour patterns of our local government
all over the country are almost similar. Also their internal controls over the cash
management is similar to all District in all over Tanzania
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter presents views of the related literature on the nature of internal controls and cash management. It highlights the internal controls in areas of cash needs and weakness in the controls those areas and also it will cover what scholars wrote about internal controls and cash management from selected journals, text and internet.

2.2 Theoretical literature review

Internal control
Internal controls is the whole system of controls financial and otherwise established by management in order to carry on business of an organization in an orderly manner to ensure adherence to management policies, safeguard the assets and secure as possible the completeness and accuracy of records (Ramaswany, 1988).

In accounting and auditing, internal control is defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. It is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical (machinery and property) and intangible (reputation or intellectual property such as trademarks) (Wikipedia, 2013).

At the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (how to ensure the organization's payments to third parties are for valid services rendered.) Internal control procedures reduce process variation, leading to more predictable outcomes (Wikipedia, 2013).
Types of internal controls

Internal controls are the policies and procedures that a business puts into place in order to protect its assets, ensure its accounting data is correct, maximize the efficiency of its operation and promote an atmosphere of compliance among its employees. According to the international Standards on Auditing (ISA), Risk assessment and internal controls, there are three main types of Internal Controls that should be considered and these among others include:

Preventive controls; these internal controls prevent the occurrence of risks for example separation of duties, recruiting qualified staff and authorization of transactions among others. They also facilitate prevention of fraudulent or erroneous transactions from taking place. Other preventative controls include testing for clerical accuracy, backing up computer data, drug testing of employees, employee screening and training programs, segregation of duties, enforced vacations, obtaining approval before processing a transaction and having physical control over assets (locking money in a safe, for example).

Detective controls; these involve errors or frauds that have not been prevented. They include reconciliation, supervision and internal checks where companies use pre-numbered documents for all documents that should be accounted for. Preventative internal controls are put into place to keep errors and irregularities from happening. Detective controls usually occur irregularly, preventative controls usually occur on a regular basis. They range from locking the building before leaving to entering a password before completing a transaction.

Corrective controls; these ensure that detected problems are rectified for example follow up procedures and management action like rotation of staff. As the name suggests, corrective internal controls are put into place to correct any errors that were found by the detective internal controls. When an error is made, employees should follow whatever procedures have been put into place to correct the error, such as reporting the problem to a supervisor. Training programs and progressive discipline for errors are other examples of corrective internal controls.
2.3 Qualities and features of a sound internal control

De Paula (1990), states that the quality of an internal control system in place depends on:

(i). The nature and size of business conducted. Meaning the bigger the size, the more equipped the system should compared to an entity that is small in size and equally businesses that do more of cash transactions should have stronger controls compared to those that do more of their transactions using cheques.

(ii). The number of administrative staff employed. Businesses with more number of employees should have controls that monitor the duties of each employee. The ones who sign the organization cheques should not be the same who deal with cash and controls in such cases should segregate duties between these various administrative to allow easy management processes.

(iii). The materiality of the transaction involved. Material transactions i.e. transactions that require large sums of money are to be undertaken by top people in the administration with proper and genuine reasons that suit the benefit of the organization. These transactions could be salary preparation and purchase of capital equipments.

With the above determinants of an effective internal control system, following qualities form the basis of an effective internal control are as follows;

They should be geared towards goals; The internal control system should aid the organization in attaining its goals. The internal control system should help ensure that all necessary actions are taken in line with managerial directives, applicable laws and policies for achievement of the organization's objectives.

Should facilitate information flow; an effective internal control system requires a flow of information up, down and across an organization. Information systems generate reports which contain operational, financial, and compliance-related information that makes it possible to run and control an organization.
Emphasizes the segregation of duties; segregation of duties is essential for internal control. An organization should ensure that duties and responsibilities in authorising, processing, recording, and reviewing transactions and events are separated among individuals to reduce the risk of error or fraud.

Facilitate complete documentation; documentation is an integral element in effecting internal control. An organization must therefore maintain complete, accurate and adequate records which can be easily retrieved for examination. Significant events or transactions can be traced from their inception, while a process is on going, and after it is completed.

Should be future-oriented; feasible internal control system should help the organization plan for the future. The system should ensure safeguarding of assets and funds from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed.

An effective internal control should enhance it reliability and trust; sound internal control system ensures that only competent and reliable personnel have authority and responsibility. The employees must be encouraged to follow company policy, and work towards the attainment of operational efficiency and company's goals. The public enterprise should carry out regular performance appraisal and training of its employees to achieve best results.

Therefore, the above qualities can be attained when all personnel responsible are put on board to know the importance of such controls meaning, the management style of the entity, particularly the trust placed in the integrity and honesty of the important personnel and the ability to supervise and control subordinates staff should not be over looked.
2.4 Objectives and importance of internal controls

According to Ramsway (1994), internal control in accounting systems aim to achieve the following objectives:

(i). All transactions are carried out with specifications and authorizations by management. Management are charged with the responsibility of ensuring that all transactions are carried out basing on what was specified and ensuring that such transactions are authorised before any payments are done for them.

(ii). That transaction is accounted for in the relevant books of accounts regularly, correctly, and systematically according to the accounting policies and procedures. That all transactions should be accounted in the books where they are supposed to be, for example, orders are to be prepared using purchase order forms and later corresponding invoices filed against them before payments are made for accountability.

(iii). There is periodic verification and comparison of the assets in existence with accounting records and appropriate action is taken with regard to any difference. Asset should be easily traceable to the assets register and their respective values obtained by the respective personnel.

(iv). Assets are verified at reasonable intervals and appropriate actions are taken with regards to the discrepancies.

Walter (1986), states that a system of internal controls consists of measures purposely for:

(i). Promoting accuracy and reliability in accounting and operations data.

(ii). Encouraging and measuring compliance with company policy.

(iii). Judging efficiency of operations in all divisions of the organization.

(iv). Safeguarding its resources against waste, fraud and inefficiencies.

An Internal control helps management to meet its responsibilities with respect to financial information. (Warre and fess, 1988)
Internal controls aid in ensuring compliance with the company policy. Management has direct responsibility of maintaining accounting records and producing financial reports, statements that are adequate and reliable. Internal Controls provide assurance that this responsibility is being met. (Woolf, 1986)

The system of internal controls provides assurance to management that this dependability of the accounting data used in making business decisions. They help in safeguarding organizations resources, promoting accuracy and dependability of the accounting records (Meigs and Meigs, 1984).

2.5 Five Elements of Internal Controls

According to Alvin and James, (1993), a company’s internal control structure includes five categories of policies and procedures that management designs and implement to provide reasonable assurance that management's control objectives will be met. This includes the control environment, management's risk assessment, the accounting information and communication system, control activities and monitoring.

(i). The Control Environment. Control environment sets the tone of the organization, which influences the control consciousness of its people. This foundation provides discipline and structure upon which all other components of internal control are built. The control environment includes the following areas: Integrity and ethical behavior, Commitment to competence, Board of directors and audit committee participation, Management philosophy and operating style, Organization structure, Assignment of authority and Responsibility, Human resource policies and practices. Every business is different. A business comprised of five people will demand different controls than a company with 500 people. Prior to establishing any set of internal controls, you should consider the business's management philosophy, the integrity of the employees, and the legal requirements established by the state and federal government.
(ii). *Risk Assessment.* Risk assessment identifies and analyzes the relevant risks associated with the organization achieving its objectives. Risk assessment forms the basis for determining what risks need to be controlled and the controls required to manage them. One should consider how a business's cash is at risk. Are large amounts of cash kept where employees have access to it? Who is responsible for receiving and depositing cash? Who is responsible for giving cash to settle debts? These are the types of questions that address what possible risks a business may face when it comes to cash.

(iii). *Control activities.* Control activities are steps that a business takes to minimize risks. Control activities are the policies and procedures the organization uses to ensure that necessary actions are taken to minimize risks associated with achieving its objectives. Controls have various objectives and may be applied at various organizational and functional levels. Control Usage Prevent, Detect, and Correct

Preventive controls focus on preventing an error or irregularity.

Detective controls focus on identifying when an error or irregularity has occurred.

Corrective controls focus on recovering from, repairing the damage from, or minimizing the cost of an error or irregularity

Physical controls include security over the assets themselves, limiting access to the assets to only authorized people and periodically reconciling the authorised people, and periodically reconciling the quantities on hand with the quantities recorded in the organization’s records.

Information processing controls are used to check accuracy, completeness, and authorization of transactions. General controls cover data center operations, systems software acquisition and maintenance, access security, and application systems development and maintenance. Application controls apply to the processing of a specific application, like running a computer program to prepare employee's payroll checks each month. Performance
reviews are any reviews of Performance reviews are any reviews of an entity’s performance.

Some of the more common reviews:

a. compare actual data to budgeted data or prior period data,

b. operating data to financial data, and

c. Data within and across various units, subdivisions, or functional areas of the organization. Examples of control activities include having different employees being responsible for different parts of the transaction. An example of a control activity would be having one person selling the product, another person receiving the money from the sale, and a third person checking to make sure that the agreed sales price equals what was deposited.

(iv). Information and communication. Control activities must be designed and then executed by relying on information to be communicated between the people who control different aspects of the transaction. To minimize errors and fraud, the correct information must flow to the right people in a timely manner. The information system consists of the methods and records used to record, maintain, and report the events of an entity, as well as to maintain accountability for the related assets, liabilities, and equity. Requirements:

Identify and record all business events on a timely basis. Describe each event in sufficient detail. Measure the proper monetary value of each. Determine the time period in which events occurred. Present properly the events and related disclosures in the financial statements. The Communication aspect of this component deals with providing an understanding of individual roles and responsibilities pertaining to internal controls. People should understand how their activities relate to the work of others and how exceptions should be reported to higher levels of management. Open communications channels help ensure that exceptions are reported and acted upon. Communication also includes the policy manuals, accounting manuals, and financial reporting manuals.
(v).  *Monitoring.* Monitoring is the process of assessing the quality of internal control performance over time. Monitoring involves assessing the design and operation of controls on a timely basis and taking corrective actions as needed. This process is accomplished by ongoing monitoring activities by the management as they question reports that differ significantly from their knowledge of operations. The entire process must be reviewed by upper level management to ensure that every person is complying with their responsibilities. It is also generally required that the business audits its books and review its internal controls at least annually.

2.6  **Guidelines to strong internal control systems**

The business International money report (1983) prepared, a checklist, presented below which includes five aspects to assist companies in evaluating their internal control systems. These checklists are as follows:-

2.6.1  **Organization**

A formal organization structure, the report said, is important for organizations to achieve their objectives in control through;

(i). Setting up an organizational chart and a manual to describe levels of authority and responsibility. So as to enable one know where his/her powers start and stops in the hierarchy.

(ii). Provision of the detailed job description for all employees on a regular basis. To make employees aware of the roles they are meant to play in the organization relating to cash management practices and their levels of monitoring and ensuring that the controls are not overridden.

2.6.2  **Policies and procedures**

(i). Insist that all employees must take vacation on regular basis. This facilitates the exposure of mistake that an employee could be sitting on while performing because such a method facilitates checks between the employees on the jobs done by their colleagues.
Therefore once they are given regular vacations chances of misappropriations are minimal due to fear it will be unveiled.

(ii). Encourage rotation of duties whenever possible, not only as an internal control tool, but also for training purposes. Employees are to be rotated in the different parts of the organization so as to enable them know what happen in the other parts too, so that the whole systems of control is known to all and hence overriding of any due to negligence is avoided.

(iii). Have outside auditors to make internal control recommendations as part of their annual review. These external auditors will give recommendations about the effectiveness of such controls and appropriate improvements where necessary to facilitate its effectives, hence the attainment of the overall organizational objective.

2.6.3 Accounting and record keeping

(i). To protect assets and records of the assets from misuse.

(ii). Establish accountability and duplicate records that are compared to the originals on a regular basis. An organizations should under this context have record documents for example receipts with duplicates attached to each copy and pre-numbered, that enables easy comparison to the original documents and differences sorted out.

(iii). Set up a complete chart of accounts broad enough to encompass and define all the transactions of the Company. This can be effectively done through; Ensure that all general ledgers entries can be identified through the chart of accounts, and can be traced to the person recording the entry.

(iv). Ensure that cash receipts are deposited without delays with an imprest of cash disbursement.
2.6.4 Standards of performance

(i). Institute a regular and formal budget for all expenditures. Budgets should be instituted in the planning periods so that advantages associated like with it like; knowing whether cash surpluses are present, planning for obligations and knowing how to meet them and also the control of expenditure based on the forecasted income and expenditure are possible.

(ii). Ensure that the workers are suitably qualified to handle the work assigned to them. The recruitment of employees by the company is done on technical knowhow not on technical know who so that those employed have the competent qualities and can easily understand controls and don’t hide behind ignorance of such controls and therefore leading to attainment of the overall business objectives.

2.7 Roles and responsibilities in internal control

According to the COSO Framework, everyone in an organization has responsibility for internal control to some extent. Virtually all employees produce information used in the internal control system or take other actions needed to affect control. Also, all personnel should be responsible for communicating upward problems in operations, noncompliance with the code of conduct, or other policy violations or illegal actions. Each major entity in corporate governance has a particular role to play:

Management: The Chief Executive Officer (the top manager) of the organization has overall responsibility for designing and implementing effective internal control. More than any other individual, the chief executive sets the tone at the top that affects integrity and ethics and other factors of a positive control environment. In a large company, the chief executive fulfills this duty by providing leadership and direction to senior managers and reviewing the way they're controlling the business. Senior managers, in turn, assign responsibility for establishment of more specific internal control policies and procedures to personnel responsible for the unit’s functions. In a smaller entity, the influence of the chief executive, often an owner-manager, is usually more direct. In any event, in a cascading responsibility, a
manager is effectively a chief executive of his or her sphere of responsibility. Of particular significance are financial officers and their staffs, whose control activities cut across, as well as up and down, the operating and other units of an enterprise.

**Board of Directors:** Management is accountable to the board of directors, which provides governance, guidance and oversight. Effective board members are objective, capable and inquisitive. They also have knowledge of the entity's activities and environment, and commit the time necessary to fulfill their board responsibilities. Management may be in a position to override controls and ignore or stifle communications from subordinates, enabling a dishonest management which intentionally misrepresents results to cover its tracks. A strong, active board, particularly when coupled with effective upward communications channels and capable financial, legal and internal audit functions, is often best able to identify and correct such a problem.

**Auditors:** The internal auditors and external auditors of the organization also measure the effectiveness of internal control through their efforts. They assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control. They may also review Information technology controls, which relate to the IT systems of the organization. There are laws and regulations on internal control related to financial reporting in a number of jurisdictions.

**Audit Committee:** The role and the responsibilities of the audit committee, in general terms, are to: Discuss with management, internal and external auditors and major stakeholders the quality and adequacy of the organization’s internal controls system and risk management process, and their effectiveness and outcomes, and meet regularly and privately with the Director of Internal Audit, Review and discuss with management and the external auditors and approve the audited financial statements of the organization and make a recommendation regarding inclusion of those financial statements in any public filing.
Also review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet issues in the organization’s financial statements. Review and discuss with management the types of information to be disclosed and the types of presentations to be made with respect to the Company's earning press release and financial information and earnings guidance provided to analysts and rating agencies. Confirm the scope of audits to be performed by the external and internal auditors, monitor progress and review results and review fees and expenses. Review significant findings or unsatisfactory internal audit reports, or audit problems or difficulties encountered by the external independent auditor. Monitor management's response to all audit findings, Manage complaints concerning accounting, internal accounting controls or auditing matters, Receive regular reports from the Chief Executive Officer, Chief Financial Officer and the Company's other Control Committees regarding deficiencies in the design or operation of internal controls and any fraud that involves management or other employees with a significant role in internal controls and Support management in resolving conflicts of interest. Monitor the adequacy of the organization’s internal controls and ensure that all fraud cases are acted upon.

**Personnel Benefits Committee:** The role and the responsibilities of the personnel benefits, in general terms, are to: Approve and oversee administration of the Company's Executive Compensation Program, Review and approve specific compensation matters for the Chief Executive Officer, Chief Operating Officer (if applicable), Chief Financial Officer, General Counsel, Senior Human Resources Officer, Treasurer, Director, Corporate Relations and Management, and Company Directors, Review, as appropriate, any changes to compensation matters for the officers listed above with the Board and Review and monitor all human-resource related performance and compliance activities and reports, including the performance management system. They also ensure that benefit-related performance measures are properly used by the management of the organization.
Operating Staff: All staff members should be responsible for reporting problems of operations, monitoring and improving their performance, and monitoring non-compliance with the corporate policies and various professional codes, or violations of policies, standards, practices and procedures. Their particular responsibilities should be documented in their individual personnel files. In performance management activities they take part in all compliance and performance data collection and processing activities as they are part of various organizational units and may also be responsible for various compliance and operational-related activities of the organization.

2.8 Cash management
Cash is the basic input needed to keep any organization running on a continuous basis; it’s also the ultimate output expected to be realised by selling the service or product by the organization or firm. In this context therefore, the firm/organization is charged with the responsibility of keeping sufficient cash, neither more nor less, because its shortage will disrupt their operations while excessive cash will remain idle without contributing anything towards profitability.

Cash management is concerned with the managing of cash flows into and out of the organization, cash flows within the organization, and cash balances held by the organization at the point of time by the financing deficit or investing surplus cash (IM Pandley). Cash management is a set of strategies or techniques a company uses to collect, track and invest money. Although cash by definition refers only to paper or coin money, in cash management, companies usually also work with cash equivalents such as checks. This is becoming increasingly common as the money system becomes more abstract, using electronic methods. Cash management lets companies process and use their money in such a way that they have adequate funds available for regular costs like paying employees. It ensures that the company has some money for the things they did not plan on, such as a higher-than-expected increase in the cost of materials.
2.9 Internal controls over cash management

Cash management procedures help you avoid theft or financial fraud in operating activities. Cash is an important asset in a company's balance sheet and indicates the firm's economic robustness. A balance sheet is also referred to as a statement of financial condition or statement of financial position.

Internal controls are needed for cash management activities to ensure that procedures are followed and fraud and theft does not become a problem. For example, you can implement a segregation of duties among employees who handle goods shipment activities and those who receive checks from customers and make collection calls. Internal controls systems over cash management are divided into control procedures and control environment.

2.9.1 Internal control procedures over cash management

The overall objective of cash management control procedures is minimizing the costs associated with cash.

This is achieved by ensuring that adequate controls are put in place to deter cash in appropriations and that their control should strictly be adhered to (Foulks, 2004). Marwick (1998) highlights the following guidelines to a strong control system over cash management.

(i). Cash and bank reconciliation. Both cash and bank balance reconciliations should be carried out monthly. Cash revenues should be reconciled using the cash register totals, banking, for the period and cash at hand. The bank balance has to be reconciled using the cash register and the bank statement at end of each month or at specific periods as may be deemed fit by management of the organization (Kilnger, 1991).

(ii). Spot counts and Checks. These are carried out to check the physical cash and cheques at a particular time. This is an efficient control over cash in an organization and audit departments normally carry it out. (Foulks, 2004)
(iii). Segregation of duties in cash related transactions. Plans should be made indicating roles of departments, individuals for functions such as cash collection, cash disbursements, recording and maintenance of cash records, treasury, signing of cheques and other functions necessary for cash management. On assignment of function, any deviations should be forwarded to the individual responsible (De Paula, 1990). This further involves establishment of clear lines of responsibility between the board of directors and other officers.

(iv). Authorization, recording and custody of cash. Controls should ensure that all payments are authorised and approved, all receipts are accounted for and that every transaction is properly recorded in the books of accounts to ensure accountability. (Spincer & Pegler, 1980). Systems of well designed forms and documents are necessary for recording and controlling the activities of the operating department. Copies of these documents provide a trail that focuses responsibility for any shortage that may develop as assets are moved.

(v). Source documents. These include receipts, vouchers, cheques, invoices and pay slips. All source documents should be kept upon approval, serialised, kept under lock and key and they should be recorded in a register kept by a senior person concerned.

(vi). Supervision and coordination of company activities involving cash, De Paula (1990), states that the internal audit should ensure that the work of each individual is independently checked by other members of the staff. When employees are aware that other persons are to review their work, it is more likely that records will be kept accurately and procedures will be followed.

(vii). Atwood & Stein (1986), state that rotation of employees from one job to another may strengthen the internal controls. When employees know that other persons may soon take their duties, it is more likely that records will be kept more accurately and procedures will be followed. This will help ensure
that fraud and malpractices are minimised. Personnel in cash related positions especially cashiers should be rotated regularly.

2.9.2 Controls over cash payments

ACCA Students Newsletter (May 1992), revealed that most large embezzlements of cash are accomplished through payment of fictitious invoices. Emphasis should be that all payments are done through cheques and smaller disbursements done through petty cash funds.

According to Sserebe (1997), a good system of internal control for cash should provide adequate procedures for protecting both cash receipts and cash disbursements.

There are three basic principles and procedures that should always be observed.

(i). There should be segregation of duties so that the person who keeps the cash receipts, are different from the people who do the recording. Reasons being that the theft of cash may necessitate collusion between employees if cash is to embezzled and theft concealed in the records.

(ii). All cash receipts should be deposited in the bank, intact, each day. This prevents the employees from making personal use of the cash for a few days before depositing it into the banks.

(iii). All payments should be made by cheque. Small disbursements may be made through a petty cash fund which should be done by responsible persons on genuine reasons that support organization objectives.

Kiiza (1997) asserts that one of the widely used methods of establishing controls over cash disbursements is the voucher system. This system requires that for every transaction requiring cash payments, it should be verified and approved before a cheque is issued. The author asserted saying, a voucher should be prepared for every expenditure, regardless of whether it is for an expense, purchase of an asset of payments of a liability. Many scholars have analysed and evaluated internal controls but little has been done on analysing the effectiveness of internal controls on cash management in an organization.
2.9.3 **Controls over cash Receipts**

Receipts may result from cash sales; collections on account from customers; the receipt of interest, rents, and dividends; investments by owners; bank loans; and proceeds from the sale of non-current assets.

The following internal control principles explained earlier apply to cash receipts transactions as shown:

(i). **Establishment of responsibility**
- Only designated personnel (cashiers) are authorized to handle cash receipts.

(ii). **Segregation of duties**
- Different individuals receive cash, record cash receipts, and hold the cash.

(iii). **Documentation procedures**
- Use remittance advice (mail receipts), cash register tapes, and deposit slips.

(iv). **Physical, mechanical, and electronic controls**
- Store cash in safes and bank vaults; limit access to storage areas; use cash registers.

(v). **Independent internal verification**
- Supervisors count cash receipts daily; treasurer compares total receipts to bank deposits daily.

(vi). **Other controls**
- Bond personnel who handle cash; require vacations; deposit all cash in bank daily.
2.9.4 Prepare Bank Reconciliation

The bank and the company maintain independent records of the checking account. The two balances are seldom the same because of:

(a) **Time lags** that prevent one of the parties from recording the transaction in the same period.
   (i). Days elapse between the time a check is written and dated and the date it is paid by the bank.
   (ii). A day may pass between the time receipts are recorded by the company and the time they are recorded by the bank.
   (iii). A time lag may occur when the bank mails a debit or credit memo to the company.

(b) **Errors** by either party in recording transactions. The incidence of errors depends on the effectiveness of internal controls maintained by the company and the bank.

Reconciliation procedure - In reconciling the bank account, it is customary to reconcile the balance per books and balance per bank to their adjusted (correct or true) cash balances.

(a) To obtain maximum benefit from bank reconciliation, the reconciliation should be prepared by an employee who has no other responsibilities related to cash.

(b) The reconciliation schedule is divided into two sections:
   (i). Balance per bank and
   (ii). Balance per books.

(c) Adjustments are made to correct what was not recorded on either set of books.
(d) The following steps should reveal all the reconciling items causing the difference between the two balances:

(i). Compare the individual deposits on the bank statement with the deposits in transit from the preceding bank reconciliation and with the deposits per company records or copies of duplicate deposit slips. Deposits recorded by the depositor that have not been recorded by the bank represent deposits in transit and are added to the balance per bank.

Compare the paid checks shown on the bank statement or the paid checks returned with the bank statement with (a) checks outstanding from the preceding bank reconciliation and (b) checks issued by the company as recorded in the cash payments journal. Issued checks recorded by the company that have not been paid by the bank represent outstanding checks that are deducted from the balance per bank.

Note any errors discovered in the foregoing steps and list them in the appropriate section of the reconciliation schedule. All errors made by the depositor are reconciling items in determining the adjusted cash balance per books. In contrast, all errors made by the bank are reconciling items in determining the adjusted cash balance per bank.

Trace bank memoranda to the depositor's records. Any unrecorded memoranda should be listed in the appropriate section of the reconciliation schedule.

2.10 Internal Control Standards for Cash management
Cash management internal controls represent an application of common sense and prudent conduct to the use and proper safeguarding of Government assets. Proper internal control mechanisms provide management with a reasonable assurance that intended safeguards are being practiced consistently. Therefore, the integrity of any cash management activity depends on the application of internal control principles.
and standards. The attainment of these principles and standards in the cash management area can be achieved by pursuing the following guidelines:

(i). The time-value-of-money shall be recognized as a part of each cash management decision.

(ii). Cash related transactions shall occur only after the approval of an individual with delegated authority to make approvals.

(iii). Cash related transactions shall be fully documented so that an undisputable audit trail exists.

(iv). Cash related transactions shall be recorded promptly during each step of the cash handling function.

(v). Serially numbered forms shall be used to document cash related transactions to enhance reconciliation and accountability.

(vi). Documents used in cash related transactions shall be safeguarded against reuse, tampering, or unauthorized disposal.

(vii). Provisions shall be made for the regular review and comparison of transaction documentation to detect errors and duplicate payments.

(viii). The approval of adjustments to cash related transactions shall be administratively controlled.

(ix). Supervision of cash management activities shall be strictly and continually administered.

(x). Cash related duties, such as maintenance of accounts receivable, cashiering, accounting, disbursing, and collecting funds shall be segregated.

(xi). Cash related accounts shall be frequently reviewed and reconciled with subsidiary records.

(xii). The accessibility to funds and fund records shall be restricted and administratively controlled. Only properly designated employees shall handle imprest funds, disbursement certifications, and collection duties.

(xiii). Employee’s assigned cash related duties shall be trained and must accept their responsibilities.

(xiv). Unnecessary clerical routines and handling of cash or cash related documentation shall be eliminated to lessen the risk of loss and exposure to errors.
(xv). Electronic funds transfer and direct deposit shall be used where feasible and advantageous.

(xvi). Computer edit programs shall be used to the maximum extent possible to disclose or reduce the incidence of error in cash related transactions.

(xvii). Cash derived from collections and cash used for disbursements shall not be commingled.

(xviii). Cash transactions shall not be used to substitute, or circumvent, prescribed procurement approvals and procedures.

(xix). Checks received in collections shall be endorsed upon receipt and collections shall be safeguarded until deposit is accomplished.

(xx). Deposits shall be processed within prescribed intervals and reconciled against records of funds received.

(xxii). Prompt responses shall be made to reviews performed by the Office of Inspector General and the Government Accountability Office on cash management activities to correct cited deficiencies.

(xxii). Cash disbursement transactions shall be processed promptly, and cash shall be reconciled daily.

(xxiii). Cash held outside the Treasury shall be maintained at the minimum amount needed to cover current transactions.

(xxiv). Credit shall be extended only when authorized by a designated official who is aware of the Department's debt management policies.

(xxv). Approved price lists shall be published to ensure a control over income for goods and services.

This list of guidelines is by no means all-inclusive. Cash handling techniques and methods change as programs change and as new collection and disbursement technologies evolve over time. However, similar economically feasible standards should be established to fit these new collection and payment processes.
2.11 **Impact of internal control over cash management**

All receipts and payments are promptly and accurately recorded and no payments are made which should not have been made.

An effective internal control in an organization will not only facilitate the attainment of excellence in its cash management, but will also improve the overall organizational setup in a way by improving;

(i). Effective operations. All financial and non financial data, records, information databases and other materials are complete and accurate, protected from loss or damage and able to be readily accessed for the preparation of timely reports.

(ii). A clear view of risks. Nature and impact of inherent risk have been identified, assessed and contained to an acceptable level.

(iii). Agreement as to which priorities are to be managed.

(iv). Cost savings through efficiency gains.

(v). Identify and discourage irregularities. Discrepancies and anomalies are minimized, and able to be prompted, detected and corrected.

(vi). Safeguard of assets and resources. That will facilitate the usage of assets only for their authorised purposes and are not subjected to removal or sale

These would prevent paying fictitious vouchers, For example for the goods that are not received, double payments, unauthorised payments, payments for personal expenses, stealing of cash and cheque, teeming ad lading, and omitting or understating unpresented cheques (Foulks, 2004)

2.12 **Limitations of internal control systems**

Internal controls can protect against mismanagement and assure reliability of accounting data. However, it is important to recognize that internal controls can only offer reasonable assurance that management objectives are reached. This is because of certain inherent limitations laid down below.
Employee wrangles. Meigs & Meigs (1984), states that the effectiveness of internal controls largely depends on the persons who implement them. If these persons responsible for exercising controls abuse their responsibility, the control system may not have any impact on the normal working of the business. The employees in collusion with others in the business unit or with parties may lead to circumvention of controls.

Costs involved; a control must be cost effective (Manasseh, 1990). The cost of the control cannot be disproportional to the potential loss due to fraud and error. Thus making some controls not to be instituted merely because they are not cost effective.

Type of transactions involved. Most of the controls are directed to anticipate usual type of transactions and not those that are unusual. These transactions of unusual nature may not fail within the preview of internal control (Jain, 1993).

M. Cooper certified Accountant Journal, June (1996) states that no controls however elaborates guaranteed efficient administration, completeness, and accuracy of records and activities of a business giving attention to systems being directed towards routine transactions rather than non routine activities, that with the systems in place.

There are high risks at times that the person responsible for executing the controls could abuse responsibility by overriding them and also the possibility of circumvention of such controls through collusion with insiders and outsiders. In some situations, controls not keep pace with changes in the conditions. This arises due to obsolesce of the controls in place that is caused most especially by the changes in technology and human behavior.

2.13 Weak or Not Existing Internal Controls
When it is recommended to improve controls within a department, there are often three basic arguments arise:

(i). There is not enough staff to have an adequate segregation of duties;
(ii). It is too expensive; or
(iii). The employees are trusted and controls are not necessary.
These arguments represent pitfalls to unsuspecting management. The problem of not having enough staff or other resources should be discussed with your supervisor. In most cases, compensating controls can be implemented in situations where one person has to do all of the business-related functions for a department. If implementing a recommended control seems too expensive, be sure to consider the full cost of a fraud that could occur because of the missing control. In addition to any funds that may be lost, consider the cost of time that would have to be spent by the department during an investigation of the matter, and the cost of hiring a new employee. Fraud is always expensive and the prevention of fraud is worth the cost. Finally, consider the issue of trust. Most employees are trustworthy and responsible and this is an important factor in employee relations and departmental operations.

However, it is also the responsibility of administrators to remain objective. Experience shows that it is most often the trusted employees who are involved in committing frauds. Departments conducting research are good examples of areas where sound internal controls are needed. Research departments that have grants and contracts with outside sponsors are at risk that inappropriate charges will be posted to a project account, perhaps affecting current or future funding. Each department not only has the responsibility to ensure that all of their transactions have been processed properly but also to ensure that other researchers are not "hiding" improper transactions in the department's accounts.

2.14 Legal framework of the internal audit
Appointment and Reporting mechanism
(i) Appointment
Section 45 of the Local Government Finances Act No. of 1982 stipulates that the account of every district council and urban authority should be audited internally by an internal auditor employed by the authority concerned, and that the external auditor for each of those authorities shall be the controller and Auditor General. The Local Authority Financial memorandum (1997) Order No. 12 stipulates the need of every council to employ its own internal Auditor who shall work closely with the Treasurer but shall report directly to the Council Executive Director.
(ii). **Responsibility and Reporting**

Order No.13 stipulates that the internal Auditor shall be under the control and direction of the Council Executive Director. The responsibility of the internal auditor includes carrying out reviews of financial and related systems of the council to ensure that the interests of the council are accordingly protected.

However, the internal Auditor is precluded from being involved in any line management function such as the checking of payment vouchers prior to payment.

Order No. 15 stipulates the requirement of an internal auditor to prepare audit report on an audit assignment direct to the District Executive Director for action and onward transmission to the finance committee. The District Executive Director then will send a copy to the office of the Controller and Auditor General within 15 working days.

Section 34(1) states the responsibility of the internal Auditor service unit to include appraising and reporting on the soundness and application of accounting, financial and operational controls.

(iii). **Annual work programme**

Order No. 14 of the Local Authority Finance memorandum (1997) stipulates that annual work programme of the internal auditor shall be prepared by the District Executive Director in collaboration with the internal auditor, and that the District Executive Director shall send copy to the office of the Controller and Auditor General by not less than January 15 of the year to which it relates.

Order No. 16 states on the need of the internal Auditor to keep a register of all relevant work, date of final report, date and nature of responses received and an indication of proposed follow-up activity. The register is also needed to be made available to the Controller and Auditor General upon request.
Given the legal framework of the internal audit unit’s services that include appointment, responsibility, reporting aspects, annual programme, correspondence and working environment the independence of the internal auditor will always be questioned among other things.

**Responsibilities for Financial Administration**

Responsibilities of Local Authorities Financial administration organs are stipulated in the Local Authority Financial memorandum (1997), section III (1)-(8). These responsibilities includes:-

(i). **Proper officer**

   (i). Ensuring the proper management of finances of the local government authority.

   (ii). Facilitating the securing of funds for operations of the local authority government

   (iii). Approving the annual budget of the authority and

   (iv). Ensuring that the authority operates within the limits of the budget as prepared.

(ii). **Full council**

The full council consists of all the elected members of the authority, and other nominated persons.

**Finance committee**

(a) To control and supervise the finance of the council, within the procedures prescribed by the minister responsible for local government and any other procedures prescribed and adopted by the council

(b) To review all changes proposed to those procedures, including the periodic revision of the financial value under which different rules concerning the purchase of goods and services would apply

(c) To consider and recommend changes to the rate of all taxes, fees and charges made by the council

(d) To consider the recurrent and development estimates of all committees and present them to the council for approval
(e) To consider the variances of income and expenditure from their budgeted totals and recommend suitable action for eliminating deficits and appropriating surpluses of income over expenditure.

(f) To consider all proposals involving capital expenditure prior to submission for council’s approval.

(g) To receive the annual final accounts of the council and to ensure that they are submitted to the controller and auditor general as stipulated by section 45 (i) of Local Government Finance Act 1982.

Director (DED)

The director is the accounting officer of the council under LGFA No 9 of 1982 section 33 (4). He shall be responsible for;

(a) Ensuring a formal and satisfactory system of financial administration exists, include appropriate arrangement for staffing and management of the finance department.

(b) Security compliance by operating departments with the prescribed financial procedures.

(c) In pursuance of (b) direct the work of internal audit section, receiving their reports and other consultation with relevant heads of department ensuring appropriate recommendations are acted upon.

(d) The overall management of all the council’s expenditures and revenues and all its assets and liabilities.

(e) Ensuring that all statutory guideline of financial management of the council’s affairs are complied with.

(f) Responding within given deadline, to queries from the office of the controller and Auditor general and LAAC.

(g) Making certain that the councillors are kept regularly informed of the financial affairs of the council.
Treasurer (DT)
The treasurer is the council’s chief financial officer whose responsibilities shall include;

(a) Being the principle adviser to the council on all financial matters
(b) Preparing annual estimates of income and expenditures, in conjunction with head of departments
(c) Maintaining a sound accounting system and the safe keeping of all supporting of records.
(d) Preparing regular reports to the council on the progress of accrual expenditure and income compare to budget, making recommendation for balancing levels of income and expenditure.
(e) Producing annual accounts, accompanying financial statements and notes thereof.
(f) Ensuring an effective system of internal control is operated, including the writing and (subsequent revision) of detailed financial procedures, They presenting to financial committee of those procedures for their approval, and their distribution to head of departments.
(g) Being the training officer on all aspects of financial management for the council.

Head of departments
Head of department are responsible as sub-accounting officer of council to the District Executive Director, for management of all financial matters delegated to their departments. These include;

(a) Collaborating with District Executive Director, treasurers and other officers of the council in the preparation of annual estimates of the council.
(b) Approving payments and recommending officers for designation as approving officers to the director.
(c) Ensuring no expenditure is committed or incurred unless it is within the legal power of the council.
(d) Endeavouring at all times that they secure the best value for expenditure incurred by them with the objective of achieving the policies of the council at
minimum cost.

(e) Maintaining the accounting records of actual payments, committed expenditure, cash and sundry debtor’s income through the vote books.

(f) Collection and payment to the treasurer of revenues collected in the department and prompt furnishing of details of sum due for collection by the council.

(g) Controlling actual departmental income and expenditure in line with budgeted totals and reporting in conjunctions with the treasure to the council on steps to be taken to bring actual and budgeted totals into line.

(h) Ensuring that the council financial procedures are made known to appropriate persons within his department and that their provisions are adhered to, and immediately reporting to Director any breach or non compliance upon its recovery.

**Authorising officers**

Authorising officers shall be recommended by the council executive director and appointed in writing by accounting committee. Any officer appoint to authorise payments or incur expenditure shall be responsible for ensuring the following:

(a) That all expenditure is lawful and properly authorised.

(b) Those adequate funds are available to meet authorised expenditure.

(c) That the utmost economy is exercised in expenditure.

(d) That all expenditure is properly accounted for.

The person who shall sign as authorising officer shall be liable to disciplinary action if the payments so made should not have been made.

**2.15 Empirical literature review**

Amudo and Inanga (2009) conclude that, internal control structure includes policies and procedures on controls over: withdrawal applications for funds from the loan and grant accounts, bank and cash, purchases, and payments and monitoring, evaluations and reporting. On the outset, they are inadequate as a control mechanism. Risk assessment component and other components should be categorically and directly
designed, embedded within the rest of the activities, and spelt out in the control structure. Monitoring of operations ensures effective functioning of internal controls. However, the projects paid less attention to this control component. These problems can be identified early if management monitors projects activities as stipulated in the appraisal reports.

Although the internal auditor is not mandated to verify all projects transactions, he samples transactions and tests the effects of controls over them to ensure the organization is in the right track. Evaluating internal controls requires measurement of minor independent variables to identify and locate weaknesses in the major independent variables of the internal control systems of these projects. The findings of the study under evaluation results are that measuring effectiveness of internal control is concerned with the existence and functioning of the six major control components identified by the model.

The organizational structure with defined lines of authority and responsibilities does not ensure effective internal controls because in practice not all employees as depicted by the structure are present in the organization. The authority and responsibilities at times, does not flow as demonstrated by the organization structure because of the nature of working relationships that exist amongst personnel at different levels of the projects. The interferences caused by working relationships on controls should be addressed. To maintain a sound system of internal control, management should evaluate the risks the projects are exposed to, in the course of their operations. Continuous monitoring is undertaken to assess if similar to the situations in Uganda they can be generally applied.

Byanguye (2011) concludes, generally, Internal Control Systems have a significant positive effect in achieving Value for Money. This means that when Internal Control Systems improve, there will be attainment of Value for Money in Local Governments. The study further reveals that there a significant positive relationship between the Control Environment, Control Activities, Risk Assessment, Information and Communication, and Monitoring and Value for Money in Local Governments.
Though Control Environment, Risk Assessment and Monitoring were revealed to have more significant predicator on Value for Money, this implies that the more sound the Internal Control Systems and the more the Internal Control Systems are adhered too, the higher the chances that Local Governments will achieve Value for Money. The reporting structure is clearly stipulated in Kamuli District Local Government. Information received and effective monitoring helps all stakeholders to understand the required guidelines and carry out their responsibilities well. The attainment of value for money is based on the use of resources in order to achieve the set objectives, funds are well utilised and value for money is improved by reducing the level of irregularity and fraud.

The study revealed that expenditures are duly approved in advance by appropriately authorized persons. It was further observed that Internal Audit staffs carry out regular reviews to ascertain whether council receives value for money in all its activities. The study found out that Value for Money is improved by reducing the level of irregularity and fraud under the programme. It was further found out that communities get assured of Value for Money if costs incurred on projects are reasonable. The study revealed that there is a statistically significant positive relationship between Risk Assessment and Value for Money in Local Governments. There is statistically significant relationship between Information and Communication and Value for Money in local Governments. There is a statistically significant relationship between Monitoring and Value for Money in local Governments and monitoring should be built into the normal operating activities of the Local Government.

Fjelstad, Henjewele, Mwambe, Ngalewa and Nygaard, (2004), concluded that, one major administrative problem today for many councils is their inability to collect fully the revenue due to them. In most councils there are huge gaps between reported and projected revenues. This is due to: poor administrative capacity to assess the revenue base, poor administrative capacity to enforce the taxes; explicit and intentional tax evasion and resistance from taxpayers, corruption, including embezzlement of revenues, external pressure on the local finance department to
provide optimistic projections and political pressure on the local tax administration to relax on revenue collection. In this setting, fundamental issues to be addressed in the context of local government fiscal reforms include to redesign the current revenue structure and to strengthen financial management. Moreover, measures are required to enhance taxpayers’ compliance and to improve the accountability of tax collectors and councillors. This cannot be achieved without substantial and consistent political support from the central government.

A fundamental requirement when further redesigning the local tax system is greater emphasis on the cost-effectiveness of revenue collection, taking into account not only the direct costs of tax administration, but also the overall costs to the economy, including the compliance costs to the taxpayers. In addition, losses through corruption and tax evasion need to be reduced. To achieve these aims, there is a need to further simplifying the licence and fee structures by reducing the number of rates and coverage. Fees and licences that have regulatory functions, such as sand fees, hunting and business licences, should be harmonized with central government taxes, to avoid double taxation and conflicts with national development policies such as employment creation and environmental protection. Furthermore, uniform rates on agricultural taxes (crop cess) are necessary to minimise distortions. In this context it might be worth considering the possibility to centralise the collection of certain local taxes.

Property tax has many attractions as a local revenue base since it is imposed on immobile assets and, therefore, is difficult to avoid - at least in principle. However, it has some obvious weaknesses which need to be taken into consideration before heavy reliance is placed on it. In particular, problems of valuation and tax enforcement often occur due to political interventions and administrative weaknesses. The municipalities’ capacity and capability to administer the property tax have in general proved to be inadequate. Hence, it has been difficult for many councils to maintain the current property valuation registers, let alone to continue the property valuation exercises.
It is, therefore, a need to reassess the basis of the property tax in urban councils and to implement a more simple and coherent approach to the valuation provision, which takes into consideration administrative capacity and capability constraints facing the councils. Moreover, the experiences from urban councils advocate cautiousness when extending property tax to district councils. Some councils have started to explore methods to reduce the financial gap caused by the tax rationalisation in June 2003 by: outsourcing revenue collection to private collectors to increase revenues from existing sources (natural resource products, including charcoal, wood and other forest products, and livestock auction fees), reducing costs (by limiting the number of meetings and workshops and by retrenching surplus staff) and imposing more cost effective spending (on electricity and stationeries). Current attempts for economic diversification will also help to expand the tax base (a longer term strategy to introducing new cash crops).

Transparency with respect to budgets and accounts is at the heart of local government accountability. Local authorities publish information on revenues collected and allocations of funds, as they are obliged to according to the Local Authority Financial Memorandum 1997. However, at present much of this information does not reach or is not understood by the general public. Public notices gazetted in newspapers or posted on notice boards at the council headquarters are often presented in a relatively complicated and technical way which is hard to understand by ordinary citizens. Many people do not take interest in reading notices and newspapers. It should be added that the literacy level of many citizens is low. A main challenge is therefore to provide information on fiscal issues in ways which are understandable and which reach the general public. Improved information to the public on budgets and accounts might improve the opportunities for citizens to exercise their voice and demand accountability from local authorities.

It is, however, important to stress that encouraging citizens and the civil society to engage in fiscal and financial monitoring at the local level does not imply that such measures should replace formal auditing and accounting mechanisms. Nor does it imply that such measures will weaken the formal accountability mechanisms. On the
contrary, it can strengthen the legitimacy and standing of local authorities in the communities by contributing with complementary measures to improved control of revenue collection and expenditures.

2.16 Internal Control Mechanisms

In response to widely publicized business failures in the USA in the late 1970s and mid-1980s, the National Commission on Fraudulent Financial Reporting (the Treadway Commission) was inaugurated to identify factors that caused fraudulent corporate financial reports and make recommendations that resolve such issues. The recommendations directly addressed the problems of weakness of internal controls and emphasized the importance of the control environment, codes of ethical conduct, management reports on effectiveness of internal controls and development of a common definition and framework of internal control. The evolutionary process of developing a generally accepted definition and framework of internal control was realized in 1992 with the publication of a landmark report on internal control:

According to COSO (1992), the internal control system has three primary objectives:

(i). Effectiveness and efficiency of operations.
(ii). Reliability of financial reporting.
(iii). Compliance with applicable laws and regulations.

COSO identifies essential components of an effective internal control system as: control environment, risk assessment, control activities, procedures and practices that ensure that management objectives are achieved and risk mitigation strategies implemented, information and communication, and monitoring. These elements must be present and functioning effectively for any internal control system to achieve organization’s objectives.

The COSO framework may be relevant to larger organizations, but inappropriate for small ones due to costs and operational complexity. Management of small organizations may not need formal internal controls for the reliability of the records and other information, because of their personal involvement in the operations of the
organization. This raises a question whether the controls of small companies should be as complex as those of large companies for them to be effective. The COSO framework did not recognize and capture the delicate balance between formal and informal controls in smaller organizations. Furthermore, how can small companies’ internal controls be effective when only few of the components recommended by COSO are present and yet the controls could still be effective? COSO did not address this question.

The final weakness of the COSO mechanism is failure to recognize Information Technology (IT) as one of the major control components. IT is crucial to an internal control framework. Today, organizations use IT for initiation, authorization, recording and processing of transactions. IT ensures effectiveness of internal controls. However, COSO’s failure to recognize IT as a control component motivated other bodies to design and develop frameworks to remedy the omission. One such framework is the Control Objectives for Information and Related Technology (COBIT 1996, 1998, 2000, 2005, 2007).

COBIT identifies IT resources as a source of information needed by organization’s processes. The five types of IT resources are people, application systems, technology, facilities and data. COBIT groups the organization’s individual activities within an IT environment into processes and domains. The domains are: planning and organization with eleven processes; acquisition and implementation six processes; delivery and support thirteen processes, and monitoring four processes.

**2.17 Conceptual Framework**

Most of the literature on internal control frameworks includes information and communication as one of the internal control components. Smooth flow of information and communication across and within the organization is influenced by the nature of the working relationship within the organization at all levels. The working relationship coordinates organization’s activities to achieve goal congruence. When effective working relationship exists in an organization, delegation of responsibilities is achieved. Then internal control functions as intended.
However, when a communication gap exists for any reason, sub-optimization results with adverse consequences.

Some internal control frameworks place unnecessary emphasis on detailed explanation of the different components of the system and methods for their design. They ignore details on how each of the components can be measured to assess their effectiveness. This causes a dilemma. For example, where two managers use different methods to measure the same subject and arrive at different conclusions. A challenge arises in ascertaining who is right or wrong. When a common benchmark for evaluation of measured results is missing, knowing the right approach becomes difficult.

Other internal control frameworks ignore where one or more components are missing within a given structure, but are compensated for with other controls in other components. For example, in small companies segregation of duties is not possible, but is compensated by management’s involvement in the day-to-day supervision, verification and review of records and processes, to ensure controls function effectively. Under the situation, all components of an effective internal control system may not be present but the system could still function effectively. The challenge is ascertaining of the effectiveness of the system. When such management styles extend to large organizations unscrupulous managers of these organizations can manipulate the organizations to meet their personal goals.

After addressing the above limitations, internal control is a process of integrated sets of activities originated by top personnel of an organization and embedded within all the organization’s activities to achieve goals. This comprises two sets of variables: dependent and independent. At the forefront of the independent variables is the influence of authority that ensures the independent variables function to generate the outcome of the dependent variable.
Figure 1 below shows the conceptual framework components of dependent and independent variables. The effectiveness of internal control is the dependent variable. This is achieved by the presence and proper functioning of all the predefined independent variables in relation to each category of the organization’s objectives. Proper functioning of independent variables provides reasonable assurance of proper functioning of dependent variable. Then the organization realizes preset objectives of efficient and effective operations, generation of accurate, reliable and informative financial reports that comply with relevant legal and regulatory requirements. The objectives are overlapping. This means efficient and effective operations produces accurate, reliable and informative financial reports that comply with applicable laws and regulations.

The objectives, depicting overlapping interrelationships are numbered 1, 2 and 3 in Figure 1 include, efficiency and effectiveness of operations, accuracy and reliability of informative financial reporting and compliance with applicable laws, regulations, policies and procedures. The independent variables determine the effectiveness of an internal control system. The presence and proper functioning of all the components of the independent variables ensures effectiveness of internal control system.

The independent variables comprise major and minor components. Individual minor components jointly feed into and form a specific major independent variable. The measurement of minor independent variables locates any weaknesses existing in the major independent variables.

A direct relationship exists between the outcomes of the dependent and the independent variables. All the independent variables are relevant to each category of objectives. Internal control processes (minor independent variables) affects the effectiveness of internal control systems, which is subject to the organization’s determined objectives. All the independent variables are interdependent but each has an impact on the effectiveness of internal control systems.
Different approaches to the evaluation of effectiveness of internal controls are available. The study uses the model in Figure 1. In this regard, controls evaluation is a step toward achieving the study’s objectives once the research questions are answered. The research questions are formulated to identify the existence or otherwise of each variable of internal control.

Figure 2.1: Conceptual Framework of Internal Control

Source: Researcher design
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
An attempt was made to highlight the content, concept, area of study in order to produce a potential foundation against which the findings of the study will be assessed regarding their reliability, viability and conclusions to be drawn. This chapter therefore will provide a description of research designs that was used to collect, process and analyze data; sample size, study population, data collection methods and instruments and sample designs.

3.2 Research Design
Research design involves the organization of the collection and analysis of data so as to provide the required information. As argued by Kothari (2004) and Cooper (1998) different types of research designs can be used including exploratory, explanatory, experimental and comparative research designs depending on the nature and purpose of a particular study. The researcher used a case study of Kinondoni Municipal Council because it was believed that results from this sample would be representative of for Local Authorities in Tanzania. A case study research design is considered the most suitable approach in view of the nature of the problem being investigated and it is considered flexible in terms of data collection and analysis.

3.3 Area of the Study
The research was conducted in Dar Es Salaam at Kinondoni Municipal council as in Local authorities they are similar in their operations and internal controls have been increasing impaired and cause ineffectiveness in their operations.

3.4 Population of the study
So as to accomplish this study the targeted population were employees at Kinondoni municipal council specially officers in accounting department, cash office and internal audit section.
3.5 **Units of analysis**

The units of analysis for this research were accountants from Expenditure section, Revenue section and EPCOR section which contained final accounts accountants. Also officers in Internal audit section and cashiers in cash office.

3.6 **Methods of Data Collection**

3.6.1 **Sampling methods**

In selecting respondents, the researcher used both stratified sampling and simple random sampling which involved dividing the study population into groups of strata (with close characteristics), according to their work responsibilities after which the researcher picked a random sample out of the strata.

3.6.2 **Sampling procedures**

The researcher visited Kinondoni municipal council in finance department from which he ascertained the list and the details of all employees of Kinondoni municipal council.

The researcher then classified the employees using stratified random sampling method according to the different sections in finance department and internal audit section they were attached to. Which include revenue section, EPCOR section and expenditure section as well as Internal audit section using simple random sampling method.

3.7 **Sources of data.**

Data were collected from both the primary and secondary sources.

3.7.1 **Primary source**

At the primary level, respondents of Kinondoni municipal council made the basic source of primary data. This was obtained through the issuance of questionnaires and interviews to various employees selected in the sample from the organization.
3.7.2 Secondary source

The secondary data was obtained from the use of council records/documents. These records and documents included auditor’s reports, cash books, bank reconciliation statements, receipts, budgets, and cash statements. The researcher obtained the CAG report in general for five consecutive years from the accounting period 2006/2007 to 2010/2011, LAAC reports for June 2010 and CAG report specifically for Kinondoni Municipal Council for the year 2010/2011. The sample selected was CAG report for 2010/2011, The LAAC report for June 2011 and also the CAG report specifically for Kinondoni Municipal Council that is 3 samples selected out of the population was approximately 43%.

3.8 Data collection methods and instruments.

Kothari (2004) argues that research is a way of systematically solving a research problem. Therefore to solve the research problem under the study, both primary and secondary data have been collected using several methods. The methods that the researcher used are described below.

3.8.1 Primary Data Collection

This involved both the interview and administration of questionnaires methods.

3.8.1.1 Interviews

Interview is the source of reliable primary data. The researcher used personal interview method, whereby as an interviewer, during the interviews with the respondents used the set of predetermined questions and with high standardized techniques of recording the responses. To allow flexibility, the researcher used unstructured interviews by changing the approach of questioning which in turn allowed much greater freedom to the respondents. And the researcher, using this method, was able to ask the interviewees supplementary questions, thus increasing the reliability of information provided. The interview method was applied by the researcher while holding discussions with employees in Finance department and internal audit department to get their opinion. This was face-to-face interview, which was used both structured and unstructured questions.
3.8.1.2 Observations
By use of this method, the researcher was able to see how some of the tasks such as cashiering are done at the study area. Then the observations were put in writing by the researcher.

3.8.1.3 Questionnaire administration
Under this both open ended and close ended questionnaire were used to collect data. The questionnaires were self-administered by the researcher. Pre-designed questionnaires with unstructured and structured questions were distributed to the selected employees; the researcher selected 20 employees to provide questionnaires from internal audit office, cashiers section and some accountants at Kinondoni municipal council. To enable the researcher obtain the appropriate data relevant to the study.

3.8.2 Secondary Data Collection
This was done through documents evidence and library research; under this method, the researcher conducted library research to extract some information from previous authors and scholars who researched about information relevant for the study that supplemented the findings of the study. Secondary data to a large extent were collected from Controller and Auditors General (CAG) reports and from opinions made by members of parliament such as Local Government Accounting Committee (LAAC) reports. The purpose of collecting this kind of data was to get correct analysis on the impact of the weakness of internal controls towards the local government

3.9 Reliability and Validity of the study
The reliability and validity of information gathered will depend much on the sampling procedures to be used, responsiveness of respondents and their understanding about the study.
3.9.1 Reliability
During the research, the researcher made sure that, working closely with the research supervisor is part of the study, and also made sure the supervisor assessed the research instruments such as questionnaire before they were used for data collection. The section of appropriate sample size made the results more.

The researcher also made sure the issue of reliability was ensured by the use of different methods. Using different questions that were constructed cutting across the study objectives, general and specific, the researcher believed this would assure the reliability of data to be collected and the tools that were used. The study was made more reliable due to accuracy of secondary data which were obtained from CAG Reports in different years and primary data collected from the respective employees in Local authority (Kinondoni municipal council).

3.9.2 Validity
The traditional criteria for validity find their roots in a positivist tradition, and to an extent, positivism has been defined by a systematic theory of validity. Within the positivist terminology, validity resided amongst, and was the result and culmination of other empirical conceptions: universal laws, evidence, objectivity, truth, actuality, deduction, reason, fact and mathematical data to name just a few. Validity thus determines whether the research truly measures that which it was intended to measure or how truthful the research results are.

The researcher, so as to assure the validity of data collection tools, obliged to the comments from supervisor, also by administrating the tools that were used during collection of data from respondents and testing of those tools to be used before the actual collection of data.

3.10 Data analysis
Data were presented in tables, graphs and in narrative form. Analysis of variables relationship was made through percentages of occurrences and qualitative analysis of information gathered. Data analysis tools used in the research considering the nature of research and data there on was Microsoft Excel.
3.11 Limitations of the study.

The researcher encountered the following limitations. The time allocated for the study, being one semester was insufficient to complete the findings. This is because it was take the long time for the researcher to be allowed to collect data at Kinondoni Municipal Council due to the fact that researcher was fail to collect all samples planned to collect.

There was a serious problem of non-response by the respondents which actually prompted the researcher to use different data collection methods in order to enable him arrive at valid conclusions about the findings, so the researcher was fail to relay on the respondent.

Also the non-respondent cause the researcher to reduce the number of sample this enable the researcher to restructure the number of sample up to 20 respondent.

Also local literatures for review were somehow limitation considering that most of domestic researchers are not willing to publish their findings so that they can be easily obtained by everyone who may need them.
CHAPTER FOUR

PRESENTATION OF FINDINGS

4.1 Introduction
The analysis of the effectiveness of the internal control over cash management in local government was done by a researcher after establishing the validity of the research questions, interviews and questionnaires. This was done at Kinondoni municipal council in Dar Es Salaam.

4.2 Sample Characteristics
In this study, a sample size of 20 respondents was drawn purposively from Kinondoni Municipality. This included 4 employees from cashier office, 6 from internal audit office and 10 accountants. The questionnaires were distributed randomly to these employees.

4.3 Results of the Data Collected at Kinondoni municipal council
20 questionnaires had 6 questions which were analysed by Microsoft Excel. The question aimed at exploring the effectiveness of the internal control over cash management in local government, the case of Kinondoni municipal council.

4.4 Effectiveness of internal control

4.4.1 Authorization of transaction
Out of 20 respondents 60% agree that the transactions are authorized before the payments are made, 30% strongly agree to the fact and 10% disagree that the transaction are not authorized when the payment are made.
### Table 4.1: Transaction are Always Authorized Before Payment are Made

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>12</td>
<td>60</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

#### 4.4.2 Transaction Handling

Out of 10 respondents, only 10% strongly agreed that, the transactions can be handled by one person from beginning to end, whereas 50% disagreed to this fact and 40% strongly disagreed. This is illustrated in Table 4.1 below.

### Table 4.2: Transaction Can be Handled by One Person from Beginning to End

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Disagree</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

#### 4.4.3 Revenue collectors dealing with accounting

From the questionnaires distributed, 6.3% strongly agreed that, those officers who collect revenues also deal with the accounting records of the collections, 25% agree, where 6.3% were not sure on the case, 43.8% disagreed and 18.85 strongly disagreed. A breakdown of responses is listed below in Table4.2 below.
Table 4.3: Collectors of Revenue Also Deal with Accounting Records

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>6.3</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>25.0</td>
</tr>
<tr>
<td>Not Sure</td>
<td>1</td>
<td>6.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>7</td>
<td>43.8</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>3</td>
<td>18.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

4.4.4 Pre-numbering of documents

The researcher also surveyed on whether all the source documents are being pre-numbered. From the analysis, the results depict that 37.5% strongly agreed to the statement, 50% agreed, 6.3% stated that they were not sure and only 6.3% too disagreed. This is shown in Table 4.3 below.

Table 4.4: Source Documents are Pre-Numbered

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>6</td>
<td>37.5</td>
</tr>
<tr>
<td>Agree</td>
<td>8</td>
<td>50</td>
</tr>
<tr>
<td>Not Sure</td>
<td>1</td>
<td>6.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>6.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

4.4.5 Internal auditor independence

Table 4.4 below clearly reveals that 14.3% of the respondents were satisfied with the independence of internal auditor as they strongly agree to the point, 57.1% agreed, 14.3 disagreed, 7.1% were not sure and also 7.1% strongly disagreed to the statement.
Table 4.5: Internal Auditor is Independent From the Internal Control Processes

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>2</td>
<td>14.3</td>
</tr>
<tr>
<td>Agree</td>
<td>8</td>
<td>57.1</td>
</tr>
<tr>
<td>Not Sure</td>
<td>1</td>
<td>7.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>14.3</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

4.4.6 Qualification of personnel

On selection of the qualified personnel, 14.3% strongly agreed to that the management selects qualified personnel, 64.3% agreed, 7.1% disagreed, 7.1% were not sure and also 7.1% strongly disagreed as shown in Table 4.5 below.

Table 4.6: Management Selects Qualified Personnel

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>2</td>
<td>14.3</td>
</tr>
<tr>
<td>Agree</td>
<td>9</td>
<td>64.3</td>
</tr>
<tr>
<td>Not Sure</td>
<td>1</td>
<td>7.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>7.1</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

4.4.7 Job rotation among staffs

Out of the questionnaires distributed, 57.1% agreed that there is job rotation among staffs, 21.4% disagreed to this fact whereas 14.3% strongly agreed and only 7.1% were not sure. The results are presented in Table 4.6 below.
### Table 4.7: Job Rotation of Staff

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>2</td>
<td>14.3</td>
</tr>
<tr>
<td>Agree</td>
<td>8</td>
<td>57.1</td>
</tr>
<tr>
<td>Not Sure</td>
<td>1</td>
<td>7.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>21.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

#### 4.4.8 Supervision of accounting officers

There were 50% of respondents that agreed on the supervision by municipal treasury to all accountants, 25% that strongly agreed, 18.8% that disagreed and only 6.3% not being sure from the 20 respondents contacted as shown in the Table 4.7 below.

### Table 4.8: All Accounting Officers Are Supervised by Municipal Treasury

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>4</td>
<td>25.0</td>
</tr>
<tr>
<td>Agree</td>
<td>8</td>
<td>50.0</td>
</tr>
<tr>
<td>Not Sure</td>
<td>1</td>
<td>6.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>18.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

#### 4.4.9 Vacations to staffs

The results in Table 4.8 below show that 42.9% of the respondents are not sure if there are regular vacations to staffs in control of the internal control system, 28.6% disagreed, 21.4% agreed and only 7.1% strongly agreed to the fact.
Table 4.9: Regular Vacations to Staff In Control of the Internal Control Systems

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>7.1</td>
</tr>
<tr>
<td>Agree</td>
<td>3</td>
<td>21.4</td>
</tr>
<tr>
<td>Not Sure</td>
<td>6</td>
<td>42.9</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>28.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

4.4.10 Cash management policies

From the questionnaires distributed, 30% strongly agreed that, cash management policies are being followed in local authorities, 40% agreed, whereby 15% disagreed on the case and 15% strongly disagreed. This is shown below in Table 4.9.

Table 4.10: Local Authority's Cash Management Policies Following

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Agree</td>
<td>8</td>
<td>40</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

4.4.11 Operationalization of controls

Results on the operationalization of controls show that, 78.6% is of small extent whereby 21.4% suggested great extent as shown in Table 4.10 below.
Table 4.11: Extent of Operational of Controls

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great Extent</td>
<td>3</td>
<td>21.4</td>
</tr>
<tr>
<td>Small Extent</td>
<td>11</td>
<td>78.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

4.4.12 Internal control procedures derstanding

There were 45% of respondents that agreed that, the control procedures relating to cash management is understood, 20% that strongly agreed, 20% that disagreed and only 15% strongly disagreed as shown in the Table 4.11 below.

Table 4.12: Understanding the Internal Control Procedures to Cash Management

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Agree</td>
<td>9</td>
<td>45</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

4.4.13 Effects of poor internal control

The awareness to the fact that Poor internal control procedures may lead to poor cash management is disclosed in Table 4.12 below. Among the 14 respondents contacted those who strongly agreed made 85.7% of the respondents and 14.3% agreed.
Table 4.13: Poor Internal Control Procedures have Led to Poor Cash Management

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>12</td>
<td>85.7</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data-2013)

4.5 Cash management policies in local governments

4.5.1 Detection of frauds and errors

Table 4.13 below clearly reveals that 10% of the respondents strongly agreed to the mechanisms of detection of fraud and error, 20% disagreed, 60% were not sure and also 710% strongly disagreed to the statement.

Table 4.14: Mechanisms of Detection of Fraud and Error

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Not Sure</td>
<td>6</td>
<td>60</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>20</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data-2013)

4.5.2 Checking the cheques cashed and banked

There were 50% of respondents who agreed that cheques cashed and banked are always checked for proper pre-numbering, 28.6% that strongly agreed, 7.1% that disagreed and 14.3% not being sure out of the 14 respondents contacted as shown in the Table 4.14 below.
Table 4.15: Cheques Cashed and Banked are Always Checked for Proper Pre-Numbering

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>4</td>
<td>28.6</td>
</tr>
<tr>
<td>Agree</td>
<td>7</td>
<td>50.0</td>
</tr>
<tr>
<td>Not Sure</td>
<td>2</td>
<td>14.3</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

4.5.3 Depositing cash collected

In the questionnaires distributed, as shown in Table 4.15 below, 50% of the respondents agreed that, the cash collected by the municipal are usually deposited daily, 42.9% strongly agreed and only 7.1% disagreed.

Table 4.16: Cash Collected are Usually Deposited Daily

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>6</td>
<td>42.9</td>
</tr>
<tr>
<td>Agree</td>
<td>7</td>
<td>50.0</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

4.5.4 Following of the prepared budget

There were 57.4% of the respondents who agreed that, the budget prepared by the council is being followed, 21.4% strongly agreed to this, 14.3% disagreed and only 7.1% were not sure. This is shown in Table 4.18 below.
Table 4.17: Local Government Follows the Budget Prepared in Its Activities

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>3</td>
<td>21.4</td>
</tr>
<tr>
<td>Agree</td>
<td>8</td>
<td>57.4</td>
</tr>
<tr>
<td>Not Sure</td>
<td>1</td>
<td>7.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

4.6 Relationship between internal control and cash management

4.6.1 Internal control and cash management

The researcher also tried to look on whether there is relationship between internal controls and cash management in which the results depict that 21.4% strongly agreed to the statement, 57.1% agreed and only 21.4% stated that they were not sure. This is shown in Table 4.16 below.

Table 4.18: Relationship Between Internal Controls and Cash Management

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>3</td>
<td>21.4</td>
</tr>
<tr>
<td>Agree</td>
<td>8</td>
<td>57.1</td>
</tr>
<tr>
<td>Not Sure</td>
<td>3</td>
<td>21.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)

4.6.2 Relationship between internal control and cash management

On Payment authorization, 35% strongly agreed that there is authorization of transactions before payments are made, 55% agreed, 5% disagreed and also 5% strongly disagreed as shown in Table 4.17 below.
Table 4.19: There is a Relationship Between Internal Control and Cash Management

<table>
<thead>
<tr>
<th>Categories</th>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>7</td>
<td>35</td>
</tr>
<tr>
<td>Agree</td>
<td>11</td>
<td>55</td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

(SOURCE: Field Data- 2013)
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter gives the summary of major findings, conclusions drawn from findings discussed, recommendations, and the areas for further research.

5.2 Summary of findings
The respondent agrees that there is authorization of transaction before the payment is made, represented by 60% of the accountants and auditors who deal with payments of day to day activities. As it was discussed in the literature, for the ICS to be effective there must be the authorization of transactions, these means each transaction must be authorized by the respective authority/Department. Example; the payments of contractors should be authorized by the municipal engineer.

The respondents disagreed to the statement that the transactions can be handled by one person from the beginning to the end, represented by 90% of the accountants as they are the ones that carry out this activity. As it was discussed in the literature, for the ICS to be effective there has to be segregation of duties among employees, which seem to be practiced.

There is segregation of duties among the accountants in the council, given the results that, those accountants who collects revenue do not also deal of the accounting of those revenues as 62.65% disagreed that, the revenue collector also accounts for the collections giving the reflection of well prepared ICS procedures.

The source documents like vouchers, imprests and cheques used are usually pre-numbered. Cheques cashed and banked are always checked for proper pre-numbering. All the cash collected and received by cashiers are usually deposited daily.
The auditor is independent from the internal control processes. The personnel selected by the management to work in the areas concerned with ICS and cash management specifically are qualified for their positions. There is job rotation among staffs. All the accountants and other personnel concerned with cash management are supervised by the treasury to assure smooth flow of the activities.

It is not so clear if there are regular vacations to staffs in control of the internal control system. Cash management policies are set, known to all the concerned employees and above all the policies are being followed in daily activities.

The operationalisation of controls is of small extent. Control procedures relating to cash management is understood by the employees concerned. The respondents are aware that, poor internal procedures may lead to poor cash management in organisations. There are very poor mechanisms of detection of fraud and error.

There is a relationship between internal controls and cash management, that is, the procedures for cash management and policies are disputed in the ICS. There is authorisation of payments before they are being made. The budgets prepared are always followed.

5.3 Conclusion
In my field I have discovered that the internal control system over cash management are there and Kinonddoni Municipal Councils policies have arranged well and already put into action but sometimes implementation of those policies are not followed effectively.

My opinion to the management of KMC is to make follow-up on the implementation of the internal control system if possible to surprise the cash offices if the controls are followed and to satisfied with the system for the purpose of avoiding frauds.
5.4 Recommendations

The LGAs should not relax when there is a sound segregation of duties among employees, rather there has to be policies to remind and closely supervise the duties to prevent any loophole that might be misused. The authority may set the supervision models that will be closely supervised and which will reach every concerned person who is closely related to the procedures and policies of the ICS who at the end will remind those working close to them. For example there can be a briefing to the head of departments on weekly or monthly basis on the implementation and followup of the procedures in their departments and suggesting immediate corrective measures within the time frame. Then the heads will communicate the information to their subordinates.

It has to be made clear on the regular vacations to the staffs, especially those concerned with ICS so as to have a clear replacement if any for the time to assure effective control. It is viewed that, a sound vacation policy is one element of an institution's overall internal control system. Personnel policies, including vacation and sick leave should be in writing and given to all employees prior to hiring. Changes in policies should be communicated on a regular basis. It had been observed that it may be the case that the employee doesn't want to take a vacation and have someone else uncover what they are doing. So the LGAs should imply the enforced vacations to the staffs to increase segregation in accounting functions. However, they are inexpensive and will reveal any hidden weaknesses in LGAs internal control.

Cash management policies set must be made clear to all staffs and there has to be follow-ups so as for the policies to be maintained in daily activities. As one of the measures, all staff members should be made responsible for reporting daily problems of operations, monitoring and improving their performance, and monitoring non-compliance with the corporate policies and various professional codes, or violations of policies, standards, practices and procedures. Also their responsibilities especially those concerned with the ICS should be documented in their individual personnel files, and they should be aware of the consequences on the violation of any
responsibility, but this can be achieved with close supervision from their immediate supervisors.

Much efforts should be directed to the implementation and operationalisation of the control procedures set. Communication is a very important standard in ICS to support decisions and coordinate activities. Within an organization, information should be communicated to management and other employees who need it in a form and within a time frame that helps them to carry out their responsibilities. The good flow of information within the LGAs will help to alert all the concerned groups on the policies and procedures set for ICS as this will make it easier for implementation and the followup of the procedures and the good use of them hence sound cash management will be attained.

There should be well designed best mechanism of fraud and error detection in the Local Authorities. As it is believed that the detection of irregularities in an organization is a primary audit objective and that the auditors have a responsibility for detecting all irregularities, then for this case the CAG reports on the audited financial statements should be taken seriously and for the case of any loopholes stated serious measures should be taken. This will help to prevent any future acts that can be considered as frauds and also will make the officers more keen to minimize the risk of so many errors in the financial statements of the LGAs.

In preparing the budgets, and during the fiscal year, any revenues that may exceed the budgeted amount should be supervised more closely and put in records. As, for efficient budget implementation, it is necessary to ensure that claims will be paid according to the contract terms and that revenues are collected on time, so that to minimise transaction costs and to borrow at the lowest available interest rate. It is also necessary to make payments on a timely basis by tracking accurately the dates on which they are due. This will help tracking all the expenditures and revenue thus will increase the efficiency of cash management.
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ISSN 1450-2887 Issue 27, Euro Journals Publishing, Inc.


APPENDICES

Appendix 1A: Questionnaire for internal audit office

MZUMBE UNIVERSITY
DAR ES SALAAM CAMPUS SCHOOL OF BUSINESS
QUESTIONNAIRE ON INTERNAL CONTROLS OVER CASH MANAGEMENT

Dear Respondents,

I am carrying out a research on internal controls over cash management in local government and am kindly requesting you to spare some time and respond to these questions by ticking in the box corresponding with your answer.

All the information you provide will be treated with confidentiality and the results thereof will be treated for academic purposes only.

PART A: BIO DATA

1. Gender
   (i). Male
   (ii). Female

2. Highest academic education attained
   (i). Diploma
   (ii). Degree
   (iii). Others, specify…………………………………………………………

3. Marital status
   (i). Single
   (ii). Married
   (iii). Divorced
   (iv). Widowed
4. For how long have you worked with Uganda in-flight service?
   (i). Less than 1 year
   (ii). Between 1-3 yrs
   (iii). Between 3-5 yrs
   (iv). Over 5 yrs

**PART B THE MAIN RESEARCH STUDY INFORMATION**

Section 1 effectiveness of internal controls

5. A transaction can be handled by one person from beginning to end.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

6. Transactions are always authorized before payments are made.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

7. Those who deal with accounting records are also collector of revenue.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
8. All source documents are pre-numbered.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

9. The internal auditor is independent from the internal control processes.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

10. Management selects qualified personnel.
     (i). Strongly agree
     (ii). Agree
     (iii). Not sure
     (iv). Disagree
     (v). Strongly disagree

11. There is job rotation of staff.
     (i). Strongly agree
     (ii). Agree
     (iii). Not sure
     (iv). Disagree
     (v). Strongly disagree
12. There are mechanisms of detection of fraud and error.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

13. The activities of all accounting officers are supervised by municipal treasury.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

14. The organization gives regular vacations to staff who are in control of the internal control systems.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

Section 2: Cash Management Policies

15. The Local government authority follow the budged prepared in its activities?.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
16. If cash flow statements and cash budgets are prepared, how often is it done?
   (i). Weekly
   (ii). Monthly
   (iii). Quarterly
   (iv). Annually

17. All cheques cashed and banked are always checked for proper pre-numbering before processing.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

18. The cash collected are usually deposited daily?
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

19. The cashier’s duties are segregated from the recording of cash receipts and accounts receivables.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
20. The Local authority’s cash management policies are always followed.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

**Section 3: Relationship between internal Controls and Cash management**

21. There is a relationship between internal controls and cash management.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

22. To what extent are these controls operational?
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

23. Local authorities staffs clearly understands the internal control procedures relating to cash management.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
24. Poor internal control procedures have led to poor cash management in Local authorities

(i). Strongly agree
(ii). Agree
(iii). Not sure
(iv). Disagree
(v). Strongly disagree
Appendix 1B: Questionnaire for cash officers

MZUMBE UNIVERSITY
DAR ES SALAAM CAMPUS SCHOOL OF BUSINESS
QUESTIONNAIRE ON INTERNAL CONTROLS OVER CASH MANAGEMENT

Dear Respondents,

I am carrying out a research on internal controls over cash management in local government and am kindly requesting you to spare some time and respond to these questions by ticking in the box corresponding with your answer.

All the information you provide will be treated with confidentiality and the results thereof will be treated for academic purposes only.

PART A: BIO DATA

25. Gender
   (i). Male
   (ii). Female

26. Highest academic education attained
   (i). Diploma
   (ii). Degree
   (iii). Others, specify………………………………………….

27. Marital status
   (i). Single
   (ii). Married
   (iii). Divorced
   (iv). Widowed
28. For how long have you worked with Uganda in-flight service?
   (i). Less than 1 year
   (ii). Between 1-3 yrs
   (iii). Between 3-5 yrs
   (iv). Over 5 yrs

PART B THE MAIN RESEARCH STUDY INFORMATION
Section 1 effectiveness of internal controls
29. A transaction can be handled by one person from beginning to end.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

30. Transactions are always authorized before payments are made.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

31. Those who deal with accounting records are also collector of revenue.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
32. All source documents are pre-numbered.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

33. The internal auditor is independent from the internal control processes.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

34. Management selects qualified personnel.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

35. There is job rotation of staff.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
36. There are mechanisms of detection of fraud and error.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

37. The activities of all accounting officers are supervised by municipal treasury.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

38. The organization gives regular vacations to staff who are in control of the internal control systems.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

Section 2: Cash Management Policies
39. The Local government authority follow the budged prepared in its activities?.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
40. If cash flow statements and cash budgets are prepared, how often is it done?
   (i). Weekly
   (ii). Monthly
   (iii). Quarterly
   (iv). Annually

41. All cheques cashed and banked are always checked for proper pre-numbering before processing.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

42. The cash collected are usually deposited daily?
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

43. The cashier’s duties are segregated from the recording of cash receipts and accounts receivables.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
44. The Local authority’s cash management policies are always followed.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

Section 3: Relationship between internal Controls and Cash management

45. There is a relationship between internal controls and cash management.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

46. To what extent are these controls operational?
   (i). Greater extent
   (ii). Small extent
   (iii). Not operational at all

47. Local authorities staffs clearly understands the internal control procedures relating to cash management.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
48. Poor internal control procedures have led to poor cash management in Local authorities

(i). Strongly agree
(ii). Agree
(iii). Not sure
(iv). Disagree
(v). Strongly disagree
Appendix 1C: Questionnaire for accountants

MZUMBE UNIVERSITY
DAR ES SALAAM CAMPUS SCHOOL OF BUSINESS
QUESTIONNAIRE ON INTERNAL CONTROLS OVER CASH MANAGEMENT

Dear Respondents,
I am carrying out a research on internal controls over cash management in local government and am kindly requesting you to spare some time and respond to these questions by ticking in the box corresponding with your answer.

All the information you provide will be treated with confidentiality and the results thereof will be treated for academic purposes only.

PART A: BIO DATA

49. Gender
   (i). Male
   (ii). Female

50. Highest academic education attained
   (i). Diploma
   (ii). Degree
   (iii). Others, specify………………………………………………

51. Marital status
   (i). Single
   (ii). Married
   (iii). Divorced
   (iv). Widowed
52. For how long have you worked with Uganda in-flight service?
   (i). Less than 1 year
   (ii). Between 1-3 yrs
   (iii). Between 3-5 yrs
   (iv). Over 5 yrs

PART B THE MAIN RESEARCH STUDY INFORMATION
Section 1 effectiveness of internal controls
53. A transaction can be handled by one person from beginning to end.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

54. Transactions are always authorized before payments are made.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

55. Those who deal with accounting records are also collector of revenue.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
56. All source documents are pre-numbered.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

57. The internal auditor is independent from the internal control processes.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

58. Management selects qualified personnel.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

59. There is job rotation of staff.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
60. There are mechanisms of detection of fraud and error.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

61. The activities of all accounting officers are supervised by municipal treasury.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

62. The organization gives regular vacations to staff who are in control of the internal control systems.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

Section 2: Cash Management Policies
63. The Local government authority follow the budged prepared in its activities?
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
64. If cash flow statements and cash budgets are prepared, how often is it done?
   (i). Weekly
   (ii). Monthly
   (iii). Quarterly
   (iv). Annually

65. All cheques cashed and banked are always checked for proper pre-numbering before processing.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

66. The cash collected are usually deposited daily?
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

67. The cashier’s duties are segregated from the recording of cash receipts and accounts receivables.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
68. The Local authority’s cash management policies are always followed.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

Section 3: Relationship between internal Controls and Cash management

69. There is a relationship between internal controls and cash management.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree

70. To what extent are these controls operational?
   (i). Greater extent
   (ii). Small extent
   (iii). Not operational at all

71. Local authorities staffs clearly understands the internal control procedures relating to cash management.
   (i). Strongly agree
   (ii). Agree
   (iii). Not sure
   (iv). Disagree
   (v). Strongly disagree
72. Poor internal control procedures have led to poor cash management in Local authorities

(i). Strongly agree
(ii). Agree
(iii). Not sure
(iv). Disagree
(v). Strongly disagree
Appendix 2: Interview Guide

Unstructured interview

The researcher used only unstructured interview on collecting data. The guide question used by the researcher were;

1. Procedure of committing expenditures
2. Procedures of collecting revenues
3. Who is responsible in recording revenues
4. Who is responsible on depositing cash into bank
5. Signatories on cheques
6. Keys attribute of good practice of an internal control
Appendix 3: Observation Guide

1. Cash office;
   How cash is received, recorded, who is going to deposit into bank

2. In expenditure office;
   Who is preparing voucher and the three signatories in payment voucher

3. For accountants in general;
   Reconciliation are performed as per agreement?