

**MEASURING THE PERFORMANCE OF INTERNAL  
CONTROLS OVER CASH RECEIPTS: A CASE OF MKURANGA  
DISTRICT COUNCIL**

**By**

**Matilda Noel**

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partial fulfillment of the requirements for the award of a Degree of Master of  
Science in Accounting and Finance of Mzumbe University**

**2013**

**CERTIFICATION**

We, the undersigned, certify that we have read and hereby recommend for the acceptance by the Mzumbe University, a dissertation entitled Measuring the Performance of Internal Controls over Cash Receipts: The case of Mkuranga District Council, in partial/fulfillment of the Requirements for Award of Degree of Masters of Accounting and Finance of Mzumbe University.

.....

Major Supervisor

.....

Internal Examiner

.....

External Examiner

Accepted for the Board of MUDCC

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I alone, however, am responsible for any error(s) arising from this report.

## **DEDICATION**

This dissertation is dedicated to my husband Mr Michael. A. Maganga and my lovely daughter Angela Michael, who in their love, patience and subtle ways initiated and inspired me to pursue my studies.

## **LIST OF ABBREVIATION**

DED	:	District Executive Director
DT	:	District Treasurer
FS	:	Financial Statement
GAAP's	:	General Accounting and Auditing Principles
Ha	:	Alternative Hypothesis
Ho	:	Null Hypothesis
HR	:	Human Resource Management
HRO	:	Human Resource Officer
ICs	:	Internal Controls
ICT	:	Information and Communication Technology
INTOSAI's	:	International Organizations of Supreme Audit Institutions
MDC	:	Mkuranga District Council
NBAA	:	National Board of Accountants and Auditors
SPSS	:	Statistical Package for the Social Science

## **ABSTRACT**

This study concerning about the Measuring Performance of Internal Control over Cash Receipts, were a case study was at Mkuranga District Council.

The study was aimed on measuring the performance of internal controls over cash receipts, assessing on how the organisation applies the tools of internal controls system on protecting its resources especially cash received against waste, frauds and inefficiency.

Hypotheses tested (causal variables) on answered the research questions was Ha; Efficiency and effective performance of internal controls over cash receipts is influenced by complete separation of duties, daily depositing of cash receipts, quality of staffs, employees motivation and application of ICT. Alternatively Ho; Efficiency and effective performance of internal controls over cash receipts is not influenced by complete separation of duties, daily depositing of cash receipts, quality of staffs, employees motivation, and application of ICT.

The case study design were used, data were collected through interviews, questionnaires, participatory observation and documentary sources. The collected data were analyzed by using SPSS and frequency tables were used to determine the percentage of the sample that agree or disagree with a certain variable and to measure the spread of variability of responses. Decision criteria based on all variables under the study were ninety percent (90%) cumulative strongly agree and agree.

Findings from the study revealed that there is effective and efficiency internal controls over cash receipts at MDC. However it recommended that the management has the responsibility on supervising and making internal check of all works to ensure quality control, also there is a need to employ the ICT technicians, allows short courses for all accounting staff concern with changes on accounting principles. Job rotation and staff motivation has insisted. For further researcher's more research should be done concerning with application of IC's for the purpose of protecting organization resources.

## TABLE OF CONTENTS

<b>CERTIFICATION</b> .....	<b>i</b>
<b>DECLARATION AND COPYRIGHT</b> .....	<b>ii</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>iii</b>
<b>DEDICATION</b> .....	<b>iv</b>
<b>LIST OF ABBREVIATION</b> .....	<b>v</b>
<b>ABSTRACT</b> .....	<b>vi</b>
<b>TABLE OF CONTENTS</b> .....	<b>vii</b>
<b>LIST OF TABLES</b> .....	<b>xi</b>
<b>LIST OF FIGURES</b> .....	<b>xii</b>
<b>CHAPTER ONE</b> .....	<b>1</b>
<b>AN OVERVIEW OF THE STUDY</b> .....	<b>1</b>
1.1. Introduction.....	1
1.2. Background Information of the Research Problem.....	1
1.3. Statement of the Research Problem .....	2
1.4. Research Questions .....	3
1.5. Objectives of the Study.....	3
1.5.1.General Objective.....	3
1.5.2.The specific objectives are.....	3
1.6. Significance of the Study .....	4
1.7. Scope of the Study .....	4
1.8 Limitations of the Study.....	4
1.9. Organization of the Study.....	5
<b>CHAPTER TWO</b> .....	<b>6</b>
<b>LITERATURE REVIEW</b> .....	<b>6</b>
2.1 Introduction.....	6
2.2 Explanation of the Definition of Internal Control.....	7
2.3 Types of Internal Control.....	9
2.4.1. Cash Receipts.....	15
2.4.2. Receipts of Cash from Customers.....	16

2.4.3. Receipts of Cash from Other Sources .....	17
2.4.4. Cash Received through the Mail.....	18
2.4.5. Receipts by Post and Cash Sales.....	18
2.4.6. Suggested Procedure for Control over Cash Receipts .....	18
2.4.7. Accounting Procedures for Cash Received.....	19
2.5 Receiving Cash.....	19
2.5.1. Depositing Cash.....	19
2.5.2 The Classification of Internal Control.....	20
2.6.1. Administrative control .....	20
2.6.2. Accounting control.....	20
2.6.3. Control Procedures.....	20
2.7 Objectives of Internal Control.....	21
2.8. Objectives of Internal Control over Cash.....	22
2.9 Effective Control over Cash.....	23
2.9.1. A Bank Account as a Tool for Controlling Cash.....	23
2.9.2 Custody and Control of Money Received.....	25
2.9.3. Recording of Money Received.....	25
2.9.4. Bank Reconciliation.....	26
2.10 Empirical Literature Review .....	26
<b>CHAPTER THREE .....</b>	<b>29</b>
<b>THE ANALYTICAL FRAMEWORK FOR THE PERFORMANCE OF.....</b>	<b>29</b>
<b>INTERNAL CONTROL OVER CASH RECEIPTS.....</b>	<b>29</b>
3.1 Introduction .....	29
3.2 Dependent Variables and Independent Variables of Internal Controls over cash receipts.....	29
3.2.1. Dependent Variable.....	29
3.2.2. Independent Variables of Internal Control over Cash.....	29
3.3 The Hypothesis .....	31
3.4 Operation Definition. ....	32
3.4.1. Complete Separation of Duties/ Segregation of Duties. ....	33
3.4.2. Cash Deposited on Bank Daily .....	33

3.4.3. Records and Documents on Cash Receipts.....	34
3.4.4. Application of ICT.....	34
3.4.5 Employees Motivation.....	34
3.4.6. Quality staff.....	35
<b>CHAPTER FOUR.....</b>	<b>36</b>
<b>THE RESEARCH METHODOLOGY.....</b>	<b>36</b>
4.1. Introduction.....	36
4.2. Research Design.....	36
4.3. Research Techniques.....	37
4.4. Population and Units of Inquiry.....	37
4.5. Sampling Techniques.....	37
4.5.1.Purposive Sampling.....	38
4.5.2 Random Sampling.....	38
4.6. Sample Size.....	38
4.7. Data Collection Methods.....	39
4.7.1. Interviews.....	39
4.7.2. Questionnaire Administration.....	39
4.7.3. Documentary Sources.....	40
4.7.4. Participatory Observation.....	41
4.8. Data Analysis Techniques.....	41
4.8.1 Quantitative method.....	42
4.8.2. Qualitative methods.....	42
4.8.3. Interpretation.....	42
4.8.4. Specific Analytical Techniques and Decision Criteria.....	43
<b>CHAPTER FIVE.....</b>	<b>44</b>
<b>DATA ANALYSIS AND DISCUSSIONS OF THE FINDINGS.....</b>	<b>44</b>
5.1 Introduction.....	44
5.2Analyses based on Research Questions through Questionnaires.....	45
5.2.1 Is the system of internal controls over cash receipts adequately and successfully implemented by the organization?.....	45

5.2.2. Proper Control for all Cash/Money Received .....	46
5.2.3. Mechanical Devices for Cash Safeguarding.....	46
5.2.4. Are safe combination and keys to lockboxes restricted to a minimum number of employees? .....	47
5.2.5. Is the Receipts Record and Deposited Slip Reconciliation Regularly Reviewed by Management?.....	47
5.2.6. Is the Segregation of Duties Applied was Effectively Made? .....	48
5.2.7. Is there Rotation of Employee from One section to Another? .....	49
5.2.8. Overall, does the Internal Control System Appear Adequate for the Cash Receipts?.....	50
5.2.9. Effective Application on ICT.....	51
5.2.10. Quality of Staff.....	52
5.2 Data Interpretation and Discussion of Findings.....	53
5.3 Effective and Efficiency Performance of Internal Controls over Cash Receipts.	53
5.4.1 Complete separation of duties. ....	54
5.4.2 Mechanical device for cash safeguarding and receipts deposit. ....	54
5.4.3 Records and documents on cash receipts.....	55
5.4.4 Application of ICT.....	55
<b>CHAPTER SIX .....</b>	<b>56</b>
<b>SUMMARY, CONCLUSION AND RECOMMENDATIONS .....</b>	<b>56</b>
6.1 Introduction.....	56
6.2 Summary .....	56
6.3 Conclusion .....	57
6.4 Recommendations .....	57
6.4.1. Recommendations to the Management of Mkuranga District Council.....	57
6.4.2. Recommendation to the Government.....	59
6.4.3. Recommendations for Further Studies.....	60
<b>REFERENCES .....</b>	<b>Error! Bookmark not defined.</b>
<b>APPENDICES .....</b>	<b>63</b>

## **LIST OF TABLES**

Table 2.1. Information required for entering into a Cash Receipts from Customers transactions. ....	16
Table 2.2. Information required for entering into receipts from other sources transactions. ....	17
Table 4.1. A framework which show how secondary data obtained .....	41
Table. 5.1: Breakdown of total number of respondents whose return back questionnaires. ....	44
Tabled 5.2: Implementation of Internal Controls over Cash Receipts.....	45
Table 5.3: Proper Controls for Money Received .....	46
Table 5.4: Mechanical devices for cash safe guarding .....	47
Table 5.5: Handling of strong room and safe key .....	47
Table 5.6: Management Review on Reconciliation of Deposited Slip .....	48
Table 5.7: Segregation of Duties.....	49
Table5.8: Employees Rotation .....	50
Table 5.9: Application of Internal Controls over Cash Receipts .....	51
Table 5.10: Application on ICT .....	52
Table 5.11Quality of Staff.....	52

## LIST OF FIGURES

Figure 3. 1 Diagram shows dependent and independent variables on measurement the performance of internal control over cash receipts.....	31
Figure 5.3: Quality of Staff .....	53

## **LIST OF APPENDIXES**

Appendix 1: Data Collection Questionnaire .....	63
Appendix 2: Interview Guide.....	67

## **CHAPTER ONE**

### **AN OVERVIEW OF THE STUDY**

#### **1.1. Introduction**

This study is about Measuring the Performance of Internal Controls over Cash Receipts which was done at Mkuranga District Council in Coast Region. In this chapter background information of the research problem which try to give different meaning of internal control system from different authors, statement of the research problem, research questions, objectives of the study, significance of the study, scope of the study, limitation of the study and organization of the study were presented.

#### **1.2. Background Information of the Research Problem**

Internal Control System is the whole system of controls, financial or otherwise established by the management in an orderly manner, to ensure adherence to management policies, safeguard the assets and secure for as possible the completeness and accuracy of the records. (Millichamp, 2000).

Internal controls refer to all means by which public resources are directed, monitored and measured. Internal controls play an important role in preventing and detecting frauds/misappropriations and protecting the public resources, both tangible and intangible. 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 controls refers to the actions taken to achieve a specific objective (e.g. how to ensure that payments to suppliers and service providers for valid goods and services are rendered). Checking of compliance with internal controls is the role of an internal auditor which means the weaknesses in the functioning of the internal audit unit, equally means the weaknesses in the operationalization of the internal controls. (Annual General Report of the C & A on the PA & OBs 2010/11).

Internal Controls System consist all the measures taken by an organisation for the purpose of protecting its resources against waste, fraud, and inefficiency, ensuring

accuracy and reliability in accounting and operating data, securing compliance with company policies. It is evident that if there is efficiency in internal control over cash by adhering to accounting procedures as per Public Finance Act, Public Procurement Act, Standing Orders and other Financial Circulars the organization will reach its objectives effectively. (Meigs, 1970).

Cash is a very important asset for any organization since it enables the management to meet its obligations and expenses, (Smith, 1986). Cash is more susceptible to theft, misappropriation and frauds than any asset. A large portion of total transactions involves the receipts and disbursements of cash.

Internal control over cash becomes an issue to the organization development. Therefore, it is statutory duty of Management of the organization to establish good system of internal control, which will safeguard the organizations asset as well as financial matters.

In order to carry on the business of the organization in orderly and efficient manner the management has to establish clear line of responsibilities and regulations as well as to secure the completeness and accuracy of records to reduce the problem of cash theft, misappropriations and frauds. Millichamp (1993).

This study has measured the performance of internal control over cash receipts at Mkuranga District Council (MDC). The role played by the management in managing and controlling cash which is the most liquid asset has been revealed. Some suggestions and means of rectifying those weakness for the strengthening the system of internal control over cash and thus attaining optimal internal controls in general so as to ensure smooth running of day to day activities of the organization have been made.

### **1.3. Statement of the Research Problem**

Cash as a medium of exchange is the most liquid and preferable asset used in any organization to render services to the public.

This leads cash to be exposed to a maximum risk of embezzlement. Although many organizations have measures in place for controlling and managing cash but they will still do experience deficiency in the system of control over cash. (Leonard, 2004).

The frequent occurrence of theft and misappropriation of cash through frauds, manipulation of accounts records and fund embezzlement in many organizations proves that there is a problem in controls and measures should be taken by organizations.

Nowadays many organizations fail to operate their daily activities due to misappropriation of cash; others performance declining because of poor supervision and presence of errors in keeping records due to weak internal control system. In that respect this study has assessed the performance of internal control over cash receipts at Mkuranga District Council.

#### **1.4. Research Questions**

- (i) What is the Performance of Internal Controls over cash receipts?
- (ii) Is the segregation of duties been applied to improve the performance of internal control over cash receipts?
- (iii) Is there ICT applied in the Internal Controls System?
- (iv) What are measures to be taken to improve the performance of Internal Controls over cash receipts?

#### **1.5. Objectives of the Study.**

##### **1.5.1. General Objective**

The general objective of this study is to measure the performance of internal control system over cash receipts.

##### **1.5.2. The specific objectives are**

- (i) To assess the implementation of internal controls over cash receipts.
- (ii) To determine the documentation procedure applied on the cash receipts.
- (iii) To assess the application of ICT as a one tool of Internal Control

System.

- (iv) To determine how segregation of duties improve the performance of Internal Controls over Cash Receipts.
- (v) To suggest measures to improve the internal control system especially on Cash receipts.

### **1.6. Significance of the Study**

The findings of this study may be useful in the following ways;

- (i) To reorganize how internal control over cash receipts within the organization would ensures reliable and Integral Financial Information.
- (ii) The research findings would help other organization to improve their internal control system.
- (iii) The findings of the study will enable the researcher to meet the need of the course.

### **1.7. Scope of the Study**

This study was conducted at Mkuranga District Council in Coastal Region. In order to get the data which were relevant, the study covered all areas of the departments concerned with the internal controls over cash receipts, which are Finance and Trade department and Internal Audit Unit. The study was covered after two months that is from April 2013-June 2013.

### **1.8. Limitations of the Study**

During this study, there were factors that hindered the research to be conducted such as;

- (i) Difficult in data collection.

Some of the staff members were reluctant to provide some information fearing that information may be misused. The researcher assured staff members that the information asked was for academic purpose and will not be misused.

(ii) Lack of Experience.

The researcher didn't come out with the unique solution to problem in hand due to lack of experience on that problem investigated.

(iii) Financial Constraint.

Actually the funds were not quite enough to the researcher to carry out the study properly.

### **1.9. Organization of the Study**

The study has well organized in six chapters of which the first one is about the introduction, which include the background information of the problem . The second chapter is discuss about the internal control over cash receipts as an overview (literature review/theory) and the third one is about the analytical framework for the performance of internal control over cash receipts. Research design and methodology presented in chapter fourth in which interview, questionnaires, documentary source and observation methods were used in data collection. Chapter five is about findings (practical observation), an analysis of findings. The last one is about general conclusion and recommendations

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter involves the review of previous writings and studies work relevant to the problem being explored. It shows different sources concern with Internal Control System particularly on Cash, its objectives and how is applicable.

Many people interpret the term Internal Control as the step taken by business enterprises, corporation, and organisation to prevent employee fraud. Actually such measures are rather as a part of Internal Control.

The word cash in accounts means as to all resources available to management for business purposes immediately or one accepted by bankers for deposit at face value.

However cash includes all deposits with banks that are available upon demand and money items on hands that can be used as medium of exchange. Cash as current asset is more prone to defalcation than any other asset i.e. a large portion of the total transactions of business involves the receipts and disbursements of cash. For these reasons, therefore Internal Control over Cash is of great importance to management and also to employees and other staff of the corporation.

Effective internal control system over cash receipts includes Procedures to ensure that cash transactions are properly documented, and recorded, and that cash is safeguarded to prevent loss or theft.

It also consists of effective management oversight of those charges with handling public moneys, and the segregation of financial duties so no one individual can control all aspects of financial transactions.

For example, the same employee should not collect and deposit cash, and record transactions in the accounting records.

## **2.2 Explanation of the Definition of Internal Control**

Internal Controls Systems refer to all means by which Government resources are directed, monitored, and measured. Internal controls play an important role in preventing and detecting frauds/misappropriations and protecting public resources, both physical and intangible.

At the organisation level, internal control objectives relate to the reliability of financial reporting, timely feedback on achievement of operational or strategic goals, and compliance with laws and regulations while at the specific transaction level, internal control refers to actions taken to achieve a specific objective (Financial Regulations Act, 2001)

Internal Controls Systems comprises of the control environment and control procedures, it includes all the policies and procedures (Internal Control) adopted by the directors and management of an entity to ensure as far as possible, the orderly and efficient conduct of business, including adherence of Internal Policies, the safeguard of asset, the prevention and detection of fraud and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

Internal control comprises the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies. Stettler (1977) and Nash (1989).

Internal Control as defined by NBAA (1992) is the whole system of control financial or otherwise established by the management in order to carry out the business in an orderly and efficient manner to ensure adherence to management policies, safeguard the assets and secure as far as possible the completeness and accuracy of records.

Another definition given by NBAA (1991), It define Internal control System as the whole system of control, financial or otherwise established by management in order

to carry on the business of the entity in an order and efficient manner. Ensure adherence to management policies, Safeguard the entity assets and secure as far as possible the completeness and accuracy of the records.

From the above definition, we can define different terms in the definition.

(i) The whole system of controls.

It means internal control includes the control of whole operations in the organization.

(ii) Financial or otherwise.

It makes the use of control accounts and otherwise includes Physical control like restrictions to the computer or by using strong doors in the cash office.

(iii) Established by Management.

The control system is established by the management itself or by the help of external consultant.

(iv) Ensure adherence to management policies.

Internal control show if policies of the management has been followed. For example Budget is an expression of policies and through variance analysis check the achievement of the budget.

(v) Safeguard the assets

Means some procedures are being made so as to secure the assets from being stolen, broken or lost.

(vi) Secure completeness

That is all organization transaction are being processed and recorded.

Internal control is a management tool use to provide reasonable assurance that the government objectives are being achieved. The responsibilities for the adequacy and effectiveness of internal control rest with management. The accounting officer of

each ministry, department or agency must ensure that proper internal controls are introduced, reviewed and updated to keep them effective.

Hence the internal control system comprises the whole network of policies and procedures established in Ministries, department and agencies to provide reasonable assurance that the government objectives are achieved.

INTOSAI's (1992) Guidelines for Internal Control Standard define an Internal Control Structure as the plans of an organisations including management's altitudes, methods, procedures, and other measures that provide reasonable assurance that the following general objectives are achieved;

- (i) Promoting orderly, economical and quality products and services consistent with the organisation's mission.
- (ii) Safeguarding resources against loss due to waste, abuse, mismanagement, errors, frauds and other irregularities.
- (iii) Adhering to laws, regulations, and other management directives and,
- (iv) Developing and maintaining reliable financial and management data and fairly disclosing that data in timely reports.

### **2.3 Types of Internal Control**

Internal control system has been divided into three types.

Administrative control

- i. These are plans of the organization and procedures which are concerned with decision process leading to management authorization of transaction.
- ii. Accounting control
- iii. These are plans of the organization and procedures which are concerned with safeguarding the assets and reliability of accounting records by designing proper accounting system and development of financial regulations.
- iv. Physical controls

- v. These are protective devices for safeguarding assets such as provision of steel safes for cash office, locked cash registers security arrangement for assets and other Areas of the organization.

Currently professional standard for audit no longer distinguish the above internal control they simply indicate auditing need that a designed to prevent or detect misstatement of financial statement that are control procedures.

According to Arens (2006: 274), internal control consists of five components that management designs and implements to provide reasonable assurance that its control objectives will be met. Each component contains many controls, but auditors concentrate on those designed to prevent or detect material misstatement in the financial statements. These components include:

- (i) Control Environment
- (ii) Risk Assessment
- (iii) Control activities
- (iv) Information and communication
- (v) Monitoring

### **Control Environment**

Are the overall altitude, awareness and actions of directors and management regarding the internal control system and its importance in the entity. Aspects of control environment such as management altitude towards control will be a significant factor in determining how control operates. Control operates well in an environment where it considered important.

The factors to be reflected in control environment are:-

- i. Operating style of management that is altitude towards controls and financial reporting.
- ii. Organization structure, methods of assigning authority and responsibility
- iii. Management control system including the internal audit function, personnel policies and procedures including recruitment, training and

awards. Also the segregation of duties that is no single person should record and process all stages of transaction.

### **Risk Assessments**

Is about management identification and analysis of Risk relevant to preparation of financial statement in conformity with GAAP (General Accepted Accounting Procedure)

Due to unpredictable economic, industry regulatory and operating condition the management is challenged with developing mechanism to identify and deal with risk associated with change at all levels of the organization.

Auditors understand about management risk assessment process by relevant to financial resources and how they evaluate their significance and like hood of occurrence and decide the actions needed to orders the risk and auditor get thus infirmity on through questionnaire and discussion with management.

### **Information and Communication**

The aim is to initiate records, process and reporting the entity's transaction and to maintain accountability of the related assets.

### **Monitoring**

Assessment of the quality performance of the entity internal control over a specified time through review of management account compassion of the actual performance with budgets and internal auditing.

Larson (1989) defines Internal Control as the procedure adopted by business to encourage adherence to prescribed managerial policies, to protect its assets from waste, fraud, theft and ensure accurate and reliable accounting data.

Therefore Internal Controls are all of policies, practices, systems, and procedures an organisation uses to ensure protection of assets and accomplishment of objectives.

They include not only cheques and balances over computer access and cash handling but also performance measurement of systems, staff training, accurate accounting and report, adequate supervision and oversight audits and sufficient staffing.

Internal controls are the policies and procedures used by directors and managers to ensure the effective and efficient execution of business, the safeguarding of assets, regulatory compliance, the prevention and detection of fraud and error, the accuracy and completeness of accounting records, and the timely preparation of reliable financial information. The controls, along with the control environment, make up the internal control system.

The control environment encompasses the attitudes of managers and directors on the significance of control. It covers the organization's values, style, structure, responsibilities and competence. Internal controls are unlikely to be effective unless there is a supportive control environment (Financial Management 2005: 4)

Is an integral process that is affected by an entity's management and personnel and is designed to address risks and to provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved;

- (i) Executing orderly, ethical, economical, efficient and effectiveness operations Fulfilling accountability obligations;
- (ii) Complying with applicable laws and regulations;
- (iii) Safeguard resources against loss, misuse and damages.
- (iv) Safeguarding resources against loss, misuse and damage.

Internal control is a dynamic integral process that is continuously adapting to the changes an organization is facing. Management and personnel at all levels have to be involved in this process to address risks and to provide reasonable assurance of the achievement of the entity's mission and general objectives. INTOSAI, (2001)

### **Advantages and Limitations of Internal Controls**

The Internal Control has got advantages as follow;

- (i) Helps in preventing and detecting errors and fraud in organization.
- (ii) It safeguards an organization assets

- (iii) Promotes the operational efficiency in an organization
- (iv) Reliability of accounting records for the management in making timely decision.
- (v) Help the external auditor to form his opinion about the accounting system in operation of the organization.

However in other side an internal control may face limitations in its implementation like;

- (i) Political human error Caused by stress of work or alcohol.
- (ii) Expensive especially to small firm because a lot of workers must be employed so as the system to operate.
- (iii) Changes in environment make control inadequacy.  
The development of information technology and human cleverness for example there are some people who get in secured computers code which have designed to prevent access to everyone.

In the public sector effective internal control especially cash control is essential because there is an increasing danger of fraud and corruption. However the prevention and detection of fraud and corruption shall be the responsibility of management, although in conducting audit assignments the internal auditor shall be concerned.

### **Meaning of Cash**

The word cash in accounts means as to all resources available to management for business purposes immediately or one accepted by bankers for deposit at face value.

However, cash includes all deposits with banks that are available upon demand and money items on hands that can be used as medium of exchange. Cash as current asset is more prone to defalcation than any other asset. i.e. a large portion of the total transactions of business involves the receipts and disbursement of cash. For these reasons, therefore internal control over cash is of great importance to management, to employee and also other staff of the organization.

Most of the functions relating to cash handling are the responsibilities of finance department under supervision of the Treasurer. These functions include handling and depositing of cash receipts, signing cheques, investing idle cash, and custody of cash marketable securities and other negotiable instruments. Therefore, the finance department must forecast cash requirement and make both short term and long term financing requirements.

According to Meigs (1984) Cash is defined as money on deposit in banks and any other items that bank will accept for immediate deposit. These items include not only coins and notes receivables, and post-dated cheque, which are not accepted for immediate deposit.

Brigham and Weston (1979) highlighted that business or individuals have three primary motives of holding cash which are;

- (i) Transaction motive- The firm holds cash to enable the firm to conduct its ordinary business, which is making purchases and sales.
- (ii) Precautionary motive- The firm holds cash primarily to the predictability of cash inflows and outflows. If predictability is high, less cash must be held against an emergency or any other contingency.
- (iii) Speculative motive- The firm holds cash to be ready for profit making opportunities that may rise.

Cash budget are simply a forecast of cash receipts and disbursements against which actual cash experience is measured. Whether called budget or not, this is perhaps the most important single control of a business. The availability of cash to meet obligations as they fall due is the first requirement of the business existence, and handsome profits do little good when tied up in inventory, machinery, or other non-cash assets. Cash budgeting also shows availability of excess cash, thereby making possible planning for investment of surplus (Koontz, 1980).

Many businesses receive large amount of cash from their customers each day. Cash can be spent by any one so management must develop procedures to safeguard the cash that is used in business. Effective cash management involves more than protecting cash from theft, fraud or loss through carelessness.

- i. In addition, management involves the following responsibilities;
- ii. Accurate accounting so that relevant reports of cash inflows and outflows and balances may be prepared periodically.
- iii. Control to ensure that enough cash in hand to meet current operating needs mature liabilities and unexpected emergencies.
- iv. Planning to prevent excess amount of idle cash, instead of idle cash should be invested in securities to get a return pending future need for the cash.

#### **2.4. Cash Receipts**

Cash Receipt simply means receiving cash from some source. The source could be anything, a customer paying for the credit purchases, a person paying you rent for using your equipment, interest received on investments, additional funds brought in by the owner to expand the business etc.

In a stricter sense, all inflow of cash should be called Cash Receipts, but for the sake of simplicity, we shall only deal with two types of cash receipts: Receipts from customers against credit purchases and Receipts from sources other than sales. The receipt of cash against Cash Sales is automatically handled through the [OTC screen](#). Another point is there are many accounts which represent cash in a business. You can have Cash in Hand, Cash at Bank, Credit Card etc. etc. accounts set up in your business. But all receipts of cash are treated strictly as Cash received, and increase the balance of the Cash in Hand account in Store Manager. Let's see one by one what each of these types mean in Store Manager and how they are entered.

### 2.4.1. Receipts of Cash from Customers

Cash is received from customers only when there are any sales. So, when you try to enter a transaction of receipt of cash from customers, you have to use this sale transaction as a reference. Let's see what information you require to enter a Cash Receipt from Customers transaction.

**Table 2.1. Information required for entering into a Cash Receipts from Customers transactions.**

Transactions No.	The serial number of the transaction.
Received From	This is a drop-down list of all customers set up through the customer set up.
Date	This is the date of transaction.
Received In	Select the Account in which you wish to enter the cash received. All Accounts/Subgroups set up under the heading cash are listed here.
Check No.	Enter the check number here, if the customer is paying by check.
Amount Received	Enter the amount received from the customer.
Op. Bal	This field helps identify if the customer is paying against an invoice entered in store manager, or against the opening balance against his/her account for which store manager does not have details.

Source: (<http://www.brightfeathers.com>)

After entering the above details, use the grid to select the invoice(s) against which the customer wishes to make payment. If you selected the Op. Bal. option, you would not require to go to the grid, the amount would be adjusted against the opening balance of receivable in the customer's account. For each selected invoice, the grid shows the total value of the invoice, discount given to the customer in the invoice and the total outstanding amount from that invoice.

When you select the invoices for which payment is outstanding from the customer, you can enter the amount to be received against each invoice under the Amount Adjusted column, if there are more than one invoice. This is because sometimes a

transaction may be disputed by the customer, and he/she may not be willing to pay for the same till the dispute is resolved. In such a case, you can selectively decide which invoices the customer is paying for. When you allocate the total amount received against the selected invoices, the outstanding amounts in the respective invoices will be reduced by the amounts entered against them. Also the total receivable amount from the customer is reduced by the total amount he/she has paid.

#### **2.4.2. Receipts of Cash from Other Sources**

Cash is received from sources other than customers, which needs to be classified based on the groups/accounts used to represent these sources, e.g. any receipts on account of renting out equipment or building should be recorded as Income from Rent, whereas any receipts on investments will have to be named as Income on Investments. For this purpose, Store Manager uses a built-in list of transactions for Cash Receipt.

**Table 2.2. Information required for entering into receipts from other sources transactions.**

Date	This is the date of the transaction.
Serial No.	The serial number of the transaction.
Select Transaction	a This is a list of the built-in Cash Receipt transaction that store Manager uses to track receipt of cash from sources other than customers.
Received In	Select the account in which you wish to enter the cash received. All accounts/Subgroups set up under the heading cash are listed here.
Doc. No.	The document number, which can be used to store the check number or any other document which you have received along with the cash.
Comments	Any comments about the transaction can be entered here.

Source: (<http://www.brightfeathers.com>)

After entering the above details, use the grid to select the accounts/groups from which you are receiving cash. For each selected group, you can record the check

number and the amount received. The Grand Total field at the bottom of the grid tracks the total amount received. (<http://www.brightfeathers.com>)

However cash receipts may be classified as;

- (i) Cash received over the counter at the time of sales.
- (ii) Cash (mostly cheques) received through the mail as collected on account receivables.

#### **2.4.4. Cash Received through the Mail**

The procedure for handling cheques and currency received through the mail are also based on the internal control principle that two or more employee should participate in every transaction. Cash and cheque received (including cash and bank balances).

#### **2.4.5. Receipts by Post and Cash Sales**

Considerations involved in dealing with cash and cheques received by post as explained by Woolf (1997), includes;

- (i) Instituting safeguards to minimize the risk of interception of mail between its receipts and opening.
- (ii) Wherever possible, appointing a responsible person. Independent of the cashier, to open, or supervise the opening mail.
- (iii) Ensuring that cash and cheques received are adequately protected and properly accounted.

#### **2.4.6. Suggested Procedure for Control over Cash Receipts**

Suggested procedures include;

- (i) Mail receipts should be opened by two people, a list prepared and each cheque endorsed
- (ii) Copy of the list, along with the cheques and remittance advices sent to cashier department.
- (iii) Cashier adds the cheques to the over the counter receipt and prepares a daily summary and make the daily bank deposit
- (iv) Copy of the list sent to treasury office or comparison with total shown on daily cash summary

- (v) Permitting only designated personnel to handle cash receipt.

#### **2.4.7. Accounting Procedures for Cash Received**

Some business owners like to receive cash for payment, because cash cannot bounce like a cheque or be reversed like a credit card charge. The downside of accepting cash is the limited paper trail. Without proper controls, cash is an easy target for employee theft, and a business that is known for keeping cash on-site runs the risk of being robbed. Non-retail businesses are especially at risk for theft if the proper controls are not in place. (<http://www.ehow.com>)

### **2.5 Receiving Cash**

Inspect the bills for irregularities that might indicate counterfeiting. If the bills pass inspection, count the bills in front of the customer and issue the customer a receipt. All cash receipts should be recorded in a cash-receipts log and each record initiated by the employee who accepted the cash. If another employee is available, have that employee count the cash and initial the cash-receipts log to verify that the amount received was properly recorded.

For cash amounts of more than \$10,000, the Internal Revenue Service requires businesses to complete a Form 8300, which includes the name, address and Social Security number of the individual remitting the cash. If a customer refuses to provide the information for Form 8300, refuse to accept the cash.

#### **2.5.1. Depositing Cash**

Deposit any cash received each day. If it is not possible to deposit all cash daily, it should be stored in a secure device, such as a safe. Limit the number of employees who have the combination to the safe.

When completing a deposit slip, attach an adding-machine tape that lists the total amount of cash by denomination. Whenever possible, have another employee review the deposit slip and count the cash before making the deposit.

Secure the cash in a locked bag for transport to the bank. Some banks make these bags available to their customers, or the bag can be purchased at an office-supply store. If a locked bag is not available, seal the cash and the deposit slip in an

envelope. To meet audit standards, the employee who receives or deposits cash should never reconcile the bank account. (<http://www.ehow.com>)

## **2.5.2 The Classification of Internal Control**

There are three classes of internal controls, which include the following;

- a) Administrative control or control environment.
- b) Internal accounting control.
- c) Control procedures.

### **2.6.1. Administrative control**

It concerns the evaluation of performance and the assessment of degree of compliance with an organization policies and public law.

### **2.6.2. Accounting control**

Consists of methods and records established to identify, assemble, analyse, classify, records and reports entity's transactions to provide complete accurate and timely financial information.

### **2.6.3. Control Procedures**

Control procedures of the organization are those policies in addition to the control environment and the accepting systems that the management has established to provide reasonable assurance that the organization will achieve its specific objectives.

However other scholars explain the different types of internal control as follows;

- (i) Organization. An enterprise should have the plan of organization, which should define and allocate responsibilities, every function with responsible official, example keeping a petty cash. Identify
- (ii) Lines of reporting; delegation of authority and responsibility should be clearly defined.
- (iii) Authorization and approval; All transactions should be authorized and approved by an appropriate person.

- (iv) Segregation of duties; One person should not be responsible for recording and processing of complete transaction. The involvements of several people reduce the risks of internal manipulation or errors.
- (v) Personnel; Procedures should be designed to ensure the personnel operating the system are competent and motivated to carry out the task assigned to them. The proper function of the system depends upon the competence and integrity of operating personnel.
- (vi) Physical control; this concern physical custody of assets and involves procedures designed to limit the access to authorized personnel only. These controls are especially important in the case of valuable, portable, exchangeable or desirable assets.
- (vii) Arithmetical and accounting; Procedures including checking the arithmetical accuracy of the records, the maintenance and checking of totals, reconciliation control accounts, trial balances and accounting for documents.
- (viii) Supervision; All action by all level of staff should be supervised. The responsibility for supervision should be clearly laid down and communicated to the people being supervised.
- (ix) Management; Control includes overall supervision control, review of management accounts comparison with the budgets and internal audit.  
(Millichamp, A.H 2002)

## **2.7 Objectives of Internal Control**

To place reliance on internal control, reasonable assurance is required that controls exist in relation to the following objectives.

- (i). Authorization; to ensure sufficient authorizations, to prevent fraudulent use of dysfunction of decisions and wasting of limited resources
- (ii). Validity; to prevent fictitious (untrue) or non-existent of transactions being introduced into the accounting records.
- (iii). Valuations; to ensure the transactions are correctly valued.
- (iv). Completeness; to prevent omission of all relevant data from the financial records.
- (v). Classification; the allocation of transactions is in accordance with the accounting policies.
- (vi). Timing; to ensure the transactions are brought into account and being used for decision making within reasonable time.
- (vii). Theft; to ensure that theft is minimised.

### **2.8. Objectives of Internal Control over Cash.**

Sound system of internal control over cash is aimed at accomplishing the following objectives.

- (i) To ensure that there is independent accountability for all cash received.
- (ii) To ensure that cash in hand is properly secured against theft, misappropriation or embezzlement.
- (iii) To ensure that any cash receipts transaction is recorded to that effect.
- (iv) To ensure that there is good cash management to avoid frequent cash shortages or holding excessive cash in hand.
- (v) To ensure that cash receipts are deposited daily in the banks.
- (vi) To ensure that all incoming cheques are handled properly.

Neely (1987) argues that the control over cash is normally only a small portion of an overall system of internal control for a business, there are four basic elements in a good system of internal control of cash. These are;

- (a) Separation of custody and accounting function.
- (b) Daily deposits of all cash received.
- (c) A system of authorization for all disbursements of cash.

- (d) An internal audit function.

Neely (1987) adds, if a good accounting control is established over all cash at the time it first enters the business the separation of handling of cash and accounting for cash is simplified. When one individual has custodial responsibility, for cash another individual has accounting responsibility, the possibility of error in recording transaction and opportunity for undetected misappropriations are greatly reduced. When all cash receipts are deposited in bank the banks record of deposits may be compared with the business accounting records thus providing two separate sets of accounts for the same transaction.

## **2.9 Effective Control over Cash**

An effective control over cash helps segment managers prevent fraud, theft and other forms of asset misappropriation. For instance, managers may implement a policy of segregation of duties in the accounting department and requires that separate individuals oversee accounts receivable and accounts payable transactions.

In addition many transactions either directly or indirectly affect the receipts or payments of cash. Also everybody likes money, therefore it is necessary that cash be effectively safeguarded by special controls.

### **2.9.1. A Bank Account as a Tool for Controlling Cash.**

According to Warren and Fees (1982), one of the major devices for maintaining control over cash is the bank account. To get the most benefit from the bank account, all receipts must be deposited in the bank and cheques drawn on the bank or from special cash funds must make all payments. When such system is strictly followed, there is a double record of cash, one maintained by the business and the other by the bank.

Control over cash can be achieved through the following;

Separation of duties which ensures:

- i. Complete separation of the jobs of receiving cash and disbursing cash.
- ii. Complete separation of the procedures of accounting for cash receipts and cash disbursements.
- iii. Complete separation of the physical handling of cash in all phases of accounting function

Responsibilities assigned to individuals;

- (i) Require that all cash receipts be deposited on a bank daily, keep and cash held on hand (for making change) under strict.
- (ii) Require that all cash payments be made by pre numbered cheques with separate approval of the expenditures and separate approval of the payments.
- (iii) Assigned the cash payment approval and signing responsibilities to different individuals.

Separation of individual responsibilities and the use of prescribed policies and procedures are important phases in the control of cash. Separation of duties detect theft because collusion would be needed among two or more persons to steal cash and then the work done by one individual is checked by other individuals and the results reported, for example the amount of cash collected at the cash register by the sales clerk can compared by the amount deposited at the bank by another employee Short (1993).

### **2.9.2 Custody and Control of Money Received.**

In order the money received to be safe, the following should be done;

- (i) The appointment of suitable persons to be responsible at different stages for collection and handling of money received, with clearly defined responsibilities.
- (ii) How, by whom and with what frequency cash offices and registers are to be cleared.
- (iii) What arrangements are to be made for cash collections, sales records (preferably this should be done by an independent person who receives cash)
- (iv) According to the business, what arrangements are to be made for dealing with recording and investigating any cash shortage or surpluses?

### **2.9.3. Recording of Money Received.**

In recording of money received the following consideration must be done;

Who is responsible for maintaining records of money received?

- (i) What practical limitations may be put on the duties and responsibilities of receiving cashier particularly as regards dealing with such matters as other books of accounts, other funds, securities and negotiable instruments, sales invoices, credit notes and cash payments?
- (ii) Who is to perform the receiving cashier's functions during his absence at lunch, on holiday, or through sickness?

In what circumstance, If any receipts are to be given, whether copies are to be retained; the serial numbering of receipts books and forms; how they are issued and used to be controlled; what arrangements are to be made, who is to be responsible, checking receipts counter forces against cash records and bank pay in

slips (and how alterations to receipts are to be authorized and evidenced).

#### **2.9.4. Bank Reconciliation**

Cash balances recorded in the general ledger must be periodically reconciled to the amount of cash in the bank. Any differences must be promptly documented and resolved to ensure that financial activities are accounted for in a proper and timely manner, and that cash is safeguarded. It is important for the Board to review the accuracy of the reconciliations to ensure that all discrepancies are resolved.

#### **2.10 Empirical Literature Review**

This is material relevant to the topic of the study cited from relevant books journal Corby Herman suggested that so as to control cash there should be the establishment of responsibility, only designated personnel (cashier) to handle cash receipts. Documentation procedure use remittance advice(mail receipt)cash register tapes and deposit slip, independent internal verification by supervisor count cash receipt daily, treasury compare total receipts to bank deposit daily, segregation of duties different individual receive cash receipts and hold the cash and store cash in safes and bank vaults then limit access to storage areas.

Leopard (1999) explains that general objective of internal control over cash is proper safeguard of the cash and production of reliable records. So as to asses effectiveness of the system the goal of the system, the laid down strategies towards the goals and general performance that is success and failure should be considered if the achievement are satisfactory the system is effective.

According to Meigs (1984) suggested that in many organization poor accounting system and poor policy implementation are considered the major cause of cash misappropriation.

Malisa (2002) explained that many businesses receive large amount of cash from their customers each day. Cash can be spent by anyone so management must develop procedure to safe guard the cash that is used in business. Effective cash management

involves more than protecting cash from being stolen, fraud or loss through carelessness.

Cash management involves the following responsibilities;

- i. Accurate accounting so that relevant reports of cash inflows, outflows and balances can be prepared periodically.
- ii. Planning to prevent excess amount of idle cash from accumulating, idle cash is often invested in security to get return.
- iii. However the following Internal Control Principles explained earlier apply to cash receipts transactions; ([www.smccd.edu/accounts](http://www.smccd.edu/accounts))
- iv. Establishment of responsibility, Only designated personnel (cashier) are authorized to handle cash.
- v. Segregation of duties, Different individuals receive cash, record and hold the cash.
- vi. Documentation procedure, Use remittance advice (mail receipts), cash register tapes and deposit slips.
- vii. Physical, mechanical, and electronic controls, store cash in safes and bank vaults, limit access to storage areas, use registers.
- viii. Independent Internal verification, Supervisors count cash receipts daily, treasurer compares total receipts to bank registers.
- ix. Other Controls, Bond personnel who handle cash, require vacation; deposit all cash in bank daily.
- x. Cash budget, Contributes to more effective cash management.

Makasso (2002) clarified that cash is the most susceptible there is a need to institute control to avoid deceptions and theft that can be perpetrated within the organization. The focus should be on custodianship. Where protection of cash and other forms of cash including records control in various records keeping, control systems that will ensure reliable information about the flow of cash. He further proposed some measures to control cash for an organisation. These include;

- (i) Maintenance of cash registers
- (ii) Requiring written authority
- (iii) Using petty cash fund for payments of small expenditure.

Valensi (2005) explain that normally the primary duty of effective internal control system should be to safeguard cash against theft, frauds and misappropriation of fund. She added that excellent system of internal control is operated as an integral part of the procedures in a well-managed business and is not difficult to operate.

A system of internal control will fail to realize the objectives where two or more employees jointly agreed to commit fraud.

She recommends that meet the primary duty of effective internal control system the following measures should be taken.

- (i) Rotation of employees.
- (ii) Training of employee.
- (iii) Use of computers.
- (iv) Evaluation of personal performance.

Leopold (1999) identifies that in assessing the effectiveness of a system, the several issues need to be taken into consideration. These are the goals of the system, the laid down strategies towards the goals and the general performance that is success or failure in achieving the objectives. Where the achievements are satisfactory the system will be effective. In general term the objectives of the system of an internal control over cash are proper safeguard of the cash and production of the reliable records.

His conclusion lies on adequacy and compliance of the system to the general accounting principles (GAAPs) and the management policies.

**CHAPTER THREE**

**THE ANALYTICAL FRAMEWORK FOR THE PERFORMANCE OF  
INTERNAL CONTROL OVER CASH RECEIPTS**

**3.1 Introduction**

This chapter describes the conceptual framework. It identifies independent and dependent variables (causal factors and effects relationship) of the subject investigated. Also it shows operational definitions of the dependent and independent variables.

**3.2 Dependent Variables and Independent Variables of Internal Controls over cash receipts**

**3.2.1. Dependent Variable.**

Effective and Efficiency performance of Internal Control over cash receipts is the dependent variable of this study. A dependent variable is

**3.2.2. Independent Variables of Internal Control over Cash.**

An independent variable is; The independent variables of this study are complete separation of duties, cash receipts be deposited on bank daily, Recording and Documents on cash receipts, and Application of ICT, Quality of staff, and Motivation.

**(i) Complete Separation of Duties / Segregation of duties**

There should be a clear separation of duties; In order to reduce fraud or theft and any other accounting manipulation. Whenever possible, the functions of authorization, recording and custody should be exercised by separate individuals so as to promote accuracy and to affect reasonable control.

(ii) Cash Receipts be Deposited on Bank Daily

According to Warren and Fees (1982), one of the major device for maintaining control over cash is the bank account, all receipts must be deposited in the bank and cheques drawn on the bank or from special cash funds must make all payments. When such system is strictly followed, there is a double record of cash one maintained by the business and the other by the bank, hence will reduce the amount of currency in hand which may give chance of manipulation and fraud.

(iii) Records and Documents on Cash Receipts

These should be prepared at the time transactions takes place to reduce errors. Documents and records as physical objects should be pre-numbered concurrently to facilitate control over missing documents.

Documents on cash receipts provide evidence that transactions and events have occurred, such that use of cash register for those cash received over the counter at the time of sales, the serial numbering of receipt books and forms, bank slip to show all cash deposited in the bank, cash receipts book recorded and other financial documents.

**(iv) Application of ICT.**

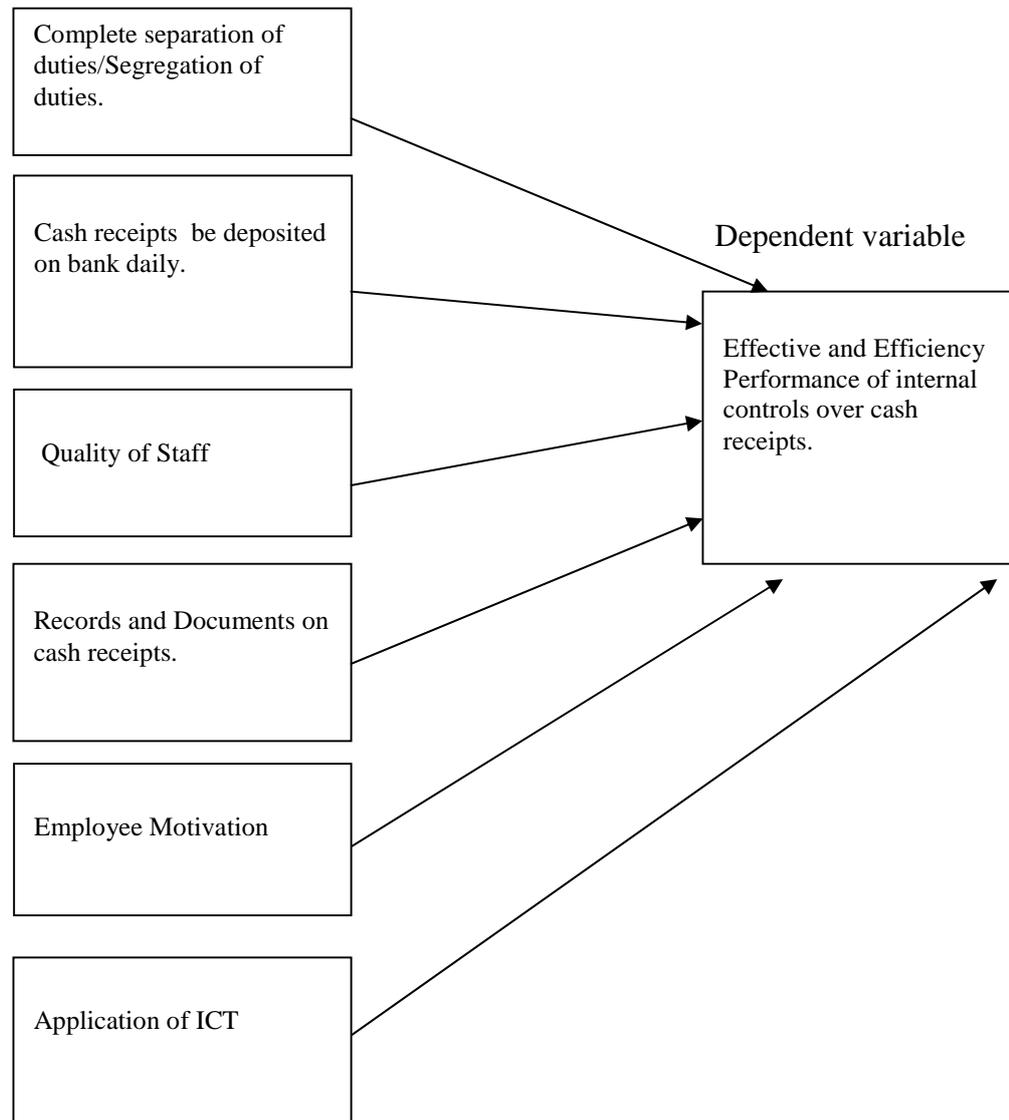
This is the use of computer technology in collecting data and recording accounting data. In this system the transaction is analysed and entered in computer which creates any necessary documents and journalizes the transactions into the appropriate journal.

The use of computers automatically reduces the number of people required to perform the accounting functions in an entity. It makes possible for one person to perform duties which were previously handled by several people.

Computers have the advantage of processing a large volume of data at a high speed and high level of accuracy.

**Figure 3. 1 Diagram shows dependent and independent variables on measurement the performance of internal control over cash receipts.**

Independent variables



**Source: Constructed by research on the basis of literature review.**

### **3.3 The Hypothesis**

Hypotheses may be defined as a proposition or a set of proposition set forth as an explanation for the occurrence of some specified group of phenomena either asserted merely as a provisional conjecture to guide some investigation or accepted as highly

probable in the light of established facts. Quite often a research hypothesis is a predictive statement, capable of being tested by scientific methods, that relates an independent variable to some dependent variable.

Alternative hypothesis is usually the one which one wishes to prove; and the null hypothesis is the one which one wishes to disprove. A null hypothesis represents the hypothesis we are trying to reject, and the alternative hypothesis represents all other possibilities. The null hypothesis is generally symbolized as  $H_0$ , and the alternative hypothesis as  $H_a$  (Kothari, 2004).

$H_0$ : Efficiency and effective performance of internal controls over cash receipts is not influenced by complete separation of duties, daily depositing of cash receipts, quality of staff, documents on cash receipts, employees motivation, and application of ICT.

$H_a$ : Efficiency and effective performance of internal controls over cash receipts is influenced by complete separation of duties, daily depositing of cash receipts, quality of staff, documents on cash receipts, employees motivation, and application of ICT.

### **3.4 Operation Definition.**

An operation definition providing a modified definition to a concept so that the researcher can empirically measure the existence or degree of existence of what is described by a concept. The variables or concepts describing the phenomenon being investigated have to be measured in an objective way. Some concepts might be difficult to measure, that is, capturing the real world or event represented by a concept, hence an operational definition assigns a modified definition or meaning to a concept that enables the researcher to establish empirically the existence or degree of existence of what is described by a concept. Operational definitions, where expedient, are made on the main concepts in hypotheses.

### **3.4.1. Complete Separation of Duties/ Segregation of Duties.**

This is one among the principles of designing internal controls system whereby in practice includes three fundamental elements, namely;

(i) Separation of the authorization from the custody of the related assets,

The authorization of transaction and handling of the related assets (cash) by the same person increases the possibility of fraud.

(ii) Separation of custody of assets from recording,

The main reason for not permitting the person who has custody over an asset to account for it is to protect the firm from fraud. For example if a cashier receives cash and maintains both the cash and debtors records, it is possible for the cashier to take the cash received from customers account and adjust the customers account by recording fictitious credit or omitting the record of sale.

(iii) Separation of operational function from record-keeping responsibility

As far as possible no department should assume the responsibility for preparing its own financial records and reports, because there will be a tendency to bias the results to improve its reported performance. In order to ensure unbiased information record keeping should be done in a separate department i.e the accounting department.

Indicators on separation of duties will be observed on different signatories in the different documents like on cash register, list of cash receipts, daily bank slip, authorization of transactions and the cash receipts handling persons.

### **3.4.2. Cash Deposited on Bank Daily**

In order to achieve the effective control over cash receipts, the system advice to deposit cash receipts on bank daily within 24 hours hence will reduce chance for any frauds and accounting manipulation. Indicators of this procedure is to view the daily bank slips and monthly bank reconciliation statements.

### **3.4.3. Records and Documents on Cash Receipts.**

This is a process of keeping accounting records in different documents, like journals, financial statements, and others. It should be done at the same time which transactions have been made.

A document provided evidence of the occurrence of transactions and the price, nature and terms of the transactions.

Record are kept in the cashbooks and posting of the transactions to their respective ledgers is manually done by the accountant, who also as an internal control tool, prepares trial balances and bank reconciliation statements on monthly basis.

Indicators on records and documents on cash receipts are; Cash register, List of cash receipts at the time and place that the money is received, Properly printed and sequentially renumbered receipts forms with the carbon copies, Copies of monthly bank reconciliation statements.

### **3.4.4. Application of ICT.**

Is organised procedures used to collect and record accounting data with the use of computer. In this system the transactions is analysed and entered in computer, which creates any necessary documents and journalizes the transactions into the appropriate journal.

Indicators; Installation of computers in different department, Accounting report saved in computerized, and other Documents which have been saved in computerized system.

### **3.4.5 Employees Motivation**

Motivation is an employee' intrinsic enthusing about and drive to accomplish activities related to work. This is an internal drive that causes an individual to decide to take action.

An individual's motivation is influenced by biological intellectual, social and emotional factors, as such motivation is a complex, not easily defined, intrinsic

driving force that can also be influenced by external factors. Every employee has activities, events people and goals in his or her life that he or she finds motivating; therefore motivation about some aspect of life exists in each person's consciousness and actions.

Employers understand that they need to provide a work environment that creates motivation in people, but many employers fail to understand the significance of motivation in accomplishing their mission and vision.

Indicators of employee motivation; providing conducive working environment such as salary, transport, accommodation (house).

#### **3.4.6. Quality staff**

Quality is the outcome of the sum of all features and characteristics of a program, process, or service the impact their ability to meet or surpass the needs and requirement of a customer.

Quality refers also to the character traits of an individual. One of the qualities of a leader is his or her ability to share the mission and vision in such a way that people want to follow and accomplish the goals.

Indicators; Excellence, quality product, process or a services.

## **CHAPTER FOUR**

### **THE RESEARCH METHODOLOGY**

#### **4.1. Introduction**

Research Methodology is a way to find out the result of a given problem on a specific matter or problem what is also referred as research problem. In methodology, researcher uses different criteria for solving/searching the given research problem. Different sources use different type of methods for solving the problem. In simple terms methodology can be defined as, it is used to give a clear cut idea on what the researcher is carrying out his or her research. In order to plan in a right point of time and to advance the research work methodology makes the right platform to the researcher to mapping out the research work in relevance to make solid plans.

More over methodology guides the researcher to involve and to be active in his or her particular field of enquiry. Most of the situations the aim of the research and the research topic won't be same at all time it varies from its objectives and flow of the research but by adopting a suitable methodology this can be achieved. Right from selecting the topic and carrying out till recommendations research methodology drives the researcher in the right track. The entire research plan is based on the concept of right methodology. . (<http://www.dissertationhelpservice.com>)

#### **4.2. Research Design**

The research design is a plan of actions, which specifies the types of data to be collected, methods of data collection and how to analyse the data collected.

The research design for this study was a case study based on Mkuranga District Council (MDC), which is situated in Coastal Region. The design is flexible to be used in data collection; it minimizes cost and time resources as well as generalizing the results obtained. This was enabling the researcher to secure all the required information within a short period of two calendar months, by attaching to a single unit.

### **4.3. Research Techniques**

These are the behaviours and instruments we use in performing research operations such as making observations, recording data, techniques of processing data and the like. Data collected were processed and analysed by using quantitative and qualitative methods. These methods were used because they are simple and take short time as per research time allocated.

### **4.4. Population and Units of Inquiry**

A population is that body of individual in which a researcher was interested and to which was generalize his/her finding. Units of inquiry refer to the units which provide access to the individual elements of the population under study.( Sapsford & Jupp ,1998).

In this study the populations were comprised the staff members from different departments of Mkuranga District Council, which were Administration department, Accounting and Finance department and Internal Audit department and others whose concern with cash transactions.

### **4.5. Sampling Techniques**

Sampling is the process of selecting a sample from the population which a researcher intends to interview units he/she wants to interview. (Hagedorn ,1983) .

Both probability and non-probability sampling were be used.

In order to ensure that the chosen sample is accurate, free from duplication and biasness the study was employ two types of sampling procedures.

Simple randomly sampling was used so as to give equal chance to every member in the department to be involved in the research; this was help to get reliable information. In this will involves random selection of specific representative or respondents from the list of respondents of MDC. Here every unit had equal chance of being included in the study. This method is selected because it helps the researcher to reduce biases and prejudices and other necessary elements of subjectivity, hence

the findings will be accepted as representative to the whole Mkuranga District Council.

#### **4.5.1. Purposive Sampling**

Instead of obtaining information from those who are most readily or conveniently available, it might sometimes become necessary to obtain information from specific target group, the sampling is confined to specific type of people who can provide the desired information, either because they are only ones who have it or confirm to some criteria set by the researcher.

In this method researcher was purposely choose senior accountant, accountants and cashiers. This is because researcher expects to gain more information from this sample as they will be in good position to respond on issue under the study, hence to represent the universe.

#### **4.5.2. Random Sampling**

Simple randomly sampling was used so as to give equal chance to every member in the department to be involved in the research; this was help to get reliable information. In this will involves random selection of specific representative or respondents from the list of respondents of Mkuranga District Council. Here every unit had equal chance of being included in the study. This method is selected because it helps the researcher to reduce biases and prejudices and other necessary elements of subjectivity, hence the findings will be accepted as representative to the whole Mkuranga District Council.

Random sampling was used to determine the sample represented by the employees from various departments like Administration department, Internal Audit department and others.

#### **4.6. Sample Size.**

Sample size is the number of items to be selected from the universe to constitute a sample.

In this study sample size were twenty (20) some of staff members of the Mkuranga District Council whereby members were chosen for inclusion in the sample deliberately the researcher.

#### **4.7. Data Collection Methods.**

Data was collected from both primary and secondary sources. Interviews, questionnaires and participant observation methods were used to collect primary data whereas secondary data was obtained from various documents of the organization including files, arrivals reports, and ledgers.

##### **4.7.1. Interviews**

It is a primary method of data collection where by two or more people involves, one asking a set of questions and other answering questions. It is a face to face encounter consists of dialogue or verbal responses between two or more persons, (Muganda, 1999).

This was involved two employees under finance department, these people were asked questions in relation to their duties, for this case a Cashier and Chief Accountant were much concerned, the researcher applied this method in order to get in –depth information necessary for the subject under study which is not possible to be obtained through other methods. For that circumstance both four variables were used as data collected, these variables were Segregation of duties, Cash be deposited bank daily, Application of ICT and Documentation Procedure on cash receipts.

##### **4.7.2. Questionnaire Administration**

This is also a primary method of data collection where a researcher obtains information from different people by sending the questionnaires to different members of the organization, who's Accountants, Cashiers and some of Internal Auditor's staff. The four variables which are Segregation of duties, Documentation procedure on cash receipts, Application on ICT and Cash be deposited bank daily data were obtained from this method. This method enabled the respondent to fill free

and provide them with an ample time to fill the questionnaire with the correct information.

#### **4.7.3. Documentary Sources**

This is the method which done by collecting all secondary data acquired from various documents, data which are already collected, analysed and stored for public use include financial reports, journals, accounting manual, and other relevant data relating to the organization. However, data interpretation is based on the facts provided. Thereafter, conclusion was on the facts and their respective implication provided.

In this study data of three variables are obtained using secondary data, which are Segregation of duties, Cash deposited bank daily and Documentation procedure on cash receipts.

Below there is a table which show how secondary data obtained using the three researcher's variable

**Table 4.1. A framework which show how secondary data obtained**

Variables	Measuring/ Indicators	Types of Data	Carries of Data(sources)	sample
Segregation of duties	Separation of operational function from record-keeping	Responsibility for preparation of financial records and reports	Financial statements and books of original entry (cash records)	4 yrs. FS Reports from Yr. 2010 - 2013
	Separation of custody of the Assets (cash) from recording	Transaction records.	Cash records, receipts records, and journals	Journals, Cash and receipts records for 4 months In 2 yrs., from Yr. 2012-2013
Cash deposited on bank daily	Monies received and banked	How many times cash receipts deposited at bank in a month.	Bank slips	3 months bank slip in 3yrs, from Yr. 2011- 2013.
Application of ICT	Uses of computer	Accounting records	FS reports, Monthly Bank reconciliation statements. List of cash receipts.	2 yrs. FS Reports from 2012-2013.

**Source: Constructed by research on the basis of literature review**

#### **4.7.4. Participatory Observation**

This is the primary method of data collection that refers to a circumstance of being in or experienced. The researcher actually works or interacts with the study setting i.e. physically. Therefore the researcher was regular participated in the activities observed and the other participants did generally not know her role. At this method the Application of ICT variable data was obtained by observing the uses of computer in their daily activities in different departments.

#### **4.8. Data Analysis Techniques.**

Rwegoshora (2006; 261) defines data analysis as ordering of data into constituent party in order to obtain answer to research questions. Data were collected and analyses in a way that enable to answer the research questions to meet the objective of the study.

Both qualitative and quantitative methods were used to analyse data of the research findings. The techniques used were depended on the data collected from respondents and documents.

The researcher used a description of findings to show the relationship between objectives and the result to the study by qualitative analysis involves examining data basing on the attributes that were shown by the respondents and were try to make discussion with them. In quantitative analysis the researcher were used percentages, tables and frequency.

#### **4.8.1 Quantitative method**

Quantitative method was used to analyse data derived from number collected from numerical and standardized data.

Statistical method such as distribution table and graphs were used to make clear analysis of numerical data collected.

#### **4.8.2. Qualitative methods**

A qualitative method was used for non-numerical and non- standardized data. The interpretation and meaning ware expressed through words. The researcher employed this method at the time of giving comments on the information obtained. This method was used for non- quantitative data only.

#### **4.8.3. Interpretation**

It is a process of transforming raw data into variables that can be analysed to produce the information found in the results sections of the report. Mainly quantitative data was expressed in numbers and counts because numbers give the strongest impression of factual accuracy and do not appear to bear the marks of interpretation. The degree of interpretation involved in qualitative research is more obvious to the reader.

#### **4.8.4. Specific Analytical Techniques and Decision Criteria**

Data collected and well analyzed by SPSS, frequency tables were used to determine the percentage of the sample that agree or disagree with a certain variable and to measure the spread of variability of responses. Qualitative data was analyzed by summarizing key findings, explanation and interpretation. Decision criteria based on all variables under the study were ninety percent (90%) cumulative strongly agree and agree.

## CHAPTER FIVE

### DATA ANALYSIS AND DISCUSSIONS OF THE FINDINGS

#### 5.1 Introduction

This study analyses the performance of internal controls system over cash receipts. Data were collected from Mkuranga District Council.

The key research question was “What is the performance of internal control over cash receipts. The accompanying questions were:

- i. Is the segregation of duties been applied to improve the performance of internal controls over cash receipts?
- ii. Is there ICT applied in the internal controls system?
- iii. What are measures to be taken to improve the performance of internal controls over cash receipts?

To answer the above questions the researcher prepared the different questionnaire which were distributed to targeted population and collected after 3 to 7 days. Once the data was entered into the computer, audit exercise was performed to verify the data on the Spreadsheet against the questionnaires.

There were 20 responses distributed questionnaires, but unfortunately only 15 responses return back the questionnaires. Each question had four (04) choices and the respondents were expected to choose one of the answers. The same categories of answers were allocated percentages to indicate the size and variation of common responses.

**Table. 5.1: Breakdown of total number of respondents whose return back questionnaires.**

Department		Sample population	Response
1	Administration	03	02
2	Accounts	12	10
3	Internal Auditor	05	03
Total		20	15

**Source: Constructed by research findings.**

The respondents were HRM Officer's, Finance and Trade department, and Internal Audit Unit.

## 5.2 Analyses based on Research Questions through Questionnaires

### 5.2.1 Is the system of internal controls over cash receipts adequately and successfully implemented by the organization?

This question was asked to the respondents in order to see how they were familiar with internal control and its implementation within the organization. Their responses were as follow.

**Tabled 5.2: Implementation of Internal Controls over Cash Receipts**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	9	60.0	60.0	60.0
Definitely agree	5	33.3	33.3	93.3
Do not agree	1	6.7	6.7	100.0
<b>Total</b>	<b>15</b>	<b>100.0</b>	<b>100.0</b>	

Source; Appendix 2 SPSS Data Analysis Findings 2013

Table 5.2 shows that nine 9 responses equal to 60% agree that the internal control over cash receipts is adequately and successfully implemented by the organization; Five 5 responses or 33.3% definitely agree that the internal control over cash receipts is adequately and successfully implemented by the organization, 1 response or 6.7% do not agree. From the data analyzed it indicates that 93.3% agree that the internal control over cash receipts is adequately and successfully implemented by the organization. The Organization meets 90% decision criteria, however, the findings suggest that more efforts should be made to reach 100%.

### 5.2.2. Proper Control for all Cash/Money Received

The respondents were asked if there were a proper control for all cash or money received, such as proper/promptly recording and depositing on bank.

The findings were as shown in the table 5.3 below

**Table 5.3: Proper Controls for Money Received**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	8	53.3	53.3	53.3
Definitely agree	4	26.7	26.7	80.0
Do not agree	2	13.3	13.3	93.3
Do not definitely agree	1	6.7	6.7	100.0
Total	15	100.0	100.0	

**Source; Appendix 2 SPSS Data Analysis Findings**

Table 5.3 shows that eight 8 respondents out of 15 equal to 53.3% agree that the organization perform the function of proper control for all cash received that having proper record, 4 respondent or 26.7% definitely agree, 2 respondents or 13.3% do not agree; and 1 respondent or 6.7% do not definitely agree if the organization perform that function of proper control for all cash received. From the data analyzed, findings indicate that 80% agree that the organization perform the function of proper control for all cash received such as prompt record and prompt deposit at bank. However given 90% decision criteria more effort should be made on proper control for all cash received in order to meet the decision criteria.

### 5.2.3. Mechanical Devices for Cash Safeguarding

Here the question was asked to state the general situation if there is full utilization of mechanical devices for safeguarding cash like safes, strong rooms and safe's keys to lockboxes to be restricted to a minimum number of employee. Table 5.4 below shows their responses.

**Table 5.4: Mechanical devices for cash safe guarding**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	15	100.0	100.0	100.0

**Source; Appendix 2 SPSS Data Analysis and Findings**

Table 5.4 show that all the 15 respondents or 100% agree that the organization is having the mechanical devices for safeguarding cash received. Therefore the organization meets the 90% decision criteria.

#### **5.2.4. Are safe combination and keys to lockboxes restricted to a minimum number of employees?**

This question was asked to the response in order to check how the organization handles their strong room and if a safe's key to lockboxes is restricted to a minimum number of employee. The table below shows their responses.

**Table 5.5: Handling of strong room and safe key**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	15	100.0	100.0	100.0

**Source; Appendix 2 SPSS Data Analysis and Findings**

All 15 responses or 100% agree that the safe's key to lockboxes is restricted to minimum number of employee. Therefore the finding show that the organization meets 90% decision criteria. For that response proof there are specific person who is responsible for key lockboxes handling thus maintain the internal controls.

#### **5.2.5. Is the Receipts Record and Deposited Slip Reconciliation Regularly Reviewed by Management?**

The respondents were asked to give their views if the management has a tendency of regularly reviewing the receipts records and deposited slips. This is another tool for internal control which can help to minimize frauds also to control any manipulation which mighty occur. The table below shows their response.

**Table 5.6: Management Review on Reconciliation of Deposited Slip**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	6	40.0	40.0	40.0
Definitely agree	4	26.7	26.7	66.7
Do not agree	1	6.7	6.7	73.3
Do not definitely agree	4	26.7	26.7	100.0
Total	15	100.0	100.0	

**Source: Appendix 2 SPSS Data Analysis Findings**

The table 5.6 show that 6 respondents or 40% agree that the management has reviewed the bank deposit slip with the receipts record; 4 respondents or 26.7% definitely agree; 1 respondent equal to 6.6% do not agree; and 4 respondents or 26.7% definitely not agree that the management has the tendency of reviewing the bank deposit slip with the receipts record. Therefore from the above analysis we can deduce that 66.7% agree that the management review the cash receipts record and bank deposit slip. Since 67% is still lower than the 90% decision criteria, the findings suggest that more efforts are still needed by the management on reviewing different accounting documents so as to have effective internal control.

#### **5.2.6. Is the Segregation of Duties Applied was Effectively Made?**

Researcher asked this question to the respondents because the segregation of duties is one among the principles of designing the internal control system, as no one individually can control all aspects of financial transactions. This principle includes complete separation of duties, separation of custody of assets from recording, and separation of operational functions from record keeping responsibility. If this is applied effectively there is a possibility to minimize frauds. The table 5.7 below shows the results.

**Table 5.7: Segregation of Duties**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	8	53.3	53.3	53.3
	Definitely agree	4	26.7	26.7	80.0
	Do not agree	1	6.7	6.7	86.7
	Definitely not agree	2	13.3	13.3	100.0
	Total	15	100.0	100.0	

**Source; Appendix 2 SPSS Data Analysis Findings**

Table 5.7 shows that 8 respondents or 53.3% agree that segregation of duties were applied effectively; 4 or 26.7% definitely agree; 1 respondent or 6.7% do not agree; and 2 or 13.3% definitely not agree that segregation of duties were applied effectively. Therefore we can infer that the department performs by 80% the segregation of duties function. However, given 90% decision criteria more effort should be made to perform the effective internal control over cash receipts.

### **5.2.7. Is there Rotation of Employee from One section to Another?**

Rotation of employee from one section to another is the primary duty of effective internal control system in order to safeguard cash against theft, frauds and misappropriation of fund. As people rotate from one section to another it will help the management to oversight what has been done concern with accounting manipulation and any frauds being made in public money. Therefore the researcher asked this question in order to view if this principle is applied within the organization. The response was as follow.

**Table5.8: Employees Rotation**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	9	60.0	60.0	60.0
Definitely agree	3	20.0	20.0	80.0
Do not agree	1	6.7	6.7	86.7
Definitely not agree	2	13.3	13.3	100.0
Total	15	100.0	100.0	

**Source; Appendix 2 SPSS Analysis Findings**

Nine (9) respondents or 60% agree that the employees in finance department rotate from one section to another, 3 or 20 % definitely agree, 1 or 6.7 % do not agree; and 2 respondents or 13.3% definitely not agree that the employee in the department rotate from one section to another. Therefore from the above findings it indicates that 80% agreed that the employees in the department rotate from one section to another. The 80% is very low compared to the 90% decision criteria. The findings suggested that the department should make more efforts on rotation of employees from one section to another in order to transfer knowledge from one person to another hence achieve effective internal control over cash receipts.

#### **5.2.8. Overall, does the Internal Control System Appear Adequate for the Cash Receipts?**

The researcher asked this question to the respondent in order to generalize the idea of internal control system over cash receipts and how it is applied. The response was as follow.

**Table 5.9: Application of Internal Controls over Cash Receipts**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	10	66.7	66.7	66.7
Definitely agree	2	13.3	13.3	80.0
Do not agree	2	13.3	13.3	93.3
Definitely not agree	1	6.7	6.7	100.0
Total	15	100.0	100.0	

**Source; Appendix 2 SPSS Data Analysis Findings**

Ten 10 respondents or 66.7% agree that overall the internal control appear adequately for the cash receipts; 2 or 13.3 % definitely agree; 2 or 13.3% do not agree; and 1 or 6.7% definitely not agree that the internal control appear adequately for the cash receipts overall. Therefore from these findings, with cumulative 80% agreeing overall the internal control appears adequate for cash receipts. However given 90% decision criteria the results show that the organization does not meet the decision criteria therefore more effort should be made so as the internal control to be performed effectively.

#### **5.2.9. Effective Application on ICT**

Information and Communication Technology is one tool for the better performances of internal control system. In this system all accounting records recast and entered in computerized system. The system creates any necessary documents and journalizes the transactions into the appropriate journal. Therefore the researcher asked this question in order to see if the ICT was implemented effectively within the organization.

The responses were as follow in the table below.

**Table 5.10: Application on ICT**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	15	100.0	100.0	100.0

**Source; Appendix 2 SPSS Data Analysis Findings**

**15 respondents equal to 100% agreed that the ICT Technology is well implemented** within the organization. According to the analyzed data the organization meets the decision criteria which are 90% on application of ICT Technology which is more essential on the performance of internal control.

#### **5.2.10. Quality of Staff**

The researcher want to know if there was any seminars, workshops and review courses concerning with accounting principles which conducted by the organization in order to the accounting staff to be work by following the financial rules and regulations as directed with IAS. The responses were as follows.

**Table 5.11 Quality of Staff**

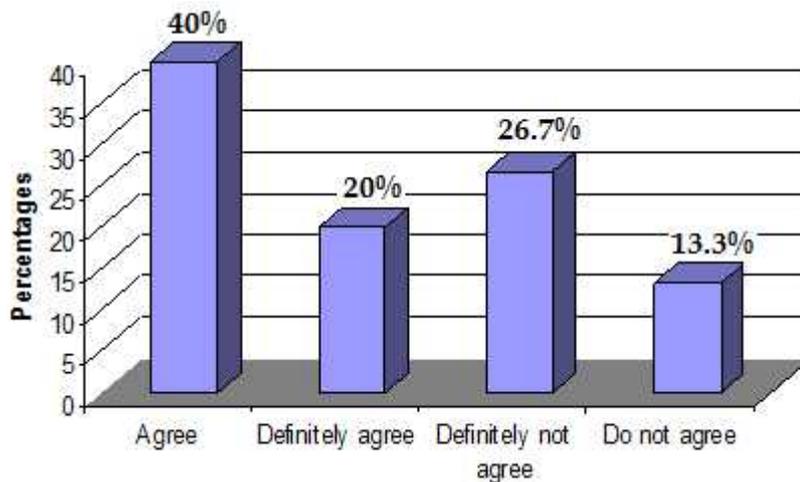
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	6	40.0	40.0	40.0
Definitely Agree	3	20.0	20.0	60.0
Do not Agree	2	13.3	13.3	73.3
Definitely not Agree	4	26.7	26.7	100.0
Total	15	100.0	100.0	

**Source; Appendix 2 SPSS Data Analysis Findings**

Six (6) or 40% agree that the organization conduct different seminars concerning with accounting principles, 3 respondents or 20% definitely agree, 2 or 13.3%% do not agree and 4 or 26.7% definitely not agree that seminars conducted in order to

tend the accounting staff working with current principles. Based on the decision criteria of 90%, only 60% agreed that the organization conducts different seminars concerning with accounting principles changes, therefore more effort should be made so that more seminars and training to be conducted for their quality staff. This data can be shown in graph as below.

**Figure 5.3: Quality of Staff**



**Source: SPSS Data Analysis Findings**

## **5.2 Data Interpretation and Discussion of Findings**

Basing on the objectives of this study, qualitative and quantitative data were collected from respondents as presented above as well as data from documentary source, the following discussion will try to come up with effective and efficiency performance of internal control over cash receipts.

## **5.3 Effective and Efficiency Performance of Internal Controls over Cash**

### **Receipts**

The researcher classified six variables which were the causative factors and effects of the subject investigated. Data collected was aimed to measure those factors if were well practiced or implemented by the organization (MDC) at the end to come out with the conclusion that the organization had Effective Performance of Internal Control over Cash Receipts. The factors measured were;

#### **5.4.1 Complete separation of duties.**

Separation of individual responsibilities and the use of prescribed policies and procedures are important phases in the control of cash. The idea is to stop one person from undertaking a transaction from start to finish; the aim is not only to act as a check on each other's work but also to help in preventing fraud. Internal check is a related procedure whereby the work of one person is checked by another so as to minimize fraud and error.

Separation of duties detects theft because collusion would be needed by more persons to steal cash and then the work done by one individual is checked by other individual and the results reported.

The response especially on documents shows that the organization apply this through different sections in accounts department, where as the responsibilities are divided to two persons, like a cashier who receives cash, this differs from the one who maintains debtors records. Also the person who is responsible for financial records differs from the one who is responsible for preparation of final report. This also observed from questionnaire's responses most of them agreed that segregation of duties was applied effectively, though some of respondents disagree that.

#### **5.4.2 Mechanical device for cash safeguarding and receipts deposit.**

Most of the responses show there are proper control for all money received in terms of proper records and keeping in safes. The system advices that money must be kept at a special strong room or in safes if are not banked and this has been practiced effectively by the organization. The findings show that the organization has mechanical devices for cash safeguarding.

The researcher was conducted the interview with the cashier concerning with receipts deposit, and it observed that receipts are banked within three days of collection, this is due to delaying in completion of other accounting records before banked, sometimes the cash received during late hours therefore it is impossible to be banked at that day.

#### **5.4.3 Records and documents on cash receipts.**

Documents provided evidence of the occurrence of transactions and the price, nature and terms of the transactions.

An accounting system is an organized set of manual and computerized accounting methods, procedures, and controls established to gather, record, classify, analyze, summarize, interpret and present accurate and timely financial data for management decision, which need to be handled in documentary.

The findings show that cash receipts have clearly/proper records through different documents like books of original entry/ledgers, journals, cash receipts register, bank slips and monthly bank reconciliation statements. Also most of the respondent agreed that the cash receipts are recorded promptly.

The system advice that all cash received should be recorded in a cash receipts log and each record initiated by the person who accepted the cash after that must be another person who will verify the amount received if are properly recorded. This has been done properly by the organization.

Also the researcher advice that both soft copies and hard copies should be simultaneous stored in avoiding risk occurring, example a system to corrupts.

#### **5.4.4 Application of ICT**

One measure for effective internal control over cash receipts is by using computer. This is organized procedures used to collect and record accounting data with the use of computer, in this system the transactions is analyzed and entered in computer, which creates any necessary documents.

The finding shows that computers are well installed in all sections in accounting department and different documents such as vouchers, receipts log and reconciliation statements are well saved in computerized system.

Here after doing interview with some response concerning with the application of ICT the finding reveals there a need of employing ICT Technicians, because sometimes the system corrupts which cause the application to be stopped due to no anyone having knowledge of solving the problem.

## CHAPTER SIX

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 6.1 Introduction

The main objective of this study is to measure the performance of internal controls over cash receipts where case study was at Mkuranga District Council.

Generally the system of internal control over cash at MDC is fairly good and there is need to maintain and improve the existing performance.

#### 6.2 Summary

Internal control system plays a greater role in achieving organization objective because the effectiveness of internal control provides reliable and integral financing information for the management.

An effective control on accounting system attributes errors minimization, improve accuracy and consistency of financial data, compliance with regulatory laws and guidelines governing preparation of financial data, increases reliability and integrity of financial reporting, and enable management to make more informal strategic decision.

As the primary duty of effective internal control over cash receipts should be able to safeguard cash against theft, frauds and manipulation of accounts. A system of internal control will fail to realize the objectives where two or more employees jointly agree to perpetrate or commit a fraud, therefore the researcher advises the management to apply the researcher's six variables in order to control that.

Poor controls lead to losses, scandals, and failures and damage the reputation of organization in whatever sector they are from.

The internal controls system need to be monitored, where by monitoring should assess the quality of performance over time.

Having known the significance of internal controls system especially over cash receipts MDC need to ensure that they continuously review these internal controls system and they are operational.

### **6.3 Conclusion**

According to the questionnaire result, about eighty percent (80%) agree that the internal control system over cash receipts is adequately and successfully implemented by the organization, but more effort should be made by the management on checking the effective implementation so as to ensure the safeguarding of cash receipts in the organization and the management should bear that the internal control over cash is a crucial issue in most organizations and should be considered first by applying accounting principles and procedures.

### **6.4 Recommendations**

#### **6.4.1. Recommendations to the Management of Mkuranga District Council**

According to the findings the following are some suggestions that the organization should take so as to improve the internal control system over cash receipts within the organization.

##### **(i) Supervision and Management**

There should be supervision by responsible officials of day – to – day transactions and recording thereof. The management control includes the supervisory control exercised by Management.

The organization has the responsibility on supervising and making internal check of all works to ensure quality control also make sure all procedure and rules are being followed and checked to reveal any weakness within the operation of internal controls system. This would be possible to be practiced through internal audit department, therefore the researcher insist the internal audit department to play its roles on making follow up of the internal controls in order to assist the management.

### **(ii) Training of Employee**

Staff training intends to add knowledge or expose employees with new ways of performing their duties, the employees should attend different course regarding their carriers also staffs with low education level should be given scholarships so as to wide their knowledge. Also for any new system introduced workers should attend course so as to apply well and being competent with the new system.

The researcher advice the management to enforce training to accounting staff so as to go with time. Accounting is a profession which goes with time, and a technology which needs changes after every certain period; since we are in the developing world, to acquire new technology training is a great importance.

Since the training is important and expensive it therefore needs a proper approach, greater focus in identification of training needs, formulation of training plans and budgeting strategically for training and development. Therefore management should encourage the accounting staff to attend various seminars, workshops and shorts courses from time to time.

However the organisation has to make more emphasize on finance department in conducting periodical seminars, workshops and short courses to all accounts staffs, because it seems seminars and courses attended for some sections like cashiers and salaries section, this may affect or limit the rotation of staffs from one section as well as limiting other staff on acquiring new knowledge

### **(iii) Rotation of Employees**

The researcher considers it necessary for the management to insist on job rotation, even the findings show 80% agree there is a job rotation in accounting department. This situation may help the transfer of knowledge from one person to another hence will minimize cost for attending some

courses to the Accounting department staffs, also this situation may remove sort of boredom, collusion and the like.

**(iv) ICT Applications**

Training should be provided to accountant staffs for the related software of all internal controls system to improve in order to be able to provide sound assurance that those system are working properly.

However the researcher suggests that the Organisation should employ the ICT Professionals in order to implement well the ICT Technology, because it seems that most of them have attended only a short course on how to work on computer so it is difficult to overcome any problems arising during the application if the system fails to work.

**(v) Staff Motivation and Working Condition**

Employee motivation is a major factor in the success or failure of any organization, where as some people are motivated by money, others by opportunities for professional development, therefore the employer should bear that there is a need to motivate their employee even immaterial motivation so as to work in comfortable environment this will help for frauds minimization, theft as well as any accounting manipulation.

**6.4.2. Recommendation to the Government**

A government as the controller of public fund has try to motivate its employees by giving them allowance for an extra duties conducted within the organization, leave allowances and other incentives to heads of departments like transportation, housing, and telephone allowance so as to attract the staffs members not to involve in fraud or theft of public fund.

However the government should also improve salary levels to accountants which will help to retain the available ones and attract the potential other accounting professionals as well as to perform work with integrity.

### **6.4.3. Recommendations for Further Studies**

More research should be done concerning with application of internal controls over cash receipts for the purpose of protecting organisation resources against waste, frauds, and inefficiency, ensuring accuracy and reliability in accounting and operating data; securing compliance with organisation's policies.

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## APPENDICES

### Appendix 1: Data Collection Questionnaire

Research Title: Measuring the Performance of Internal Control over Cash Receipts.

Dear Respondent,

I Matilda Noel, a student at Mzumbe University ( Msc. A&F) Dar es Salaam Campus, currently undertaking the study on the above research topic. The purpose of this questionnaire is to provide assistance in data collection that will help me in writing report on the Measuring the Performance of Internal Control over Cash Receipts. Your response will be treated confidentially and only aimed for academic purpose.

Therefore I request you to respond positively to the questions below by providing appropriate answers.

Thank you in Advance Note; do not write your name.

Please read the following questions carefully and answer them by putting a Tick in the box of the correct answer.

- (i) Is the system of internal control over cash receipts adequately and successfully implemented by the organization?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

- (ii) Is there proper control for all cash/money received, such as proper record?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

- (iii) Is there full utilization of mechanical devices of safeguarding cash like safes or strong rooms?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

(iv) Are safe combinations and keys to lockboxes restricted to a minimum number of employee?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

(v) Is there mail log prepared by someone independent of the cash receipts process?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

(vi) Are cashiers provided separate cash drawers to establish accountability?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

(vii) Are receipts recorded promptly, and deposited on bank daily?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

(viii) Is the receipts record to deposit slip reconciliation regularly reviewed by management?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

(ix) Is the segregation of duties being applied effective?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

(x) Is there rotation of employee from one section to another?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

(xi) Does internal control appear adequate for the receipts system overall?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

(xii) Is there any seminars or review courses concerning the accounting principles conducted in your working place?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

(xiii) Is the ICT Technology implemented within the organisation?

I Agree	I definitely Agree	I do not Agree	I do not definitely Agree

Thank you for spending your time on these questionnaire.

**Appendix 2: Interview Guide**

Dear respondent,

Matilda is a student of Mzumbe University pursuing the Degree of (Msc. A & F) Dar es Salaam Campus. She is collecting the research data titled as Measuring the Performance of Internal Controls over Cash Receipts, She kindly requests you to positively respond to her interview with you by providing the information frankly and honestly. All information obtained will be strictly confidential and exclusively be used for academic purpose.

I greatly appreciate your contribution in furthering this research.

**Questions:**

(i) Asking the respondent weather is conversant with internal control system.

Yes ( )

No ( )

(ii) Are Internal controls over Cash Receipts implemented effectively? How?

.....

(iii) What Accounting procedures applied on Cash Receipts?

.....

(iv) The IC’s recommend to bank money received daily is true?

Yes ( )

No ( )

(v) In what circumstance money received can’t be banked daily?

.....

(vi) Is rotation of employee from one section to another been done

Effectively? Yes ( )

No ( )

(vii) How many times did you attend any seminar concerning with your work this year?.....

Thank you for your cooperation.

**Table 5.2: Implementation of internal controls over cash receipts**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	9	60.0	60.0	60.0
	Definitely agree	5	33.3	33.3	93.3
	Do not agree	1	6.7	6.7	100.0
	Total	15	100.0	100.0	

**Table 5.3: Proper controls for money received**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	8	53.3	53.3	53.3
	Definitely agree	4	26.7	26.7	80.0
	Do not agree	2	13.3	13.3	93.3
	Do not definitely agree	1	6.7	6.7	100.0
	Total	15	100.0	100.0	

**Table 5.4: Mechanical devices for cash safe guarding**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	15	100.0	100.0	100.0

**Table 5.5: Handling of Strong Room and Safe Key**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	15	100.0	100.0	100.0

**Table 5.6: Management Review or Reconciliation of Deposited Slip**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	6	40.0	40.0	40.0
Definitely agree	4	26.7	26.7	66.7
Do not agree	1	6.7	6.7	73.3
Do not definitely agree	4	26.7	26.7	100.0
Total	15	100.0	100.0	

**Table 5.7: Segregation of Duties**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	8	53.3	53.3	53.3
Definitely agree	4	26.7	26.7	80.0
Do not agree	1	6.7	6.7	86.7
Definitely not agree	2	13.3	13.3	100.0
Total	15	100.0	100.0	

**Table 5.8: Employee rotation**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	9	60.0	60.0	60.0
Definitely agree	3	20.0	20.0	80.0
Do not agree	1	6.7	6.7	86.7
Definitely not agree	2	13.3	13.3	100.0
Total	15	100.0	100.0	

**Table 5.9: Application of Internal Controls over Cash Receipts**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	10	66.7	66.7	66.7
Definitely agree	2	13.3	13.3	80.0
Do not agree	2	13.3	13.3	93.3
Definitely not agree	1	6.7	6.7	100.0
Total	15	100.0	100.0	

**Table 5.10: Application on ICT**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	15	100.0	100.0	100.0

**Table 5.11: Quality of Staff**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	6	40.0	40.0	40.0
Definitely Agree	3	20.0	20.0	60.0
Do not Agree	2	13.3	13.3	73.3
Definitely not Agree	4	26.7	26.7	100.0
Total	15	100.0	100.0	