THE ROLE OF INTERNAL CONTROL SYSTEM FOR THE ENHANCEMENT OF CASH MANAGEMENT IN THE TANZANIAN PUBLIC SECTOR: A STUDY OF TANZANIA PUBLIC SERVICE COLLEGE (TPSC); TABORA

THE ROLE OF INTERNAL CONTROL SYSTEM FOR THE ENHANCEMENT OF CASH MANAGEMENT IN THE TANZANIAN PUBLIC SECTOR: A STUDY OF TANZANIA PUBLIC SERVICE COLLEGE (TPSC); TABORA

By

Kileo Buhero

A Dissertation submitted in Partial fulfilment of the Requirement for the Award of the Degree of Master of Business Administration (MBA-Corporate Management) of Mzumbe University

2014

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled **The Role of Internal Control System for the Enhancement of Cash Management in Public Sector: A Study of Tanzania Public Service College (TPSC); Tabora,** in partial fulfilment of the requirements for award of the degree of Master of Business Administration (MBA-CM) of Mzumbe University.

Signature

Major Supervisor

Signature

Internal Examiner

Accepted for the Board of School of Business

……………………………………………..…

Signature

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

Signature ---------------------------------------

Date --

ACKNOWLEDGEMENTS

I wish to thank God the almighty for providing me with good health, determination, ability and knowledge to enable me to successful carry out this research.

The magnitude of this work has never been the effort of one person. I would like to take into consideration with great thanks to TPSC staff of Tabora for giving me a full support of material for my study. I take this opportunity to thank all people who made a contribution in my academic life so far.

I am owed my acknowledgement to my employer Tanzania Public Service College Chief Executive and Principal Mr. Said H. Nassor for allowing me to pursue MBA-CM course at Mzumbe University and his financial assistance. I would like to extend my special thanks to the management and staff of the Mzumbe University for their administrative role in various capacities that made this course a success.

Gratitude is due to my research supervisor, Mr. Deogratias Kibona for his wise guidance, constructive comments and support that led to the successful completion of this study. Also, special thanks go to Management and staff of Tanzania Public Service College Tabora Campus for their assistance and cooperation rendered to me in order to make sure my research is properly and smoothly organized and completed.

DEDICATION

I dedicate this work to my wife Kalunde H. Mbeyu, my son Kassim Kileo Buhero and all my lovely daughters.

LIST OF ABBREVIATIONS AND ACRONYMS

APC	Auditing Practice Committee
ASOBAC	Committee on Basic Auditing Concepts
CE	Control Environment
CM	Corporate Management
COSO	Committee of Sponsoring Organisations
CSTC	Civil Service Training Centre
ICS	Internal Control Systems
OECD	Organization for Economic Cooperation and Development
SPSS	Statistical Package for Social Sciences
TPSC	Tanzania Public Service College
TSC	Tabora Secretarial Centre
URT	United Republic of Tanzania
USA	United States of America

ABSTRACT

Internal control system ensures separation of duties at every stage of activities and clearly indicates who does what and who authorizes each process of operations conducted. However, despite the fact that internal control systems exist in various public service sectors, Tanzania Public Service College being among them; the act of financial crime still continues e.g. fraud irregularities and even breaches of other control and little or no any strong measures are being taken to prevent such occurrences. The general objective of the study was to examine the role played by internal control system for the enhancement of cash management at TPSC.

A cross-sectional research design was used whereby a sample size of 35 respondents was involved. The data collected were analysed and processed by SPSS computer software version 16 through the utilization of descriptive statistics where; frequencies, percentages and tables were run.

The findings from the study indicated that, 84% of respondents were in opinion that internal control system reduces the impact of unexpected cash misallocation and misappropriation events or even to avoid them altogether when facilitated with proper procedures. Moreover, 81% of respondents were in opinion that lack of properly trained and knowledgeable internal auditors envisaged was a hindrance towards successfully management of internal control system. Like wise, 82% of the respondents suggested the need to promote transparency and accountability among employees as well as linking internal control system to individual performance because each individual should be held accountable for the attainment or non-attainment of objectives.

It is concluded that, for proper internal control system to flourish, incentives and rewards to auditors and other professionals dealing with internal control system need to be enhanced. The research adds to the argument for collaborative efforts among employees such as accountants, auditors, users and stakeholders to examine and eliminate internal control system challenges.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

CHAPTER ONE
BACKGROUND INFORMATION

1.0 Introduction

This chapter examined the role of internal control system for the enhancement of cash management in public sector with reference to Tanzania Public Service College (TPSC); Tabora. It describes the background to the problem; states the problem; research objectives and questions; the significance and limitations of the study.

1.1 Background to the Problem

One of the best defences against business failure, as well as an important driver of business or service performance, is having an effective internal control system, which manages risk and enables the creation and preservation of value for money and other organisation's assets (Bandara, 2012). Internal control system ensures separation of duties at every stage of activities and clearly indicates who does what and who authorizes each process of operations conducted (Davies, 2007). Successful organizations know how to take advantage of opportunities and counter threats, in many instances through effective application of controls, and therefore improve their performance (Cunningham, 2004). However, the financial crisis happening in various organisations puts cash collection and its management through effective internal control system back in the spotlight, forcing treasurers to focus their efforts on ways to improve their companies' or organisation's cash management (San José *et al*., 2008). When liquidity is scarce, efficient cash management is vital for ensuring that every spare cent has been fully utilised. Even in normal times, efficient cash collection and management is crucial for the company or organisation, as lack of liquidity may result in inability to pay liabilities, increased costs, and in worst case scenario, may end up in insolvency (Davies, 2007).

Laura (2002) stated that internal control is the responsibility of the management of organisation or corporation. The internal audit division assists management in discharging its responsibilities in terms of the implementation and monitoring of internal controls. Sawyer and Dittenhofer (1996) stated that internal control is the plan of the organisation, including management's attitude, methods, procedures and measures, which provide reasonable assurance that the objectives of prudent cash collection and disbursement are being achieved. The term "internal control" has basically replaced the term "internal check" (Fight, 2002). Internal check referred to those methods and procedures used by the accounting and finance divisions of a business to minimise clerical errors and protect assets, especially cash, against theft or loss. The change in terminology was the result of an expanding perception of the objectives and activities implied by internal control (Treba, 2003). According to Committee of Sponsoring Organisations (COSO, 1992), the internal control system has three primary objectives: a) effectiveness and efficiency of operations; b) reliability of financial reporting and c) compliance with applicable laws and regulations.

It is clear that, an organization has various levels within its system. The most important of these are the operating system, which is designed to accomplish stated objectives, such as producing items while meeting standards of cost, quality and schedule (Byanguye, 2011). The other is the control system, which is overlaid on the operating system. It is made up of the procedures, rules, and instructions that are designed to make sure that the operating system's objectives will be met (Sawyer and Dittenhofer, 1996). Internal control is primarily on proper and adequate accounting and reporting procedures (Reider, 1994). Ratliff *et al*., (1988) stated that, the objective of internal control is mainly to maintain reliability and integrity; and the information system is important for management's decision making process. Effective internal control also creates a competitive advantage, as an organization with effective controls can take on additional risk (Fryer *et al.*, 2009).

COSO (1992) identifies essential components of an effective internal control system as: control environment, risk assessment, control activities, procedures and practices that ensure that management objectives are achieved and risk mitigation strategies implemented, information and communication, and monitoring. These elements must be present and functioning effectively for any internal control system to achieve organization's objectives. According to the COSO (1992) framework, internal controls are put in place not only to help companies or organisations reach profitability goals and achieve their missions, but also to minimize surprises along the way. An internal control system enables management to deal with quickly changing economic and competitive environments, market changes such as shifting customer demands and priorities and restructuring. Similarly Willis (2000) reported that effective internal control helps an organization achieve its operations, financial reporting, and compliance objectives.

As a result of technological advancements and changing management techniques, organizations employ less people and are therefore less able to perform many internal accounting controls, for example, layers of authorization, cross-checking, segregation of duties, supervision, etc (OECD, 2005). The findings of the Treadway Commission Report of 1987 in the United States (USA) confirmed absence of, or weak, internal controls as the primary cause of many cases of fraudulent company financial reporting. A range of control elements are therefore required in order for internal controls to be effective. Effective internal control requires a strong control environment under which the components of systems are well implemented. The scandals from various organisations in recent years emphasize the need to evaluate, scrutinize and reformulate control systems of checks and balances in order to guide corporate executives and persons in decision-making (Bandara, 2012). Byanguye (2011) stated that, the embezzlement of funds from public institutions or organisations, particularly in essential services or monopolistic public institutions, is becoming more common. Such scandals have raised concerns about their internal control systems and reports on the mismanagement of funds in public institutions raised curtains on internal control system. These have called into question the internal control system found in public utility provider organizations such as Tanzania Public Service College.

1.2 Statement of the Problem

Decentralisation mandates public organisations to set up effective Internal Control Systems (ICS) that ensure the reliability and integrity of information, compliance with policies, plans, procedures, laws and regulations, safeguard of assets, check on the misappropriation of their resources, as well as proper authorization of expenditure and regular update of books of accounts for the enhancement of cash management (Bandara, 2012). Public sector in Tanzania has for many years been required to develop and adhere to effective Internal Control Systems (ICS) in order to enhance cash management from development expenditures (Heald, 2003). It is a true fact that Internal control system on cash management influences the performance of any organization whether private or public (DiNapoli, 2007). However, effective internal control on cash management makes organizations remain healthy and strong. That being the case, effective internal control system on cash management is an important aspect that properly needs to be undertaken by any organization in order to operate effectively, as several organizations suffer from the problem of poor internal control on cash management, leading to inefficient performance (Davies, 2007).

Since internal control system is a topical issue following global fraudulent financial reporting and accounting scandals in both developed and developing countries; the problem in many organizations, TPSC being among them is that funds and properties are entrusted to certain individual employees in the organization and in most cases these individual workers are not brought under thorough surveillance (Bandara, 2012). Despite the fact that internal control systems exist in various public service sectors, Tanzania Public Service College being among them; the act of financial crime still continues e.g. fraud irregularities and even breaches of other control and little or no any strong measures are being taken to prevent such occurrences. The result is that much of funds and properties are directed to personal use (Gyebi and Quain, 2013). In view of this, this study examines the role played by internal control system at TPSC.

1.3 Research Objectives

The objectives are divided into two, which are; general objective and specific objectives as shown hereunder.

1.3.1 General objective

To examine the role played by internal control system at TPSC

1.3.2 Specific Objective

a) To explore the contribution of internal control system for the enhancement of cash management at TPSC
b) To identify factors influencing internal control system for the enhancement of cash management at TPSC
c) To suggest measures to improve internal control system for the enhancement of cash management at TPSC

1.4 Specific questions

a) What is the contribution of internal control system for the enhancement of cash management at TPSC?
b) What are the factors influencing internal control system for the enhancement of cash management at TPSC?
c) What measures could be put to improve internal control system for the enhancement of cash management at TPSC?

1.5 Significance of the Study

It is the belief of the researcher that the information collected from the study highlights the role played by internal control systems at TPSC for the enhancement of cash management while serving as a foundation for the setting up strong internal control system in various organizations.

The study would help the policy makers realize the need to have strong internal control system and generate knowledge to link internal control systems and value for money which guides the planning for the public resources.

The study would be helpful to all academicians in finance and accounting, management, legal and other fields in the furtherance of their studies in form of future research and in the operations at their work places.

This study is important for the researcher for the fulfilment of Masters Degree in Business Administration (CM) as the requirement of Mzumbe University.

1.6 Limitations of the Study

The study was carried out in a short period of time i.e. not long enough to allow an in depth study. Therefore data collected could be different from that which could be got if a longer period of time would be used.

It was expected that the response rate would be low due to respondents being in hurry, very busy with their daily activities and others were not present at their working place sometimes. However, continuous follow-ups made the study to be completed.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of literature whereby, identified concepts were used and discussed. It is based on theoretical literature review (where major ideas and concepts are given), empirical literature review and finalizes with the conceptual framework.

2.1 Theoretical Literature Review

Literature reviews are secondary sources, and as such, do not report any new or original experimental work. Their main goals are to situate the current study within the body of literature and to provide the context for the particular reader.

2.1.1 Definition of Terms

2.1.1.1 Internal control system

Internal control system is focused on the achievement of the organization's mission (Arnold, 2005). Therefore, it is essential that an organization has a clearly stated mission that is known and understood by everyone in the organization. It is also important to understand that, while good internal control system will provide "reasonable assurance" goals and objectives are met, good internal control system cannot guarantee organizational success (Paul *et al.*, 2003). However, goals and objectives are much less likely to be met if internal control system is poor. Internal control is defined by Arnold (2005) as follows: *Internal control is the integration of the activities, plans, attitudes, policies, and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its objectives and mission.*

This definition according to Arnold (2005) establishes that internal control; affects every aspect of an organization; all of its people, processes and infrastructure; is a basic element that permeates an organization, not a feature that is added on; incorporates the qualities of good management; is dependent upon people and will succeed or fail depending on the attention people give to it; is effective when all of the people and the surrounding environment work together; provides a level of comfort regarding the likelihood of achieving organizational objectives; and helps an organization achieve its mission. While the overall purpose of internal control is to help an organization achieve its mission, internal control also helps an organization to; a) promote orderly, economical, efficient and effective operations, and produce quality products and services consistent with the organization's mission; b) safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud; c) promote adherence to laws, regulations, contracts and management directives; and d) develop and maintain reliable financial and management data, and accurately present that data in timely reports (Paul *et al.,* 2003).

In the modern business world, the term "Internal Control" is being used to refer to two basic concepts: the Internal Control System and the Internal Control itself (Cunningham, 2004). Effective internal control system is a very important aspect in business operations. This is due to the fact that it influences the performance of various organizations. The Internal Control System refers to an organized amalgamation of functions and procedures, within a complete system of controls established by the management and whose purpose is the successful function of the business (Cheung, 1997). The Internal Control System is all the methods and procedures followed by the management in order to ensure, to a great extent, as much successful cooperation as possible with the director of the company, the insurance of the capital, the prevention and the detection of fraud, as well as the early preparation of all the useful financial information (OECD, 2005). Internal control is the term generally used to describe how management assures that an organization does meet its financial and other objectives. Internal control systems not only contribute to managerial effectiveness but are also important duties of corporate boards of directors (Verschoor, 1999).

According to Cook and Wincle (1976) the Internal Control System resembles the human nervous system which is spread throughout the business carrying orders and reactions to and from the management. It is directly linked to the organizational structure and the general rules of the business (Treba, 2003). Gupta (2001) drawing from Statements of Standard Auditing Practices No. 6 (SAP 6) defines Internal control as "the plan of organization and all the methods and procedures adopted by the management of an entity to assist in achieving management objectives of ensuring as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of accounting records and the timely preparation of reliable financial information". It is therefore worth noting from the above that; properly instituted systems of internal control will ensure; completeness of all transactions undertaken by an entity, that the entity's assets are safeguarded from theft and misuse, that transactions in the financial statements are stated at the appropriate amounts, that all assets in the company's financial statements do exist, that all the assets presented in the company's financial statements are recoverable and that the entity's transactions are presented in the appropriate manner according to the applicable reporting framework (Treba, 2003).

The term internal control adopted by the Anglo-Saxons ("Internal Auditing") refers to the unit of Internal Control which aims at the evaluation of the sufficient functioning of the Internal Control System, that is the secondary functions (Controls) and suggests that there is room for improvements in cases where weaknesses are being discovered (Financial Postman magazine, 2004). According to the AICPA, (1963) a system of internal control extends beyond those matters which relate directly to the functions of accounting and the financial statements. In addition, based on the ASOBAC (Committee on Basic Auditing Concepts, 1973), internal control is a systematic procedure which will lead to evaluate the degree of correlation between those established criteria and the real results of the business. Internal Control, as defined from the APC (Auditing Practices Committee, 1980), is an independent examination and certification from an inspector appointed by the business to control the finances according to the legal framework established each time.

The internal control helps the company or organisation to achieve its goals using a systematic approach of assessing the effectiveness of handling dangers (Bandara, 2012). From the above definitions, it is clear that the internal control is not just an one-sided tool for controlling the order and rightness of certain situations, but it is a method of detecting the value added up to a company or organisation, achieving the index of effectiveness and profitability of the company (Goodwin, 2004). Besides, the purpose of this control is the intentional, the programmed and focused effect of the company on the current situation, so as this situation to be reformed in the future and become the one that ought to exist (Mcnamee and Mcnamee, 1995). In various literatures the phrase internal control system has been used to bear different implications. While Welsch (1999) defines internal control as a set of those policies and procedures of the organization designed primarily to safe guard the assets of the enterprise, Millichamp (2002) defines internal control as a whole system of controls, financial and otherwise, established by management in order to carry on the business of the enterprise in orderly and efficient manner, ensure adherence to management policies, safeguard its assets and secure as far as possible the completeness and accuracy of the records. A good system of internal control for cash should provide procedures for protecting both cash receipts and cash disbursements.

2.1.1.2 Cash concepts

According to Davidson *et al*, (1999) cash is any medium of exchange, which is immediately negotiable. It must be free of restriction for any business purpose. Cash has to meet the prime requirements of general acceptability and availability for instant use in purchasing and payment of debt (Kasilo, 1997). Acceptability to a bank for deposit is a common test applied to cash items. It is channelling available cash into expenditures that enhance productivity, directly or indirectly. In addition, cash is ready money in the bank or in the business. It is not inventory, it is not accounts receivable (what you are owed), and it is not property (Paul *et al*, 2003). These might be converted to cash at some point in time, but it takes cash on hand or in the bank to pay suppliers, to pay the rent, and to meet the payroll. Profit growth does not necessarily mean more cash (Davidson *et al,* 1999).

Cash is the important current asset for the operations of the business (Ngonyani, 2005). Cash is the basic input needed to keep the business running on a continuous basis; it is also the ultimate output expected to be realized by selling the service or product manufactured by the firm. The firm should keep sufficient cash, neither more nor less. Cash shortage will disrupt the firm's manufacturing operations while excessive cash will simply remain idle without contributing anything towards the tint's profitability. Thus, a major function of the financial manager is to maintain a sound cash position (Pandey, 2007). Cash is the money which a firm can disburse immediately without any restriction. The term cash includes coins, currency and cheques held by the firm, and balances in its bank accounts. Sometimes near-cash items, such as marketable securities or bank times deposits, are also included in cash (Arnold, 2005). The basic characteristic of near-cash assets is that they can readily be converted into cash. Generally, when a firm has excess cash, it invests it in marketable securities. This kind of investment contributes some profit to the firm (Hampton, 2001).

2.1.1.3 Cash management concepts

Waltson and Head (2007) explained cash management as the concept which is concerned with optimizing the amount of cash available, maximizing the interest earned by spare funds not required immediately and reducing losses caused by delays in the transmission of funds. According to Zimmerer *et al* (2008) cash management is the process of forecasting, collecting, disbursing, investing and planning for cash a company needs to operate smoothly. They further added that cash management is a vital task because it is the most important yet least productive asset that a small business owns. A business must have enough cash to meet its obligations or it will be declared bankrupt. Creditors, employees and lenders expect to be paid on time and cash is the required medium of exchange (Kasilo, 1997). However, some firms retain an excessive amount of cash to meet any unexpected circumstances that might arise. These dormant cash have an income-earning potential that owners are ignoring and this restricts a firm's growth and lowers its profitability. Investing in cash, even for a short time, can add to company's earning. Proper cash management permits the owner to adequately meet cash demands of the business, avoid retaining unnecessarily large cash balances and stretch the profit generating power of each dollar the business owns (Zimmerer *et al,* 2008).

Cash management is particularly important for new and growing businesses. (Davidson *et al,* 1992) indicated in their book that cash flow can be a problem even when a small business has numerous clients, offers a superior product to its customers, and enjoys a sterling reputation in its industry. Companies suffering from cash flow problems have no margin of safety in case of unanticipated expenses. They also may experience trouble in finding the funds for innovation or expansion. Finally, poor cash flow makes it difficult to hire and retain good employees (Arnold, 2005). Westerfield *et al,* (1999) noted that it is important to distinguish between true cash management and a more general subject of liquidity management. The distinction is a source of confusion because the word cash is used in practice in two different ways. First, it has its literal meanings, actual cash on hand. However, financial managers frequently use the word to describe a firm's holdings of cash along with its marketable securities, and marketable securities are sometimes called cash equivalents or near cash. In our distinction between liquidity management and cash management is straightforward; they added (Westerfield *et al,* 1999).

2.1.1.4 Cash Management

According to Fight (2002) cash management is the most liquid of assets and is susceptible to loss if not properly controlled. Therefore, it is extremely important that, all departments handling cash implement and adhere to strong internal controls. For the purposes of this study, “cash management” includes all measure to safeguard coins, currency, checks, money orders, internal charges, credit card etc**.** ″Cash is king″ is probably the most frequently heard phrase in the business world. Moreover, it has never been more appropriately managed. Efficient cash handling and control systems increase certainty that payments are made properly by the due date; and that receipts are passed without delay to the responsible bodies. They also reduce operational risk and the scope for mismanagement or fraud. Efficient cash management contributes to the development of an efficient short-term securities market as well as being facilitated (San Jose *et al*., 2008).

2.1.1.4 Facets of Cash Management

Pandey (2008) has provided in his book that cash management is concerned with managing of cash flows into and out of the firm as well as cash flows within the firm, and also cash balances held by firm at a point of time by financing deficit or investing surplus cash. He added that in order to resolve the uncertainty about cash flow prediction and lack of synchronisation between cash receipts and payments, the firm should develop appropriate strategies for cash management. The firm should evolve strategies regarding the following four facets of cash management which includes:

- Cash planning: Cash inflows and outflows should be planned to project cash surplus or deficit for each period of the planning period. Cash budget should be prepared for this purpose.
- Managing the cash flow's: The flow of cash should be properly managed. The cash inflows should be accelerated while, as far as possible, the cash outflows should be decelerated. This is concerned with management of collections and disbursements.
- Optimum cash level: The firm should decide about the appropriate level of cash balances. The cost of excess cash and danger of cash deficiency should be matched to determine the optimum level of cash balances. It appreciates the need to retain cash in business to meet various cash requirements that may arise at any time. Especially short term requirement of cash.
- Investing surplus cash: The surplus cash balances should be properly invested to earn profits. The firm should decide about the division of such cash

balance between alternative short-term investment opportunities such as bank deposits, marketable securities, or inter-corporate lending.

The ideal cash management system will depend on the firm's products, organisation structure, competition, culture and options available. The task is complex, and decisions taken can affect important areas of the firm. For example, to improve collections if the credit period is reduced, it may affect sales as affirmed by Pandey (2008). However, in certain cases, even without fundamental changes, it is possible to significantly reduce cost of cash management system by choosing a right bank and controlling the collections properly.

2.1.2 Internal Control Weaknesses related to general controls

In their publication Whittington and Pany (2001) attempt to explain the meaning, significance of Internal Controls, and the Components of a Company's internal controls. They also attempt to explain the relevancy of internal controls in large scale business organizations. In their book while borrowing the definition of the Committee of Sponsoring Organizations (COSO); Internal Control-Integrated Framework, Whittington and Pany (2001) define Internal control as "a process effected by the entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories; reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations." They emphasize that internal controls is a process and not an end in or of itself. They note that internal controls provide reasonable but not absolute assurance about the attainment of an entity's objectives. Gupta, (2001) also acknowledges that internal controls can only provide reasonable assurance that management objectives will be achieved. This is basically due to the inherent limitations of internal control.

2.1.3 Internal Check

This is the area of internal control which is exclusively concerned with the prevention and early detection of errors and possibly fraud. It therefore involves the arrangement of book-keeping and other clerical duties in such a way as to ensure that; i) No single task is executed by only one person from its beginning to the end; ii) The work of each personnel engaged on a task is subject to an independent check in the course of another person's assignment (Ngonyani, 2005). This is normally achieved incidentally and yet intentionally within the course of the other clerical function. The purpose of internal check can be summarized as follow according to Arnold (2005); a) To pin down to definite persons responsibility of particular acts defaults or omissions by the segregation of tasks; b) To obtain confirmation of facts and entries physical and financial by the creation and preservation of necessary records; c) To facilitate the breakdown of routine procedures so as to avoid bottlenecks and to establish an even flow of work; d) To reduce to a minimum the possibility of fraud and/or errors.

The existence of an efficient and operative system of internal check makes it difficult for any extensive fraud to be perpetrated except as a result of collusion between various members of staff (Kasilo, 1997). Even with collusion however, fraud should not go undetected for any length of time provided comprehensive system exist such as ensuring rotation of employee between various jobs at time intervals. It must be noted that internal check does not make all fraud impossible. It is just like the existence of police force yet crime exists. What internal check does is to make fraud more difficult by reducing temptations, putting obstacles in the way of potential criminals and greatly increasing their risk of detection (Paul *et al,* 2003).

2.1.4 Limitations to Internal Control

According to Amudo and Inanga (2008) although internal controls are of paramount importance they have their own limitation. No internal control however, elaborates and comprehensive, can guarantee efficient administration and reliability of records or can be a proof against fraudulent collusion especially on the part of those holding high positions of authority or trust. Authorisations controls can be abused by a person in whom authority is vested. Other factors likely to undermine effective operation of controls are; a) Fatigue; b) Distraction; can easily be controlled through experience; c) Carelessness; d) Misunderstanding; e) Errors of judgment and/or interpretation (Paul *et al*, 2003). Making internal control systems effective for internal control system to achieve its desired objective, it must be effective and reliable. The following should be watch dogs according to Arnold (2005); a) Procedural Manual must be followed; b) Inspection and Audit report must be accessed and act upon; c) Leadership inspiration and supervision is paramount important; and d) Management should support the process.

2.1.5 Features of a successful control environment

A good and successful control environment exhibits certain attributes according to Pandey (2008). These include:

i. Commitment to trust and fair dealing

ii. Commitment to quality and competence

iii. Communication of ethical values

iv. An appropriate organization structure

v. Independence, integrity and openness at Board reporting level

vi. A professional to approach to financial reporting (finsec consult, 2008)

2.1.6 Internal Controls systems and financial performance

Hitt *et al* (1996) argued that there are two types of major internal controls associated with the management of large firms, particularly diversified firms, which have an important effect on firm innovation, these are; strategic controls and financial controls. Strategic controls entail the use of long-term and strategically relevant criteria for the evaluation of business-level managers' actions and performance. Strategic controls emphasize largely subjective and sometimes intuitive criteria for evaluation (Gupta, 1987). The use of strategic controls requires that corporate managers have a deep understanding of business-level operations and markets. Such controls also require a rich information exchange between corporate and divisional managers (Hoskisson *et al.,* 1994). On the other hand, financial controls entail objective criteria such as return on investment (ROI) in the evaluation of business-level managers' performance. They are similar to what Ouchi (1980) and Eisenhardt (1985) referred to as outcome controls. Thus, top-level managers establish financial targets for each business and measure the business-level managers' performance against those targets. Such an approach can be problematic when the degree of interdependence among business units is high. Thus, emphasis on financial controls requires each division's performance to be largely independent (Treba, 2003).

As a firm grows especially through acquisition, it also grows in complexity and the number of units that corporate executives must oversee and manage thereby increasing their spans of control (Gupta, 2003). Clearly, each acquisition increases corporate managers' need for information processing, sometimes dramatically so. These changes make it difficult for corporate managers to use strategic controls. To reduce information-processing demands, they may change their emphasis from strategic to financial controls (Hitt *et al.,* 1996). The three major categories of management objectives comprise; effective operations, financial reporting and compliance (Hayes *et al.*, 2005). Effective operations are about safeguarding the assets of the organization. The physical assets like cash, non physical assets like receivables, important documents and records of the company can be stolen, misused or accidentally destroyed unless they are protected by adequate controls. The goal of financial control requires accurate information for internal decision because management has a legal and professional responsibility to ensure that information is prepared fairly in accordance with applicable accounting standards. Organizations are equally required to comply with many laws and regulations including company laws, tax laws and environment protection laws (Treba, 2003).

2.1.7 Key Principles of Evaluating and Improving Internal Control

The principles below represent good practice for evaluating and improving internal control systems according to Treba (2003). These principles are not formulated to design and implement an internal control system for which other existing guidelines are referenced, but to facilitate the evaluation and improvement of existing internal control systems by highlighting a number of areas where the practical application of such guidelines often fails in many organizations.

a) Supporting the Organization’s Objectives

Internal control should be used to support the organization in achieving its objectives by managing its risks, while complying with rules, regulations, and organizational policies. The organization should therefore make internal control part of risk management and integrate both in its overall governance system.

b) Determining Roles and Responsibilities

The organization should determine the various roles and responsibilities with respect to internal control, including the governing body, management at all levels, employees, and internal and external assurance providers, as well as coordinate the collaboration among participants.

c) Fostering a Motivational Culture

The governing body and management should foster an organizational culture that motivates members of the organization to act in line with risk management strategy and policies on internal control set by the governing body to achieve the organization’s objectives. The tone and action at the top are critical in this respect.

d) Linking to Individual Performance

The governing body and management should link achievement of the organization's internal control objectives to individual performance objectives. Each person within the organization should be held accountable for the achievement of assigned internal control objectives.

e) Ensuring Sufficient Competency

The governing body, management, and other participants in the organization's governance system should be sufficiently competent to fulfill the internal control responsibilities associated with their roles. Evaluating and Improving Internal Control in Organizations.

f) Responding to Risk

Controls should always be designed, implemented and applied as a response to specific risks and their causes and consequences.

g) Communicating Regularly

Management should ensure that regular communication regarding the internal control system, as well as the outcomes, takes place at all levels within the organization to make sure that the internal control principles are fully understood and correctly applied by all.

h) Monitoring and Evaluating

Both individual controls as well as the internal control system as a whole should be regularly monitored and evaluated. Identification of unacceptably high levels of risk, control failures, or events that are outside the limits for risk taking could be a sign that an individual control or the internal control system is ineffective and needs to be improved.

i) Providing for Transparency and Accountability

The governing body, together with management, should periodically report to stakeholders the organization's risk profile as well as the structure and factual performance of the organization's internal control system.

2.1.8 Types of Control

Controls can be either preventative or detective (Treba, 2003). Preventative controls attempt to deter or prevent undesirable events from occurring. Separation of duties, proper authorization, adequate documentation, passwords and physical control over assets and even traffic signs are all examples or preventative controls. Detective controls attempt to detect errors or irregularities which have already occurred. Reviews, analyses, reconciliations, periodic physical inventories, audits and surveillance cameras are all examples of detective controls (Hayes *et al.*, 2005). Both types of controls are essential to an effective internal control system. From a quality standpoint, preventative controls are essential because they are proactive. However, detective controls play a critical role providing evidence that preventative controls are functioning effectively (Treba, 2003).

2.2 Theories of Internal control systems

There are two theories that focus on internal control system namely; agency and living system theory. However, key indictors in cash management are given.

2.2.1 The Agency Theory

Agency Theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behaviour of agents (Hayes *et al.*, 2005). Accordingly, Barlie and Means (1932) posit that in order to harmonize the interests of the agent and the principal, a comprehensive contract is written to address the interest of both the agent and the principal. Barlie and Means (1932) further explain that the relationship is further strengthened by the principal employing an expert to monitor the agent. This position is also supported by Coarse (1937) who maintains that the contract provides for conflict resolution between the agent and principal, the principal determines the work and agent undertakes the work. He however, proposes that the principal suffers shirking which deprives him or her from benefiting from the work of the agent. Nevertheless, the theory recognizes the incomplete information about the relationship, interests or work performance of the agent described as adverse selection and moral hazard. Coarse (1937) explains that moral hazard and adverse selection affects the output of the agent in two ways; not doing exactly what the agent is appointed to do, and not possessing the requisite knowledge about what should be done. This therefore, affects the overall performance of the relationship as well as the benefits of the principal in form of cash residual (Treba, 2003).

Other related reviews include; The Sarbanes-Oxley Act of 2002 (SOX) which requires companies to report on the effectiveness of their internal controls over financial reporting as part of an overall effort to reduce fraud and restore integrity to the financial reporting process (Hayes *et al.*, 2005). Morris (2011) asserts that software vendors that market enterprise resource planning (ERP) systems have taken advantage of this new focus on internal controls by emphasizing that a key feature of ERP systems is the use of “built-in” controls that mirror a firm’s infrastructure. They emphasize these features in their marketing literature, asserting that these systems will help firms improve the effectiveness of their internal controls as required by SOX. Internal control is one of many mechanisms used in business to address the agency problem. Others include financial reporting, budgeting, audit committees, and external audits (Jensen and Payne, 2003).

Studies have shown that internal control reduces agency costs (Abdel-khalik, 1993; Barefield *et al.*, 1993), with some even arguing that firms have an economic incentive to report on internal control, even without the requirements of SOX (Deumes and Knechel, 2008). Their argument assumes that providing this additional information to the principal (shareholder) about the behaviour of the agent (management) reduces information asymmetry and lowers investor risk and, therefore, the cost of equity capital. Other research has found that weaknesses in internal controls are associated with increased levels of earnings management (Chan et al. 2008; Ashbaugh *et al.* (2008). Earnings management is the agency problem that motivated SOX legislation in the first place, specifically earnings manipulation by Enron, WorldCom, etc. Internal controls have played a major role in moderating the agency problem in corporations for many years (Samson *et al.,* 2006).

According to ICA (2005) agency theory is a useful economic theory of accountability, which helps to explain the development of the audit and the way it should be viewed. In order to better explicate the relationship of opinions, this theory has put aside two variables ruling in principals such as company's top management on one side, as well agents like, auditors on the other side. Therefore, a simple agency model suggests that, as a result of information asymmetries and self interest, principals lack reasons to trust their agents and will seek to resolve these concerns by putting in place mechanisms to align the interests of agents with principals and to reduce the scope for information asymmetries and opportunistic behaviour (ICA, 2005). Again, according to ICA (2005) an agency relationship arises when one or more principals (e.g. an owner) engage another person as their agent (or steward) to perform a service on their behalf. Performance of this service results in the delegation of some decision-making authority to the agent. ICA (2005) further indicates that this delegation of responsibility by the principal and the resulting division of labour are helpful in promoting an efficient and productive economy. However, such delegation also means that the principal needs to place trust in an agent such as auditor to act in the principal's best interests like; performing internal auditing with full focus of safeguarding company's assets (Rajhan, 2010).

2.2.2 Living System Theory of Internal Control

Kouladies (1996), Hugh and Swanson (2001) presented an interpretive and analytical thought of the function of internal auditing, not only from the viewpoint of its role in an organization, but also in regard to the role it plays in the economics of societies and governments upon which they have been able to provide a living idea about the way internal audit may be understood. Kouladies (1996), Hugh and Swanson (2001) theory was created in focusing on the whole matters abut internal auditing and placed it within the context of a scientific conceptual framework called Living Systems Theory (LST). Kouladies (1996), Hugh and Swanson (2001) further pointed out that there are specific issues and areas of concern in internal auditing, including its functions, profession and its professional standards. The theory provides that internal auditing as money-information provider, non-monetary quantitative information, is key catalyst tool for estimating compound measurement and forecasting error, non-quantitative assessments, concrete process analysis and living systems process analysis and ethics. The same theory stipulates that using internal auditing a company can achieve a high-level aspect of asset security and consequently enable the firm to operate under an environment of certainty as every important aspect is not only well determined but also well maintained (Kouladies, 1996, Hugh and Swanson, 2001).

This study in fact, is on the consensus that both reviewed theories are very important especially as they both strive to put forward a common comprehension intending to explicate the complexity of internal auditing field. In this regard however, the study supports both of the theories just by merely basing of the reality from both of them. Another explicating fact for such a support is derived from the evidence as to whether both similarly emphasize on the way internal auditing field is linked to other core activities of any organization since it greatly helps in safeguarding firm's assets and meanwhile place trust between employee and employer.

2.2.3 Key indicators in cash management

Without adequate cash flow, a firm can become technically insolvent even though assets far out way the liabilities. To reduce the chances for a firm becoming technically insolvent, the following parameters have been recommended by Arnold (2005) to be employed in evaluating the effectiveness of a cash management system. These include; a) Cash conversion cycle; b) Operation cash flows; c) Increase of decrease in cash; and d) Liquidity flow index.

a) Cash conversion cycle

This is the time interval between actual cash payment/expenditure for the purchase of productive/operational resources and the ultimate collection of cash from the sales of products/services. The cash conversion cycle provides a valid alternative for measuring company liquidity. The longer the time taken to get back the money paid out, the more the likely hood the organization is to face technical insolvency and vice versa (Paul *et al*, 2003).

b) Operational cash flows

Cash flows from operations are the amount of cash a firm generates in a measured time from its operation. Various methods are used to determine the amount of operating cash flow. The prevalent methods use the income statement and the balance sheet to prepare the cash flow statement also called statement of sources and application of funds (Kasilo, 1997). Positive cash flows indicate how much cash the organization has generated from operations during the financial year. Negative cash flows indicate how much additional cash has been used to support the operations during the same period. Usually, a firm with negative cash flow from operations is unable to finance its operations. De facto, it is consuming cash flows rather than generating them. It becomes prone to technical insolvency problems and it may go bankruptcy (Woodward, 1999).

Cash flow accounting involves the reporting of classified list of last year's cash flows, and a set of forecast cash flows, with supporting analysis of the variances between last year's actual and forecast cash flows (Ngonyani, 2005). It therefore emphasizes the most fundamental events in business activities, cash flows into and out of the firm, and the segregation of past (cash) facts from future estimates, accounting time period allocation, based on estimates of consumption are avoided (Woodward, 2001). The result is a set of statements that is objective, understandable and simple, and which meets the needs of a variety of users concerned with stewardship, liquidity, performance appraisal and investment. In particular, cash flow accounting meets one of the fundamental accounting objectives, "to provide information useful to investors and creditors for predicting, comparing and evaluating potential cash flows to them in terms of amount, timing and related uncertainty"(Arnold, 2005).

Cash flows provide data, which, because it is properly dated, can be discounted at a rate, selected by the user, and which does not required level adjustments, although comparisons over time require, and the data permit general price level adjustment to a base period (Paul *et al,* 2003). Finally, the use of a cash flow statement integrates trading activities and investments, dividends and financing policies, unlike information presented in profit and loss account and balance sheet format. However, critics of the cash flow system argue that cash flow reports can be distorted, for example, by delaying payments to creditors, and as they ignore non-cash changes in assets and liabilities, including holding gains and losses, so that no estimate is provided of the extent to which these flows were obtained by consumption of assets. Operating cash flows have also be found to be poor predictors of failure (Arnold and Wearing, 1988).

c) Increase or decrease in cash

A corporation's cash flow statement shows whether the firm has increase or decrease its cash during the period for which the statement refers. Cautiously a decrease can be indicative of how unsatisfactory the firms operations have been during the year and vice versa. Since profits are not cash, a firm may realize profits but still be technically insolvent (Kasilo, 1997). If cash flows are generated a firm may remain in business for several years while still making losses. Usually, with meticulously handled double entry account system, the decrease or increase in cash is simply the difference between opening cash balance and the closing balance (Ngonyani, 2005).

d) Liquidity flow index (LFI)

The LIF indicates the relationship between the amount of cash that will be available for meeting the obligations and the amount of cash required to meet such obligation during the same period (Kasilo, 1997). It is cash budget's ratio of operating cash influence to the required cash outflows for a particular period. Maintaining liquidity may add value to a firm. A firm that faces variable demand can add value by maintaining liquidity to permit it operating flexibly since changes in operating levels can be more expensive than changes in liquidity or working capital. Thus liquidity can enhance firm value by reducing the systematic components of its risk as it reduces the firm's susceptibility to economic fluctuations (Arnold, 2005). In addition, the value of a firm may be enhanced by its liquidity because of its ability to act as a financial intermediary for its customers and suppliers. A firm may be able to add value by doing this because of imperfections in financial markets. Further, under asymmetric information, a liquid firm may be able to fund valuable projects that may be difficult or costly to fund in financial markets (Soenen and Aggarwal, 1989).

In the case of firms operating in multinational settings, maintaining liquidity may additionally allow a firm opportunity for arbitrage between segmented national capital markets and institutional settings. Such firms also face additional opportunities and challenges in managing liquidity under currency and political risks. Thus, because of the wide spread segmentation of national financial markets, the ability to increase firm value by internalising the rates due to the market imperfections through liquidity managements apply even to a great extent to firms operating in multinational settings (Kasilo, 1997). To illustrate this difference between the domestics and the multinational settings, nations can be defined as regions whose residents have different purchasing power indexes. National group of investors, therefore delineated by deviations from purchasing power parity which causes them to use different price indexes and deflating the monetary returns from the same security. In practice, nations may further be separated by such manifestations of sovereignty as taxes, and exchange and border controls, which restrict access to local capital markets (Soenen and Aggarwal, 1989).

2.3 Empirical Literature Review

According to Treba (2003), a system of internal control is a tool for ensuring that an organization realizes its mission and objectives while enhancing cash management. He further notes that much as internal controls are often thought to be the domain of accountants and auditors; it is actually management that has primary responsibility for proper controls. A critical element of any comprehensive Internal Control Systems is regular monitoring of the effectiveness of internal controls to determine whether they are well designed and functioning properly (Treba, 2003). Lawson *et al.*, (2006) noted that weaknesses in internal control systems (control over the payroll, over expenditure commitments and over procurement processes) lead to failure to ensure that resources are allocated to defined priorities and to guarantee that the value for money will be attained in public spending.

Laura (2002) observed that ICS in organisations consist of five interrelated components such as; control environment, control activities, risk assessment, information and communication and monitoring for the enhancement of cash management.

a) Control Environment

Control Environment (CE) is the philosophy, style and supportive attitude, as well as the competence, ethical values, integrity and morale of the people of the organization

(DiNapoli, 2007). The CE is further affected by the organization's structure and accountability relationships. This provides the discipline and structure for the achievement of the primary objectives of the System of Internal Control. According to Thuy (2007) control environment is the foundation of the ICS and sets the tone of an organisation, influencing the control consciousness of its staff. Elements of the control environment are; the personal and professional integrity and ethical values of management and staff, appropriate culture in the organisation, attitude towards internal control throughout the organisation; commitment to competence; the "tone at the top" (i.e. management's philosophy and operating style); a good organizational structure (an independent Internal Audit function and segregation of duties), set up proper authorization limits; and human resource policies and practices (Laura, 2002).

b) Control Activities

Once the controllable risks have been identified, specific control activities can be undertaken to reduce those risks (Kaplan, 2008). According to Thuy (2007) Control Activities are comprised of policies, procedures and systems relating to the reliability of financial reporting. They include authorizations and approvals, verifications, reconciliations, reviews of performance, security of assets, segregation of duties, and controls over information systems. Control activities can be preventive and/or detective. Corrective actions are a necessary complement to internal control activities in order to achieve the organisations' objectives hence realizing Value for Money (Laura, 2002).

c) Risk Assessment

Risk assessment is the process of identifying and analyzing relevant risks to the achievement of the entity's objectives and determining the appropriate response. It involves risk identification; risk evaluation (estimating the Impact of a risk; assessing the likelihood of the risk occurrence); assessment of the risk appetite of the organisation and development of responses. Risk assessment should be performed and should identify; controllable risks (risks on which Internal Control procedures can be established) and uncontrollable risks (risks that are caused by the external environment that the entity operated in) (DiNapoli, 2007). According to the Cadbury Report (1992), risk management should be systematic and also embedded in company procedures. And there should be a culture of risk awareness in the organisation. As governmental, economic, industry, regulatory and operating conditions are in constant change, risk assessment should be an ongoing iterative process. Risk Assessment implies identifying and analyzing altered conditions and opportunities and risks (risk assessment cycle) and modifying internal control to address changing risk (Heald, 2003).

d) Information and Communication

Information should be communicated to all stakeholders such as management, employees, etc. who need it in the form and within a time frame that helps them to carry out their responsibilities (DiNapoli, 2007). Information should be appropriate, timely, current, accurate and accessible as such reliable and relevant therefore transactions should be promptly recorded and properly classified. The feedback from this communication helps management and employees to evaluate how well the systems of internal control are working. Information and Communication are essential to realizing the internal control objectives. If all personnel understand their own role in the ICS and they as well know how their individual activities relate to the work of others, a clear message received from top management that control responsibilities, will be taken seriously (DiNapoli, 2007).

e) Monitoring

Monitoring is the process that assesses the quality of the system's performance over time, which includes ongoing monitoring activities, separate evaluations or a combination of the two (DiNapoli, 2007). Management should focus monitoring efforts on internal controls and the achievement of the organization’s mission. For monitoring to be most effective, all employees need to understand the organization's mission, objectives, risk tolerance levels and their own responsibilities. Monitoring is the review of an organization's activities and transactions i.e. the ICS to assess the quality of performance over time and to determine whether controls are effective (DiNapoli, 2007). Ongoing monitoring of internal control is built into the normal, recurring operating activities of an entity it involves actions against irregular, unethical, uneconomical, inefficient and ineffective Internal Control Systems.

However, the COSO Framework of Internal Control recommends the ICS to comprise two substantive components; control environment and control activities (Thuy, 2007). According to Kaplan (2008), failure to monitor risk correctly could lead to financial collapse of an organisation. The Internal Audit function is often the key monitor of the ICS, they examine the controls and control system, identify where controls have failed so that these failures can be rectified and also make recommendations to management for new and improved systems. Most of the literature on internal control frameworks includes information and communication as one of the internal control components (Davies, 2007). Smooth flow of information and communication across and within the organization is influenced by the nature of the working relationship within the organization at all levels. The working relationship coordinates organization's activities to achieve goal congruence. When effective working relationship exists in an organization, delegation of responsibilities is achieved. Then internal control functions as intended. However, when a communication gap exists for any reason, sub-optimization results with adverse consequences (Treba, 2003).

Measures to be taken for the successful internal control system according to Thuy (2007) includes the following; a) *Supporting the organization's objectives*. Internal control should be used to support the organization in achieving its objectives by managing its risks, while complying with rules, regulations, and organizational policies. The organization should therefore make internal control part of risk management and integrate both in its overall governance system; b) *Determining Roles and Responsibilities*. The organization should determine the various roles and responsibilities with respect to internal control, including the governing body, management at all levels, employees, and internal and external assurance providers, as well as coordinate the collaboration among participants; c) *Fostering a Motivational Culture*. The governing body and management should foster an organizational culture that motivates members of the organization to act in line with risk management strategy and policies on internal control set by the governing body to achieve the organization's objectives. The tone and action at the top are critical in this respect; d) *Linking to Individual Performance*. The governing body and management should link achievement of the organization's internal control objectives to individual performance objectives.

Furthermore, Thuy (2007) states that each person within the organization should be held accountable for the achievement of assigned internal control objectives; e) *Ensuring Sufficient Competency.* The governing body, management, and other participants in the organization's governance system should be sufficiently competent to fulfil the internal control responsibilities associated with their roles; and f) *Responding to Risk.* Controls should always be designed, implemented, and applied as a response to specific risks and their causes and consequences; g) *Communicating Regularly.* Management should ensure that regular communication regarding the internal control system, as well as the outcomes, takes place at all levels within the organization to make sure that the internal control principles are fully understood and correctly applied by all; h) *Monitoring and Evaluating***.** Both individual controls as well as the internal control system as a whole should be regularly monitored and evaluated. Identification of unacceptably high levels of risk, control failures, or events that are outside the limits for risk taking could be a sign that an individual control or the internal control system is ineffective and needs to be improved; and i) *Providing for Transparency and Accountability.* The governing body, together with management, should periodically report to stakeholders the organization's risk profile as well as the structure and factual performance of the organization's internal control system.

Lawson *et al* (2006) in their study found that internal control, no matter how well designed and operated, can provide only reasonable assurance to management and the board of directors regarding achievement of an entity's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the realities that human judgment in decision-making can be faulty, persons responsible for establishing controls need to consider their relative costs and benefits, and breakdowns can occur because of human failures such as simple error or mistake. Additionally, respondents stated that controls can be circumvented by collusion of two or more people. Finally, management has the ability to override the internal control system. On the other hand, the study by Gyebi and Quain (2013) contended that an internal control system can be expected to provide reasonable assurance of achieving objectives relating to the reliability of financial reporting and compliance with laws and regulations. But, the achievement of those objectives, which are based largely on standards imposed by external parties, depends on how activities within the entity's control are performed. However, these studies could not explore the contribution of internal control system for the enhancement of cash management with reference to public sector such as TPSC.

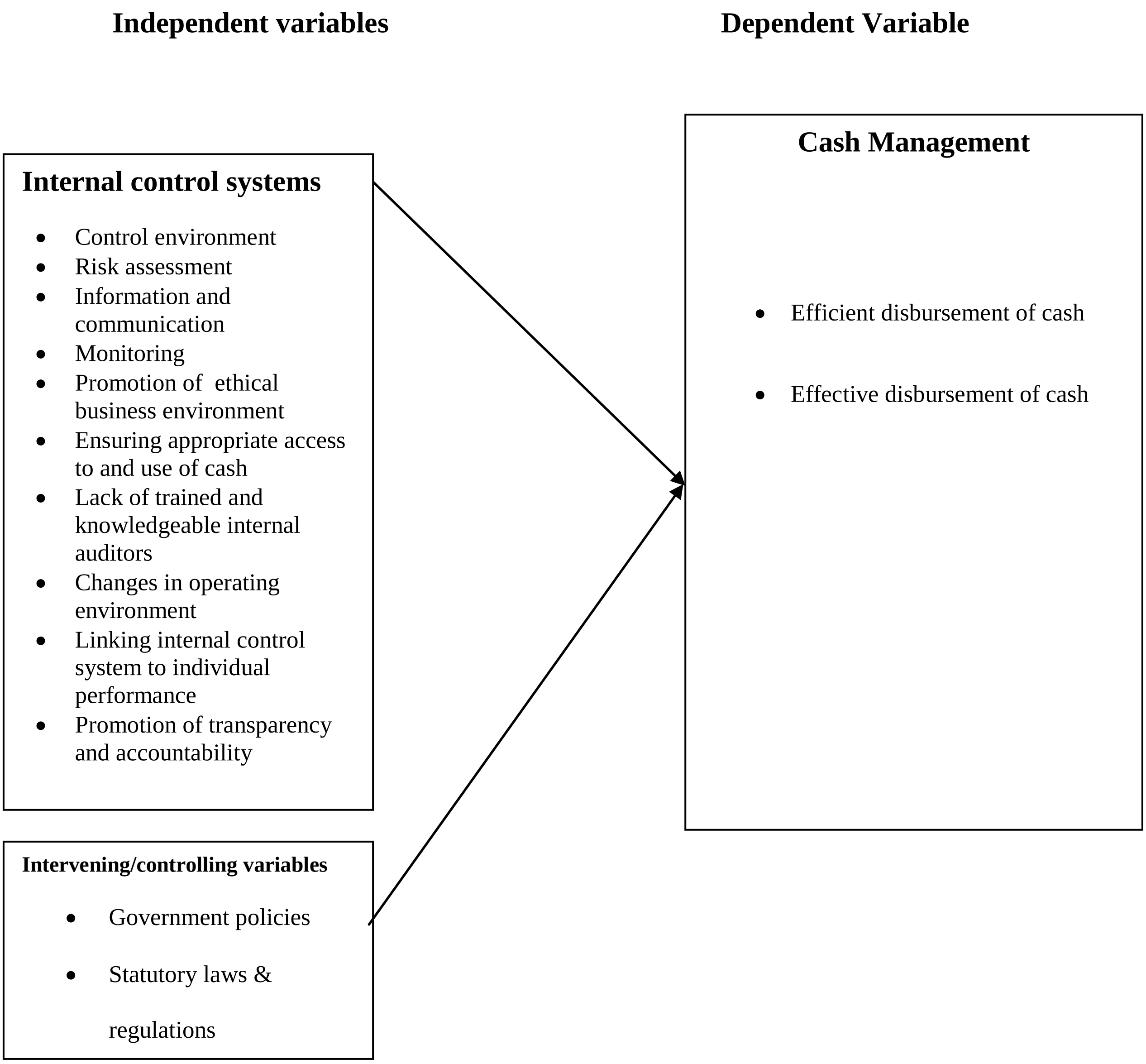
According to Gibbs (1997) most public institutions do not have efficient internal control system on cash collection which has often accounted for poor financial management. Accordingly, it is no surprise that, some public service providers more often than not, views internal controls as unnecessary and irrelevant. Gibbs (1997) continues to state that while there has been an increase in the number of studies examining the role of internal control systems in the private sector, there has been a paucity of studies examining the same issue in the public sector. Bandara (2012) in his study survey argued that, 100% of the respondents believed that there is no continuous or regular evaluation of the internal control system. This may lead people to be tempted to violate the normal procedure and practice in the organisation. Also, proper dissemination of information is necessary for the smooth operation of any control system or the activities of any organisation as reported by respondents. This will enable those operating the internal control system to know what is required of them at any moment and in their respective capacities. Furthermore, in the survey, 80% of the respondents believed that there is no free and regular flow of information in their organisations, while 20% believed that there is free flow of information. The implication of this according to Bandara's study is that, the organisations' internal control system would be ineffective because of the interdependency of the different departments. Moreover, the studies could not identify factors influencing internal control system for the enhancement of cash management with reference to public sector such as TPSC.

Sabari (2003) in his study noted that, from the financial sector point of view, internal control should be seen as an opportunity for the entities to improve their performance, both from an internal and an external perspective. Internally, good internal control systems lead to improved recognition, assumption and prevention of risks associated with cash collection, which is of prime importance in a sector with the particularities of cash collection. Also competitiveness will be fostered by appropriate controls not only in the short but also in the long term. It will also help reduce the impact of unexpected events, or even to avoid them altogether, for example by means of good early warnings or scenario testing. According to Treba (2003) internal control system guarantees some reasonable assurance: thus accepting the existence of a certain degree of uncertainty that cannot be completely controlled or absorbed by the undertaking. Accepting the idea that internal control systems have to be linked with the cost of carrying out control procedures, yet they have to guarantee a reasonable degree of confidence according to the nature and extent of risks taken. From the forgoing analysis of importance of internal control, it could be concluded according to Laura (2002) that, the overall purpose of the concept is to help an organization achieve its mission, internal control also helps an organization to: promote orderly, economical, efficient and effective operations, and produce quality products and services consistent with the organization's mission, safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud. Finally is to promote adherence to laws, regulations, contracts and management directives as well as develop and maintain reliable financial and management data, and accurately present that data in timely reports. Yet, these studies could not suggest measures to improve internal control system for the enhancement of cash management with reference to public sector such as TPSC.

2.4 Conceptual framework

The conceptual framework model explains the relationship amongst the variables under study; it explains Internal Control Systems as the independent variable while cash management as the dependent variable. The constructs for internal control system include control environment, control activities, risk assessment, information and communication, and monitoring, promotion of ethical business environment, ensuring appropriate access to and use of cash, lack of trained and knowledgeable internal auditors, changes in operating environment, linking internal control system to individual performance and promotion of transparency and accountability which are necessary to achieve the Tanzania Public Service College objectives. Cash management is studied under the constructs of efficient and effective disbursement of cash. The model suggests that effective internal control systems would play a great role in enhancing cash management.

Figure 2.1: Conceptual Framework Model



Source: Researcher's construct (2014)

CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

This chapter focuses on the description of the procedures that were employed in the study. Mugenda and Mugenda, (1999) state that this chapter should specify the research design, study area, population and sample size, sampling procedures, data collection methods, data analysis techniques.

3.1 Research Design

A research design is a systematic plan to study a scientific problem (Sekaran, 2003). The design of a study defines the study type (descriptive, correlational, semi-experimental, experimental, review, meta-analytic) and sub-type (e.g., descriptive-longitudinal case study), research question, hypotheses, independent and dependent variables, experimental design, and, if applicable, data collection methods and a statistical analysis plan. Again, a research design typically includes how data is to be collected, what instruments will be employed, how the instruments will be used and the intended means for analyzing data collected (Mugenda and Mugenda, 1999).

A cross-sectional research design was used. The reason for using a cross-sectional research design is that it attempts to collect data from members of a population and describes existing phenomena by asking individuals about their perceptions, practices, attitudes, behaviours or values. Moreover, it explores the existing status of two or more variables at a given point in time. Hence, primary data collected from such a population is more reliable and up-to-date (Mugenda and Mugenda, 1999). With cross-sectional research design the quantitative and qualitative approaches were employed i.e. the quantitative approach employed questionnaires while the qualitative approach utilized interview. Therefore, this design is considered appropriate for generalizing the findings regarding Tanzania Public Service College; Tabora.

3.2 Study Area

The study was done at Tanzania Public Service College; Tabora. Since its formation in 2000 as an Executive Agency, the Tanzania Public Service College (TPSC) has strived to become a centre of excellence in providing training and development interventions to the public and private sectors in Tanzania along with enhancing its internal control systems (URT, 2013). However, despite the fact that internal control systems exist in various public service sectors, Tanzania Public Service College being among them; the act of financial crime still continues e.g. fraud irregularities and even breaches of other control and little or no any strong measures are being taken to prevent such occurrences. The result is that much of funds and properties are directed to personal use.

Tanzania Public Service College Tabora Branch was established in 1973 by then known as Tabora Secretarial College (TSC) with the function of training in the government and private sector in the secretarial cadre. It is situated on 15.3 hectares of land in Tabora Municipal, comprising of four blocks of training facilities, four Computer Laboratories, one administrative block and library, staff room block and functional hall, students' halls of residence and a Staff Housing estate. After the merger of Civil Service Training Centre (CSTC) and Tabora Secretarial College (TSC) in 2000 and form Tanzania Public Service College (TPSC), with the purpose to encompass all training and development needs of the Tanzania Public Service. The growth of the Campus was very rapid during the first decade of its establishment and this resulted in the increase of enrolment from 200 students in the 2000 up to 3100 students in 2013 (URT, 2013).

3.3 Population and Sample Size

3.3.1 Population

According to Sekaran, (2005) population is a group of individuals, objects or items from which samples are taken for measurement or it is an entire group of persons, or elements that have at least one thing in common. Population is whatever you are counting: there can be a population of people, a population of households, a population of events, institutions, transactions, and so forth. Anything you can count can be a population unit. But if you can't get information from it, and you can't measure it in some way, it's not a unit of population that is suitable for survey research (Yin, 2003).

The population of the study involved 76 participants from the Audit committee, Management of TPSC and Employees from the accounts, finance and audit departments, ALL from TPSC.

3.3.2 Sample Size

A sample is a part of the population from which it was drawn. Samples can be drawn in several different ways, such as probability samples, quota samples, purposive samples, and volunteer samples (Yin, 2003). Sekaran (2003) advises that too large a sample size could become a problem and recommended sample sizes between 30 and 500. Similarly, Enon (2002) recommends that a minimum number of samples for research should be 30. Therefore, the sample size of 35 respondents for the study is sufficed in giving the data that is required.

The sample size of 35 respondents was selected from whom information required for the study was obtained. These are the classification, out of 35 sample size; 7 from audit committee, 25 from accounts, finance and audit departments and 3 from TPSC management. The selection from TPSC management considered the sensitiveness of the role they play regarding safeguarding the organisation’s assets.

Cooper and Schindler (2008) argue that, for any valid and reliable study to be carried, its sample size shouldn’t be less than 30% of its population. As it stands, the sample size is 46.1% of the population; hence fulfilling their argumentations.

Table 3.1: Distribution of respondents

S/N	Category	Population	Sample size	Method employed
1	Audit committee	18	7	Purposive
2	Employees from accounts, finance and audit departments	52	25	Purposive
3	TPSC management	6	3	Purposive
	Total	**76**	**35**	

Source: Analysed data, 2014

However, primary data were obtained by using face to face interviews to the management of TPSC and self administered questionnaires to audit committee members, accounts, finance and audit department employees while secondary data being obtained from published and unpublished reports. In this study 32 questionnaires were spread among respondents. Moreover, all questionnaires were properly filled and face to face interview to the management being carried out successfully something that allowed the researcher to code, summarize and analyse the data using SPSS version 16 computer software.

3.4 Sampling Procedures

A sampling procedure is the process of selecting a group of subjects for a study in such a way that the individuals represent the larger group from which they were selected (Sekaran, 2003). The steps in sampling are essentially the same: identify the target population, identify the accessible population, determine the size of the sample, and select the sample. Sampling techniques may include; simple random, purposive, systematic, stratified, and cluster sampling. The basic characteristic of random sampling is that all members of the population have an equal and independent chance of being included in the sample (Enon, 2002).

The study was carried out using purposive sampling as respondents were viewed and those involved directly in the management and use of internal control system depending on the responsibilities they carry out at TPSC were selected. Purposive sampling enabled the researcher to use his judgments to select cases which best enabled him to question his respondents and meet his objectives (Mugenda and Mugenda, 1999). This method was used to select the targeted respondents as indicated because it is a non-random sampling procedure in which personal experience of the respondent was considered to be key derived from the position one held or the roles s/he played in relation to a particular activity.

3.5 Data Collection Methods

Data means factual records, which may take the form of numbers, symbols, text, images or sounds, used as primary sources for research, and that are commonly accepted in the research community as necessary to validate research findings (Yin, 2003).

Primary and secondary data collection methods were used to elicit information from respondents and other sources.

3.5.1 Primary data collection methods

Primary data is data observed or collected directly from first-hand experience. Primary data has not been published yet and is more reliable, authentic and objective. Primary data has not been changed or altered by human beings; therefore its validity is greater than secondary data (Yin, 2003).

Primary data collection methods used by the researcher to collect data from the field included interview and questionnaire.

a) Interview

The researcher used interview (face to face) to the management of Tanzania Public Service College. The interviews complemented what the questionnaires were unable to provide (Appendix 2). The interview tool unveiled from these respondents' views/opinions regarding the matter. Yin (2003) affirms that the interview tool is very important source of getting information and it is helpful in handling cross-sectional related matters as the research design indicates.

b) Questionnaires

Questionnaires (self administered) were used to respondents from audit committee, accounts, finance and audit departments to obtain information regarding the role of internal control systems for the enhancement of cash management. These complemented and supplemented information obtained under interview and documentary review (Appendix 1). The reason is to obtain consistency of responses to the questions asked in repeated measurements (Carmines and Zeller, 1979)

3.5.2 Secondary data collection methods

Secondary data are published data that were collected in the past or other parties called secondary data. The review of literature in any research is based on secondary data. These are mostly from books, journals and periodicals (Yin, 2003).

The researcher used documentary review in order to access accurate and reliable data regarding the role of internal control systems in enhancing cash management at TPSC. Documents reviewed comprised of progress reports, guidelines on internal control systems, regulations, books and journals.

3.6 Data Analysis Techniques

Data analysis is a process that involves editing, coding, classifying and tabulating the collected data (Kothari, 2004). The data collected were summarized, coded and analyzed descriptively by using Statistical Package for Social Science (SPSS) version 16. Frequency distribution and percentages were used to describe major variables. The collected data were also analyzed through description, interpretation and explanation. Tabulation and classification were used as the major methods during data analysis. The analysis was generally based on the descriptive framework.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents and discusses results from the data analysis on the role played by internal control system for the enhancement of cash management at TPSC. The findings are presented and discussed under three sections namely; the contribution of internal control system for the enhancement of cash management; the factors influencing internal control system for the enhancement of cash management; and measures to improve internal control system for the enhancement of cash management at TPSC.

4.1 The Contribution of Internal Control System for the enhancement of Cash Management at TPSC

The first objective of this study was to explore the contribution of internal control system for the enhancement of cash management at TPSC. To obtain the required information, the researcher asked the respondents to identify and tick them (using five levels of Likert scale which were analysed from strongly agree to strongly disagree) and add any contribution of internal control system for the enhancement of cash management. The respondents identified seven issues which would contribute to internal control system enhancement. However, no uncertain response was provided by respondents; hence analysing the data based on agreement and disagreement (i.e. strongly agree and agree are termed as Agree while strongly disagree and disagree are termed as Disagree). Table 4.1 summarises these contributions as follows;

Table 4.1: Contribution of internal control system

Contribution	Percentage %	
	Agree	**Disagree**
Establishing a tone at the top and promoting an ethical business environment by providing structure, feedback and discipline	87	13
Establishing and maintaining control activities such as reconciliation, approvals and review of operating activities	90	10
Ensuring appropriate access to and use of information systems	82	18
Monitoring control system and activities to identify and correct breakdowns timely	91	09
Leads to improved recognition, assumption and prevention of risk associated with cash collection	85	15
Reducing the impact of unexpected events or even to avoid them altogether	84	16
Enhancing the comparison of reports with related cash and bookkeeping entries	80	20

Analysed data, 2014

The results in Table 4.1 show that the majority of respondents were able to explore the contribution of internal control system by showing agreement while a few showing disagreement as shown above.

Specifically, the results in Table 4.1 show that 80% of respondents argued that internal control system enhances the comparison of reports with related cash and bookkeeping entries which would clearly show the status of cash utilized as well as that which remains as to get rid of cash misappropriations thereby improving the organisational performance as supported by Cunningham (2004). However, 81% of respondents were in opinion that internal control system has the task of ensuring appropriate access to and use of information systems that enables expenditure from different departments to be shown according to budget. Thus, what is utilized is shown vividly as to avoid cash malpractices.

Moreover, the results in Table 4.1 show that 84% of respondents were in opinion that internal control system reduces the impact of unexpected cash misallocation and misappropriation events or even to avoid them altogether when facilitated with proper procedures to heads of departments and accountants. Yet, if there are unethical employees, the reduction of cash misallocation and misappropriations would be affected hence reducing the competitive edge of the organisation as argued by Fryer *et al* (2009). Likewise, 85% of the respondents reported that internal control system has the role of leading the organisation to improved recognition, assumption and prevention of risk associated with cash collection and allocation. This may reduce the occurrences of sabotages while enhancing services to customers.

Furthermore, the results in Table 4.1 show that 87% of the respondents argued that internal control system contributes to establishing a tone at the top and promoting an ethical business environment by providing structure, feedback and discipline to accountants and managers of the organisation in order to attain the organisational goals. If this is properly maintained, the organisation prospers and achieves its goals through separation of duties among employees which becomes the first priority as supported by Davies (2007). Likewise, 90% of the respondents were in opinion that internal control system contributes to establishing and maintaining control activities such as reconciliation, approvals and review of operating activities as to improve cash collection and allocation in lieu of cash management policy of the organisation. On the other hand, 91% of respondents stated that, internal control system facilitates the whole monitoring control system and activities to identify and correct breakdowns timely through regular cross checking of cash allocation and use among the organisational departments.

In general, the results in this part imply that 80% of respondents stated that internal control system enhances the comparison of reports with related cash and bookkeeping entries to get rid of cash misappropriations. However, 81% of respondents were in opinion that internal control system has the task of ensuring appropriate access to and use of information systems that enables expenditure from different departments to be shown according to budget. Moreover, 84% of respondents were in opinion that internal control system reduces the impact of unexpected cash misallocation and misappropriation events or even to avoid them altogether when facilitated with proper procedures to heads of departments and accountants. Yet, if there are unethical employees, the reduction of cash misallocation and misappropriations would be accelerated. Likewise, 85% of the respondents reported that internal control system has the role of leading the organisation to improved recognition, assumption and prevention of risk associated with cash collection and allocation.

Furthermore, the results show that 87% of the respondents argued that internal control system contributes to establishing a tone at the top and promoting an ethical business environment by providing structure, feedback and discipline to accountants and managers of the organisation in order to attain the organisational goals. Likewise, 90% of the respondents were in opinion that internal control system contributes to establishing and maintaining control activities such as reconciliation, approvals and review of operating activities as to improve cash collection and allocation in lieu of cash management policy of the organisation. On the other hand, 91% of respondents stated that, internal control system facilitates the whole monitoring control system and activities to identify and correct breakdowns timely through regular cross checking of cash allocation and use among the organisational departments.

The results present how internal control system enhances cash management. However, ensuring appropriate access to and use of information systems that enables expenditure from different departments to be shown according to budget should be emphasized. Thus, what is utilized is shown vividly as to reduce the occurrences of sabotages while enhancing services to customers.

4.2 Factors Influencing Internal Control System at TPSC

The second objective of this study was to identify factors influencing internal control system for the enhancement of cash management at TPSC. To obtain information on the factors that influence internal control system, the researcher asked the respondents to tick (in terms of Yes or No) and provide other factors that they thought would influence internal control system for the enhancement of cash management. Table 4.2 summarises these factors as follows;

Table 4.2: Factors Influencing Internal Control System

Factor	Percentage %	
	Yes	No
Non compliance to internal controls	82	18
Lack of independence to internal auditors	80	20
Understaffing in the side of internal audit unit	90	10
Weak internal control system towards financial and other controls (i.e. inability to present any act of crime and detection of fraud)	87	13
Non adherence by the auditors on general auditing standards	78	22
Lack of properly trained and knowledgeable internal auditors	81	19
Unfamiliarity of procedures (the newer the activity of the organisation, the greater the possibility of risks)	84	16
Complexity (the more complex an activity is, the greater the possibility of errors occurring)	90	10
Changes in operating environment (both internal and external environment , employees work)	85	15
Changes in personnel due to staff turnover	84	16
Collusion between two or more people to defeat a system of controls for an illegal or dishonest purpose)	92	08

Analysed data, 2014

The results in Table 4.2 indicate that the majority of respondents were in agreement with the factors that influence internal control system at TPSC; while the minority of respondents being in disagreement as indicated above.

Specifically, the results in Table 4.2 show that 78% of the respondents argued for the non adherence by the auditors on general auditing standards leading to mismanagement of funds as supported by Bandara (2012). Likewise, 80% of the respondents argued for the lack of independence to internal auditors as among the factors influencing internal control system at TPSC as lacking freedom facilitates external pressures and other factors that compromise the environment they are in, may lead an auditor to make unbiased audit decisions. Moreover, 81% were in opinion that lack of properly trained and knowledgeable internal auditors envisaged was a hindrance towards successfully management of internal control system.

On the other hand, 82% of the respondents reported the non compliance to internal controls from various employees as supported by Lawson *et al* (2006) that whenever there is a weakness on internal control system, the failure to ensure that resources are allocated to defined priorities is vivid something that leads to financial collapse of the organisation. Yet, 84% of the respondents were in opinion that changes in personnel due to staff turnover leads to unfamiliarity of procedures among employees as the newer the activity of the organisation, the greater the possibility of risks. However, 85% of the respondents argued for changes in operating environment (both internal and external environment) as among the factors because employees encounter challenges that are not solved in the right time, hence rendering poor control of the system.

Furthermore, 87% of respondents reported the availability of weak internal control system towards financial and other controls which necessitate the inability to present any act of crime and detection of fraud whenever needed. However, 90% of the respondents argued for understaffing in the side of internal audit unit and complexity of the work as the more complex an activity is, the greater the possibility of errors occurring. But, for proper internal control system to flourish, incentives and rewards to auditors and other professionals dealing with internal control system need to be enhanced. Likewise, 92% of the respondents stated the availability of collusion between two or more people to defeat a system of controls for an illegal or dishonest purpose as among the factors influencing internal control system as supported by Kaplan (2008) that failure to monitor risk leads to organisational collapse.

In general, the results in this part imply that 78% of the respondents argued for the non adherence by the auditors on general auditing standards leading to mismanagement of funds. Likewise, 80% of the respondents argued for the lack of independence to internal auditors as among the factors influencing internal control system at TPSC as lacking freedom facilitates external pressures and other factors that compromise the environment they are in, may lead an auditor to make unbiased audit decisions. Moreover, 81% were in opinion that lack of properly trained and knowledgeable internal auditors causes a hindrance towards successfully management of internal control system. On the other hand, 82% of the respondents reported the non compliance to internal controls from various employees as whenever there is a weakness of internal control system, the failure to ensure that resources are allocated to defined priorities is vivid something that leads to financial collapse of the organisation. Yet, 84% of respondents were in opinion that changes in personnel due to staff turnover leads to unfamiliarity of procedures among employees as the newer the activity of the organisation, the greater the possibility of risks.

However, 85% of the respondents argued for changes in operating environment (both internal and external environment) as among the factors, hence rendering poor control of the system. Furthermore, 87% of respondents reported the availability of weak internal control system towards financial and other controls which necessitate the inability to present any act of crime and detection of fraud whenever needed. However, 90% of the respondents argued for understaffing in the side of internal audit unit and complexity of the work. But, for proper internal control system to flourish, incentives and rewards to auditors and other professionals dealing with internal control system need to be enhanced. Likewise, 92% of the respondents stated the availability of collusion between two or more people to defeat a system of controls for an illegal or dishonest purpose as among the factors influencing internal control system.

The results present the factors influencing internal control system at TPSC. However, the non adherence by the auditors on general auditing standards would lead to mismanagement of funds. Yet, understaffing in the side of internal audit unit and complexity of the work necessitate the possibility of errors occurring. But, for proper internal control system to flourish, incentives and rewards to auditors and other professionals dealing with internal control system need to be enhanced.

4.3 Measures to Improve Internal Control System

The last objective of the study was to suggest measures to improve internal control system for the enhancement of cash management at TPSC. To obtain the information the researcher assisted the respondents to identify (in terms of Yes or No) measures that they thought would enhance cash management. Table 4.3 provides these measures as follows;

Table 4.3: Measures to Improve Internal Control System

Measure	Percentage %	
	Yes	No
Supporting the organisation's objectives by managing its risks while complying with rules and regulations on internal control system	86	14
Determining roles and responsibilities of each employees with regard to internal control system	75	25
Fostering a motivational culture in line with risk management strategy and policies on internal control	80	20
Linking internal control system to individual performance (i.e. each individual should be held accountable for the attainment of objectives)	82	18
Ensuring sufficient competency to each employee	85	15
Timely response to risks related to cash management	90	10
Regular communication among departments on cash use	88	12
Promotion of transparency and accountability among employees	82	18
Continuous monitoring and evaluating transactions as to identify unacceptable risks, control failures etc	90	10

Analysed data, 2014

The results in Table 4.3 indicate that the majority of respondents were in agreement with measures suggested to improve internal control system at TPSC; while the minority of respondents being in disagreement as indicated above.

Specifically, the results in Table 4.3 show that 75% of the respondents argued for determining roles and responsibilities of each employee with regard to internal control system provided through knowledge provision to each employee which is in line with Gyebi and Quain (2013) who emphasized that internal control assures achieving objectives relating to the reliability of financial reporting and compliance with laws and regulations. However, 80% argued for fostering a motivational culture in line with risk management strategy and policies on internal control. Like wise, 82% of the respondents were in opinion of promoting transparency and accountability among employees as well as linking internal control system to individual performance because each individual should be held accountable for the attainment or non-attainment of objectives.

Moreover, 85% of the respondents suggested that ensuring sufficient competency to each employee through various trainings would lead to the availability of qualified personnel and awareness of internal control issues in order to understand internal control functions and limitations as supported by DiNapoli (2007) that through knowledge provision, quality performance over time is ensured. Yet, 86% of the respondents argued for supporting the organisation's objectives by managing its risks while complying with rules and regulations on internal control system. However, 90% of the respondents were in opinion that continuous monitoring and evaluating transactions as to identify unacceptable risks, control failures etc would ensure that each employee is held accountable for the achievement or non-achievement of assigned internal control objectives while enforcing timely response to risks related to cash management in the organisation.

In general, the results in this part imply that 75% of the respondents argued for determining roles and responsibilities of each employee through knowledge provision while achieving objectives relating to the reliability of financial reporting and compliance with laws and regulations. However, 80% argued for fostering a motivational culture in line with risk management strategy and policies on internal control. Like wise, 82% of the respondents were in opinion of promoting transparency and accountability among employees as well as linking internal control system to individual performance because each individual should be held accountable for the attainment or non-attainment of objectives. Moreover, 85% of the respondents suggested that ensuring sufficient competency to each employee through various trainings would lead to the availability of qualified personnel and awareness of internal control issues as to understand internal control functions and limitations because through knowledge provision, quality performance over time is ensured.

Furthermore, 86% of the respondents argued for supporting the organisation's objectives by managing its risks while complying with rules and regulations on internal control system. However, 90% of the respondents were in opinion that continuous monitoring and evaluating transactions as to identify unacceptable risks, control failures etc would ensure that each employee is held accountable for the achievement or non-achievement of assigned internal control objectives while enforcing timely response to risks related to cash management in the organisation.

The results present the need for knowledge provision as suggested by respondents in order to achieve internal control system objectives for the enhancement of cash management at TPSC. However, this can be attained through continuous monitoring and evaluating transactions as to identify unacceptable risks, control failures etc while ensuring that each employee is held accountable for mismanagement of funds in the organisation.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter provides the summary, conclusion and recommendations along with policy implications and areas for further research. It commences with the summary; the conclusion and recommendations; policy implications and finally areas for further research are given.

5.1 Summary

The findings from the study indicated firstly that, 80% of respondents stated that internal control system enhances the comparison of reports with related cash and bookkeeping entries to get rid of cash misappropriations. However, 81% of respondents were in opinion that internal control system has the task of ensuring appropriate access to and use of information systems that enables expenditure from different departments shown according to budget. Moreover, 84% of respondents were in opinion that internal control system reduces the impact of unexpected cash misallocation and misappropriation events or even to avoid them altogether when facilitated with proper procedures to heads of departments and accountants. Yet, if there are unethical employees, the reduction of cash misallocation and misappropriations would be accelerated. Likewise, 85% of the respondents reported that internal control system has the role of leading the organisation to improved recognition, assumption and prevention of risk associated with cash collection and allocation.

Furthermore, the results show that 87% of the respondents argued that internal control system contributes to establishing a tone at the top and promoting an ethical business environment by providing structure, feedback and discipline to accountants and managers of the organisation in order to attain the organisational goals. Likewise, 90% of the respondents were in opinion that internal control system contributes to establishing and maintaining control activities such as reconciliation, approvals and review of operating activities as to improve cash collection and allocation in lieu of cash management policy of the organisation. On the other hand, 91% of respondents stated that, internal control system facilitates the whole monitoring control system and activities to identify and correct breakdowns timely through regular cross checking of cash allocation and use among the organisational departments.

Secondly, the results revealed that 78% of the respondents argued for the non adherence by the auditors on general auditing standards leading to mismanagement of funds as among the factors. Likewise, 80% of the respondents argued for the lack of independence to internal auditors as among the factors influencing internal control system at TPSC as lacking freedom from external pressures and other factors that compromise the environment they are in, may lead an auditor to make unbiased audit decisions. Moreover, 81% of respondents were in opinion that lack of properly trained and knowledgeable internal auditors causes a hindrance towards successfully management of internal control system. On the other hand, 82% of the respondents reported the non compliance to internal controls from various employees as whenever there is a weakness of internal control system, the failure to ensure that resources are allocated to defined priorities is vivid something that leads to financial collapse of the organisation. Yet, 84% of respondents were in opinion that changes in personnel due to staff turnover leads to unfamiliarity of procedures among employees as the newer the activity of the organisation, the greater the possibility of risks.

However, 85% of the respondents argued for changes in operating environment (both internal and external environment) as among the factors, hence rendering poor control of the system. Furthermore, 87% of respondents reported the availability of weak internal control system towards financial and other controls which necessitate the inability to present any act of crime and detection of fraud whenever needed. However, 90% of the respondents argued for understaffing in the side of internal audit unit and complexity of the work. But, for proper internal control system to flourish, incentives and rewards to auditors and other professionals dealing with internal control system need to be enhanced. Likewise, 92% of the respondents stated the availability of collusion between two or more people to defeat a system of controls for an illegal or dishonest purpose was as among the factors influencing internal control system.

Thirdly, the results indicated that 75% of the respondents argued for determining roles and responsibilities of each employee through knowledge provision while achieving objectives relating to the reliability of financial reporting and compliance with laws and regulations. However, 80% argued for fostering a motivational culture in line with risk management strategy and policies on internal control. Like wise, 82% of the respondents were in opinion of promoting transparency and accountability among employees as well as linking internal control system to individual performance because each individual should be held accountable for the attainment or non-attainment of objectives. Moreover, 85% of the respondents suggested that ensuring sufficient competency to each employee through various trainings would lead to the availability of qualified personnel and awareness of internal control issues as to understand internal control functions and limitations because through knowledge provision, quality performance over time is ensured.

Furthermore, 86% of the respondents argued for supporting the organisation's objectives by managing its risks while complying with rules and regulations on internal control system. However, 90% of the respondents were in opinion that continuous monitoring and evaluating transactions as to identify unacceptable risks, control failures etc would ensure that each employee is held accountable for the achievement or non-achievement of assigned internal control objectives while enforcing timely response to risks related to cash management in the organisation.

5.2 Conclusion

Based on the empirical findings from the study, the study concludes that, internal control system enhances cash management by ensuring appropriate access to and use of information systems that enable expenditure from different departments to be shown according to budget. Thus, what is utilized is shown vividly as to reduce the occurrences of sabotages while enhancing services to customers. However, the non adherence by the auditors on general auditing standards leads to mismanagement of funds. Yet, understaffing in the side of internal audit unit and complexity of the work necessitate the possibility of errors occurring. Hence, for proper internal control system to flourish, incentives and rewards to auditors and other professionals dealing with internal control system need to be enhanced. Moreover, the need for knowledge provision as suggested by respondents in order to achieve internal control system objectives for the enhancement of cash management at TPSC can be attained through continuous monitoring and evaluating transactions as to identify unacceptable risks, control failures etc while ensuring that each employee is held accountable for mismanagement of funds in the organisation.

5.3 Recommendation and Policy Implication

5.3.1 Recommendations

In light of the above findings, the researcher has proposed the following recommendations;

i) Internal control system reduces the impact of unexpected cash misallocation and misappropriation events or even to avoid them altogether when facilitated with proper procedures to heads of departments and accountants. It is recommended that enhancing knowledge provision to employees would facilitate quality service provision to customers

ii) Understaffing in the side of internal audit unit and complexity of the work necessitate the possibility of errors occurring. It is recommended that recruiting adequate professional employees is necessary for the facilitation of cash management

iii) Auditor's independence is important since it adds credibility to the report and is the basis of an audit work and its inadequate can lead to auditor's opinion to be questioned. Auditing bodies should have a professional development program which will help auditors to refresh their skills and keep up to date with the most recent audit techniques

5.3.2 Policy Implication

The research adds to the argument for collaborative efforts among employees such as accountants, auditors, users and stakeholders to examine and eliminate internal control system challenges.

5.4 Areas for Further Research

The findings examined the role of internal control system for the enhancement of cash management in public sector at TPSC. It is advised that further studies be done on the following issues;

i) What is the perception of TPSC employees regarding the role of internal control system for the enhancement of cash management?

ii) To what extent does internal control system management favour misappropriation of funds at TPSC?

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APPENDICES

Appendix 1: Questionnaires

Topic: The Role of Internal Control Systems for the Enhancement of Cash Management in the Tanzanian Public Sector: A Study of Tanzania Public Service College: Tabora

PART A: Exploring the contribution of internal control system for the enhancement of cash management at TPSC

1. *Please indicate your agreement or disagreement regarding the contribution of internal control system as follows; 1) SA=Strongly Agree 2) A=Agree 3) U=Uncertain 4) D=Disagree 5) SD=Strongly Disagree.*

Challenge	**Choice**				
	Strongly agree	**Agree**	**Uncertain**	**Disagree**	**Strongly disagree**
Establishing a tone at the top and promoting an ethical business environment by providing structure, feedback and discipline					
Establishing and maintaining control activities such as reconciliation, approvals and review of operating activities					
Ensuring appropriate access to and use of information systems					
Monitoring control system and activities to identify and correct breakdowns timely					
Leads to improved recognition, assumption and prevention of risk associated with cash collection					
Reducing the impact of unexpected events or even to avid them altogether					

2. What other contributions does internal control system offer? (specify)

i)……………………………………………ii)……………………………………

iii)…………………………………………..iv)……………………………………

PART B: Factors influencing internal control system for the enhancement of cash management at TPSC

3. Do these factors influence internal control system for the enhancement of cash management? *(Tick where appropriate).*

No	Factor	Yes	No
1	Non compliance t internal controls		
2	Lack of independence to internal auditors		
3	Understaffing in the side f internal audit unit		
4	Weak internal control system towards financial and other controls (i.e. inability to present any act of crime and detection of fraud)		
5	Non adherence by the auditors on general auditing standards		
6	Lack of properly trained and knowledgeable internal auditors		
7	Unfamiliarity of procedures (the newer the activity of the organisation, the greater the possibility of risks)		
8	Complexity (the more complex an activity is, the greater the possibility of errors occurring)		
9	Changes in operating environment (both internal and external environment , employees work)		
10	Changes in personnel due to staff turnover		
11	Collusion between two or more people to defeat a system of controls for an illegal or dishonest purpose)		

4. Please can you provide other factors? (specify)

i)……………………………………………..ii)……………………………………

iii)……………………………………………iv)…………………………………..

PART C: Measures to improve internal control system for the enhancement of cash management at TPSC

5. Could these measures improve the enhancement of cash management? *(Tick where appropriate).*

No	Measures	Yes	No
1	Supporting the organisation's objectives by managing its risks while complying with rules and regulations		
2	Determining roles and responsibilities of each employees with regard to internal control system		
3	Fostering a motivational culture in line with risk management strategy and policies on internal control		
4	Linking internal control system to individual performance (i.e. each individual should be held accountable for the attainment of objectives)		
5	Ensuring sufficient competency		
6	Timely response to risks		
7	Regular communication		
8	Promotion of transparency and accountability		
9	Continuous Monitoring and evaluating as to identify unacceptable risks, control failures etc		

6.What other measures would be needed? (specify)

i)……………………………………………….ii)…………………………………

iii)……………………………………………iv)…………………………………..

Appendix 2: Interview guide questions

d) What is the contribution of internal control system for the enhancement of cash management at TPSC?

e) What are the factors influencing internal control system for the enhancement of cash management at TPSC?

f) What measures could be put to improve internal control system for the enhancement of cash management at TPSC?