ASSENSMENT OF INTERNAL CONTROL OVER CASH IN THE CASE OF GURAGUE ZONE FINANCE BUREAU

A RESARCH SUBMITTED TO ACCOUNTING AND FINANCE DEPARTMENT IN PARTIAL FULIFILLMENT OF BA DEGREE IN ACOUNTING AND FINANCE

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ABSTRACT

Assessment of internal control over cash *is not only related to managing cash or money; it includes the whole bureau efficiency, developmental goal, development of standards, values, norms, and attitudes that will get or support the development of financial capability among individuals as well as improve financial well-being of individuals(private) or government financial impact*. *The assessment of internal control over cash is associated how privet and government organizations are goes to their plan and their objectives. And also build trust in all people and mobilize more effective utilization of scarce resource. This research discussed on the framework to illustrate assessment of internal practice over cash that contribute to the organizational goal and target objective of bureau toward to achievement good implementation proceduresand governed rule. Also this research is a review the Gurague zone finance bureaus over all practice. The research questions more emphasize or addressed in this study was, "how assessment ofinternal control over cash affect the organizational resource utilization and using procedural rule ?". In this study explanatory data was collected from the Gurague zone finance bureau who were currently employees of Guraguea zone finance bureau and by using Close-ended questionnaires and some interviews would be used to conduct a survey among employee who represented those Gurague zone finance bureau. The respondents would be asked to a questionnaire that had a series questions of internal review questions, internal control implementation procedures questions,cashcustody duties, responsibility venturing, over all cash controlling and others related assessment of internal controlling over questions*. *In this study judgmental sampling technique would be employed to draw sample employee of bureau because it was able to better estimate the characteristics of the population.*

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Internal controlling (Auditing) is the back bone of any government or private company due to different situation in this world to get organizational goal and vision. Auditing is the accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria. Auditing should be done by a competent, independent person(Aren 14^{th} $_{edition}$;page 26).Several forces in our times have led to a quiet revolution in internal audit. Among the main forces are complexity risks, frauds, and rapid development of information technology. Government bureaus(company) require effective and efficient internal audit system which will support continuous quality service delivery improvement to their customers and minimize unnecessary expense. (Gansberghe; 2005:62), Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process. The history of auditing in Ethiopia goes back to the early 1931 with the establishment of Ethiopian's Supreme audit Institution (SAI). Internal auditing in Ethiopia obtained legal recognition for the first time in 1987 through Proclamation No. 13/1987. This proclamation empowered Office of Auditor General(O.A.G.) to direct the Internal Auditors of Government Offices and Public Enterprises in three aspects that are accounting records are properly maintained and reliable, the assets of the ministries and enterprises are adequately safeguarded and properly maintained; and policies and procedures laid down by top officials/management are complied with that implies less attention was given to operational audit as a service to management. On July 1, 1997 the financial Administration Regulations No. 17/1997 was issued in which the responsibility of internal audit function was transferred from the office of the Auditor General to the Ministry of Regulation In many 2007 policy directive was issued to further strengthen the Internal Audit service function in the public bodies Internal audit solves day to day problems of Government and private of both at the head office and branches. However, they spend most of their time ensuring that accounting records are properly maintained and reliable; that the assets of the company are adequately safeguarded and properly maintained; and that the company is in compliance with the established policies and procedures. Internal auditing is also handicapped by a critical shortage of appropriately trained and skilled manpower, (Gansberghe; 2005:27). Internal audit is more emphasized process of collection and evaluation of evidence for the purpose of reporting on economic information. The purpose, authority of governance and responsibility of the internal audit activity should be defined formally in charter, consistent with the standards and approved by the audit committee. The function should be independent and internal auditors should be objective in performing their work. In addition, all internal audits should be performed with proficiency and due professional care. In line with this, the main issue of this study was to evaluate internal audit service as an important part of the overall internal audit activities in gurague zone finance bureau. Hence, when we were conducting this study the researcher found some weakness and defects that need special attention in order to minimize the risk. Some of the weakness is having a large amount of outstanding claim, increasing operating cost and staff handling. The internal auditors need reasonable assurance that the accounting system follows national or international standards for the professional practice of internal auditing. So the researchers believe that this research respond and answer key point of internal audit.

1.2 Background of the organization

Gurague zone finance bureau start as administration Administered in 1987 in different woredas level at that time his zonal budget and start its different government budget of recruitment and capital project to satisfy interest of zonal want and need of population and to manage scares resource in efficient method by organizing zonal office and woredas office by hiring ,building of projects , and other infrastructure to delivery different access to different administration level. The Gurague zone finance bureau have different responsibilities and visions. like efficient utilization of resource ,targeted(planned) resource administration, Budget administration and implementation status, Auditing of financial and performance of project, controlling financial progress of approved budget in zone level and Woredas level and supportive offices, control of zonal and woredas capital project implementation and evaluation, take financial reports in different reporting level and send report to other government bodies. In this office have 105 employment to address the responsibilities and to get efficient satisfaction. Know a day it total budget of capital Project and recruitments budget of zone is around 3.8 billions in 2013 EC budget year approved. This budget is for different administration level, 16 woredas and 5 city administration.

1.3 Statement of the problem

The main purpose of this study is to identify and solve the gap between actual practice of the government organization and the general procedure that are stated theoretically. Internal control of the government organization must focuses and cover on various activities such as accomplishment of established objectives and goals, evaluation and appraisal of system of internal control (Effectiveness of System of Internal Control, Reliability and Integrity of Information, Safeguarding of Assets ,Detection of Frauds, Errors, Omissions and Other Irregularities), compliance with laws, rules and regulations, policies and procedures, guidelines and directives, adequacy and effectiveness of resource management system, economical, effective and efficient utilization of resources, policies and procedures. This all function of internal audits has their own procedures that must be focused to achieve organizational objectives and to safeguard the public organization from any unnecessary fraud.) Some of the directives of the organizations are set to control and manage the operational activities specially the directives and policy of operational cost of the concerned units or organs of the office. On the other hand, some failures are being observed in the general operation of gurague zone finance. This increment is un-proportionate with the increment of the total Receivable, payable, unwanted budget deficit and other resource. Similarly, the general government operating cost of the bureau and other level of administration is also increasing. It seems it is exaggerated when compared with the annual working capital/budget result of the zonal project efficiency. The other one is the number of staff initiations within the budget year is decrease the result of efficiency. Such problems may arise either due to absence of appropriate directives, rules or due to failure of the application of directives. The bureau has auditing section which is assumed to regularly follow and check as to whether the directive and the rule are in there place and being appropriately applied. So far, no report of the auditing section indicates the causes of the problems. These enforced the researcher to suspect whether the activity of audit section are in their place and discharging their responsibility of auditing efficiently and effectively. (Gurague zone finance bureau report:2010-2012) Therefore, this paper will intended to study the internal audit of this bureau by using the elements; the risk faced information and communication, the control law and the degree of compliance with the rules and regulations. In general, the researchers believes that the research paper answer the basic question that must be answered. Such as

1.4 Research Questions

1. What are effective stimulants in the internal control in assessing the risk faced in Gurague zone finance bureau?
2. What are communication in the internal control in looking the information and communication practice of Gurague zone finance some of accounting rules and regulation?
3. What are the way of internal controlling in assessing the control role of Gurague zone finance bureau?
4. . What are the way of the internal control in ensuring the degree of compliance with rule and regulation?
5. What measures take the liquidity control with internal control mechanism in gurague zone finance bureau?

1.5 Objective of the study

1.5.1 General Objective

The general objective of this study was on assessment of internal control practice of cash in the case of Gurague zone finance bureau.

1.5.2 Specific Objective

The specific objectives of the study that are answered by the researchers are

1. Assess the internal control over cash in assessing the risk faced of cash management by the gurague zone finance.
2. Evaluate the internal control over cash in looking the information and communication practice of Gurague zone finance bureau.
3. Evaluate the internal control over cash in assessing the control role of Gurague zone finance bureau.
4. Evaluate the internal control/audit in ensuring the degree of compliance with the rules and regulations.
5. Evaluate the adjusting or controlling mechanism of cash management in time manner.

1.6. Significance of the study

Sine this study is suppose to identify internal control practice

- It provides valuable information on Gurague zone finance bureau internal control over cash practice performance to the finance bureau top management, outsiders and to stakeholders.
- Identifying major problems in auditing/controlling procedures and day to day practices,
- To show the strength and weakness of the current internal control over cash systems, policies procedures rules and regulations.
- Suggest modern approach for risk prevention of cash management.
- It would be a reference material for anyone who want to conduct a research in the same area or related topics.
- It indicate the finance to come up with best quality service and control methods liquidity of cash.
- It helps the researchers to have common understanding and knowledge for further study in government accounting in the future.
- It help the researchers how to implement the theoretical lesson in to practice
- The researchs help researchers to full feel their required grade in bachelor of art

1.7. Scope of the study

This study was better conducted widely to overall the government accounting in the country to come up with more ideas. But due to various constraints the study had conducted and analyzed on a single bureau of Gurague zone finance. This research was not examining the performance of other products or services offered by the government apart from the assessment of internal audit practice/cash . This study also conducts some stakeholders and staffs that are related with the study in order to represent the total population.

1.8 Limitation of the Study

The major problems of the study, among others were findings the selected Gurague zone finance, officials for an interview due to their willingness and short of time, the second problem of the study was delay of respondents to reply distributed questioners. And the other problem is have no great attention to responds about question and which was faced by the student researcher was lack of experience in how to deal with research paper.

Chapter Two

LITRATURE REVIEW

2. INTERNAL CONTROL PRACTICE OVER CASH

In this chapter, literature review relating to what is internal control definition, the importance associated with internal control, components relating to control systems of cash receivable and payable, to those control systems and how they are reviewed to establish the basis for an objective evaluation of the internal control practice in Gurague zone finance.

2.1. DEFINITION OF INTERNAL CONTROLS

According to Whittington and Pany (2004), diversity of views has existed long ago regarding the internal control objectives and meaning. Some others understand internal control to mean by business taking measure to protect misappropriation of resources and fraud reporting of financial statements. A bulletin that was submitted by the American Institute of Certified Public Accountants the year1936(AICPA) tilted „Examination of Financial Statements by Public Accountants internal control refers to procedures and approaches accepted within the organization to safeguard the cash and other assets of the company as well as to check the clerical accuracy of the bookkeeping". Internal controls may be clerical errors that can allow loss of cash and companies assets.

In AICPA report 2013/2014 for accounting and auditing prescribe Procedures internal control to include a strategy of an organization and all of the harmonized techniques and measures assumed inside the industry to protect its assets and accuracy and consistency of its book keeping records.it also promote operative proficiency, and boost obedience to recommend organization rules.

According to Noordin (1997), as pointed in the International Journal of Government Auditing, the definition meant by internal control varies differently. However, both accounting and administrative controls are wide considered in broad sense. Methods and procedures used by management to control areas such as budgeting and financial performance are termed administrative controls. Accounting control on the other hand is concern with the authorization of transactions, protection of properties and perfect economic accounts.

A study of the COSO Framework titled "Internal Control –Integrated Framework" outlines core mechanism of control as a process caused by an entitys panel of bosses, controlling, and extra recruits, deliberate to offer rational guarantee concerning the attainment of purposes in the resulting classes as: Reliability of financial reporting, Effectiveness and efficiency of operations and Compliance with applicable laws and regulations.

The COSO meaning of internal control highlights that internal control is a method realized by persons and not only strategy makers handbooks, and procedures. Many people interpret the term internal control as the steps taken by a business to prevent employee fraud. Actually, such measures are a part of Internal Control (IC). In the broadest sense, an organization's IC structure (also Referred to as internal control system) consists of the policies and procedures established to provide reasonable assurance that the organization's objectives will be achieved. Internal control consists of all measures taken to assure management that everything is functioning as it should (Meigs, 1989:145-149).

The Need for Internal Control Business decisions of almost every kind are based at least in part on accounting data. These decisions range from such minor matters as authorizing overtime work and purchasing office supplies to such major issues as a shift from one product to another or making a choice between leasing or buying a new plant. The internal control structure provides assurance to management of the dependability of the accounting data used in making decisions. Business decisions made by management become company policy. To be effective, this policy must be communicated throughout the company and consistently followed. Internal control aids in securing compliance with company policy. Management also has the direct responsibility of maintaining accounting records and producing financial statements that are adequate and reliable. Internal control provides assurance that this responsibility is being met (Ibid). Essentials of an effective control system. An ideal system of control is that which makes the controlling function easy, effective and smooth. The following are the essential or basic requirements or principles or characteristics of an ideal control system:

· Suitability: The controlling system should be appropriate to the needs, kind of activity and circumstances of an enterprise.

· Simplicity: To be effective, control system must clear, easy to understand and operate. · .Objective: The fixation of standards, measurement of performance and corrective action must be objective and impersonal.

· Economical: The system of control must be worth their costs. They must justify the expenses involved.

· Flexibility: The system of control must be flexible, workable even if the plans have to be changed.

· Quick Reporting: Time is an important element enforcing a control system.

· Subordinates should inform their superiors quickly with actual results all deviations from standards.

· Suggestive: a controlling system should not only measure performance and detect deviations, it should suggest remedial measures as well in other words, and goods control system should be self-correcting.

· Forward-looking: The controlling system should to be directed towards future.

· Individual Responsibility: Control can be effective when it focuses on individual rather than on jobs or works.

· Strategic point control: All deviations from standards are not of equal importance.

· Self-control: Deferent departments in units may be planned to control themselves.

· Feedback: It means information previous performance [ibid

2.2 Internal CONTROL PRACTICE

In this parts we see more controlling system due to controlling mechanism of review in detail of cash and related controlling practice

2.2.1 Internal control over cash

Cash handling and the control of cash balances tend to be critical in designing financial operating and accounting systems and developing adequate internal controls for those systems. The problem is the attractiveness of cash with its power to command economic goods of all types, its portability in terms of the relationship of bulk to value and its accessibility through orders to pay and transfer authorizations even though it has been deposited with a financial institution. It is important that the auditor gives close attention to cash, and extensive audit is further warranted by the fact that cash is essentially the "eye of the needle," with practically all business transactions involving the receipt or disbursement of cash at some point in time (Howard F. settler, 1982, 400).

2.2.2 Definition of Cash and Cash Management most

Cash is the important current asset for the operations of the business. Cash is the basic input needed to keep the business. Running on a continuous basis, it is also 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 firm's profitability. Thus, a major function of the financial manager is to maintain a sound cash position. Cash is the money which a firm can disburse immediately without any restriction. The term cash includes coins, currency and checks held by the firm, and balances in its back accounts. Sometimes near–cash items such as marketable securities or bank time's deposits are also included in cash. The basic characteristics of near-cash assets is that they can readily be converted in to cash. Generally when a firm has excess cash in marketable securities this kind of investment contributes some profit to the firm (Pandey, 1999, 911).

Cash Management

Cash management is concerned with the managing of:-

1. Cash flows within the firm
2. cash flow with into and out of the firm.
3. Cash balances held by the firm at the point of time by financing deficit or investing surplus cash.

Motives for Holding Cash

The firm's need to hold cash may be attributed to the following three motives:-

· The transaction motive

· The precautionary motive

· The speculative motive

Transaction Motive

- Requires a firm to hold cash to conduct its business in the ordinary course.

The firm needs cash primarily to make payment for purchase, wages and Salaries. Other operating expenses taxes, dividend etc. The need to hold cash would not arise if there were perfect synchronization between cash receipts and cash payment, i.e. enough cash is received when the payment has to be made. But cash receipts and payments are not perfectly synchronized, for those periods, when cash payments exceed cash receipts; the firm should maintain some cash balance to be able to make required payment.

- Precautionary Motive

The need to hold cash to contingencies in the future. It provides a cushion or buffer to with stand some unexpected emergency. The precautionary amount of cash depends upon the predictability of cash flows. If cash flows can be predicted with accuracy, less cash will be maintained for an emergency.

Speculative Motive

- Relates to the holding of cash for investing in profit-making opportunities as and when they arise, the opportunity to make profit may arise when the security prices change. The firm will hold cash. When it is expected that interest rate will rise and security price will fall. Security can be purchased when the interest rate is expected to fall; the firm may also speculate on material price.[ibid]

2.2.3. The Purpose of Internal Control System over Cash

Cash includes coins, currency, money orders and checks (made payable or endorsed to the company), and money on deposit with banks or savings institutions that can be used to satisfy the company's obligations. All the various transactions involving these forms of cash are summarized and reported under a single balance sheet caption, cash. A key function of the treasurer's office in most major firm is to monitor and control the amount of cash available for the firm's use. There is always a tradeoff between having too much cash on hand they cannot be used effectively in the operations of the business and having too little cash to operate the business. Thus, management wants to control and safeguard the cash it needs to have available to operate, as well as to find profitable ways to either invest excess cash or utilize it effectively in operating the business. Because it is the easiest asset to spend it is stolen, cash is a tempting target and must be carefully safeguarded. Several control procedures have been developed to help management monitor and protect cash because it is particularly vulnerable to loss or misuse. One of the most important controls for cash is separating the handling of cash from the recording of cash. The purpose of this separation of duties is to make it difficult for theft or errors to occur unless two or more people are involved. It the cash records are maintained by an employee who also has access to the cash itself. Cash can be stolen and the employee can cover up the shortage by falsifying the accounting records (Diamond, Stice, 2000: 338).

2.2.4 Administrative Control:

Includes, but is not limited to, the plan organization and the procedures and records that are concerned with the decisions process leading to management's authorization of transactions. Such authorization is a management function directly associated with the responsibility for achieving the objectives of the organization and it's the starting point for establishing accounting control of transaction.

2.2.4 Accounting Control:

- Comprise the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the consequently are designed to provider reasonable assurance that:

A. Transactions and executed in accordance with management's general or specific authorization.

B. Transaction is recorded as necessary: those are

- To permit preparation of financial statement in conformity with generally accepted accounting principles (GAAP) or any other criteria applicable to such statements, and to maintain accountability for assets.

C. Access to assets is permitted only on accordance with management's authorization.

D. The recorded accountability for assets is compared with the existing assets are reasonable intervals and appropriate action taken respect to any differences.

A system of internal control is not designed primarily to detect errors but rather to reduce the opportunity for errors or dishonesty to occur. In an effective system internal control, no one person should carry out all phases of a business transaction from beginning to end. The system of internal controls frequently may be improved by physical safeguards. Computer help to improve the efficiency and accuracy of record keeping function. Cash register, safes, and pre- numbered business forms are very helpful in safeguard cash and establishing reasonability for it. Any system of internal control must be supervised with care if it is to function effectively. If an attempt is make to design a "full proof" system of internal controls, it should be remembered that management's primary responsibility is profitable operation of the business enterprise. The cost of the system of internal controls must be balanced against the benefit to be derived in preventing errors and losses.

2.2.4.1 Internal Control Standards

The integrity of cash management activity depends on the application of control principle and standards. The attainment of these principles and standards in the cash management can be achieved by pursuing the following guidelines:

- ✓ The time value of money shall recognize as a part of each cash management decision.
- ✓ Cash related transactions shall occur only after the approval of an individual with delegated authority to make approvals.
- ✓ Cash related transactions shall be fully documented so that undisputed audit trail exists.
- ✓ Cash related transaction shall be recorded promptly during each step of the handling function.
- ✓ Serially numbered forms shall be sued to document cash related transactions to enhance reconciliation and accountability.
- ✓ Documents used in cash related transactions shall be safeguarded against re-use, tampering or unauthorized disposal.
- ✓ Provision shall be mode for the regular review and comparison of transaction documentation to detect errors and payments.
- ✓ The approval of adjustments to each related transaction shall be administratively controlled.
- ✓ Supervision of each management activities shall be strictly and continually administered.
- ✓ Cash related duties, such as maintenance of A/R, cashiering accounting; disbursing and collecting funds shall segregate.
- ✓ Cash related accounts shall be frequently reviewed and reconciled with subsidiary records.
- ✓ The accessibility to funds and found records shall be restricted and administratively controlled.
- ✓ Only properly designated employees shall handle impress funds, disbursement certifications and collection duties.
- ✓ Employee's assigned cash related duties shall be trained and must accept their responsibilities.
- ✓ Unnecessary clerical routines and handling of cash or cash related documentation shall be eliminated to lessen the risk of loss and exposure to errors.

- ✓ Electronic funds transfer and direct deposit shall be used were feasible and advantageous.
- ✓ Computer edit programs shall be used to the maximum extent possible to disclose or reduce the incidence error on cash related transaction.
- ✓ Cash derived from collections and cash for disbursements shall not commingle.
- ✓ Checks received in collection shall be endorsed up on receipt and collections shall be safeguarded unit deposit is accomplished.
- ✓ Deposit shall be processed within prescribed intervals and reconciled against records of fund received.
- ✓ Prompt responses shall be made to reviews performed by the office of inspector general and the general accounting office on cash management activities to correct cited deficiencies.
- ✓ Cash disbursement transaction shall be processed promptly and cash shall be reconciled daily.
- ✓ Cash held outside the treasury shall be maintained at the minimum amount needed to cover currently transaction.
- ✓ This list of guidelines is by no means all inclusive cash handling techniques methods change as programs change and as new collection and disbursement technologies evolve overtime.

2.2.4.2. Cash Payment Procedure

The paying main casher or accountant should follow the following procedures:

1. All Accountant/cashier should have updated list checks on which "stop payment" instruction are issued by drawers.

2. Obtain checks, cash withdrawal slop cash payment voucher (payment instruments) signet by authorized signatures of the bank of token.

3. Double check the no "Stop payment" instruction is issued by the drawer on the checks presented for payment even though it might have already by counter clerks. A "stop payment" instruction had been issued return the checks to the branch supervisor.

4. Check that taken number written on the payment and the number on the token are the same to ensure that payment is made to the right person.

5. Check that the checks are valid by checking the data of the checks. Check that the data account number and the amount in words and figures are correctly and legibly written on the

payment instrument and the signature (s) on the payment instrument is/are verified. If there are any discrepancies, refer the payment instrument to the branch's supervisors.

6. Whether posting is made to drawer's account before efficiency payment.

7. Organize cash notes and coins to be paid in denomination required by the client. Count each denomination carefully. Record the amount to be paid by denomination on the back of the payment instrument and check that the total agrees with amount shown on the face of the payment instrument.

8. Ensure payee's signature on the back of the payment instrument and that they payee is properly identified put "cash paid" stamp on the payment instrument, sign the payment instrument and deliver the cash to the payee. Advice the payee to count the cash before leaving the teller's counter record payment made on the daily blotter without fail (Ibid).

2.2.4.3. Cash Receiving Procedure

The receiving casher shall:

1. Receives cash "received stamp" and blotter from the chief cashier.
2. Receive the deposit tickets and check the name, account number, the amount in words and figures and other particulars.
3. Call the customer and receive the cash.
4. Impress the cash-receiving stamp on the deposit voucher and put his/her initial.
5. Deliver copy of the deposit voucher (advise) to the customer.
6. Register the particular and the deposit amount on the cash book.
7. Deliver the cash to chief cashier against signature when the received cash is accumulated beyond acertain limit.
8. Forwarded the deposit voucher in branches/advise to the journal keeper or accountant after taking run up and recording the tickets on the cash recording books.
9. Taken run-ups of all deposit vouchers, close the blotter and balance against journal records.
10. Check the balance of the against cashbooks to the total cash count received from customer.

2.2.4.4. Cash Planning

Cash flows are inseparable parts of the business operation of firms. A firm needs cash to invest in inventory, receivable and fixed assets payment for operating expenses on order to maintain growth in sales and earnings. It is possible that firm may be getting adequate profit but may suffer from the shortage of cash as its growing needs may be consuming cash very fast the cash poor position of the firm can be corrected if its cash needs are planned in advance. Cash planning is a technique to plan and control the use of cash. It protects the finical condition cash of the firm by developing a projected cash statement form a forecast of expected cash inflows and outflows for a given period. The forecast may be based on the present operations or the anticipated future operations. Cash planning may be done on daily, weekly, monthly basis. The period and frequency of cash planning generally depends upon the size of the firm and philosophy of management. Large firms prepare weekly and monthly forecasts. Small size forms may not prepare formal cash forecasts because of the non-availability of information and small-scale types of operations (Ibid).

2.2.4.5. Receipt and Disbursement Method

Cash flows in and out process in most companies is a continuous basis. The prime aim of receipts and disbursement forecasts is to summarize these flows during a predetermined period. In case of those companies where each item of income and expense involved flow of cash, this method is favored to keep a close control over cash.

2.2.4.6. Internal Control of Cash on Hand

Cash on hand mostly consist of receipts from customers for delivering different goods and services, petty cash account, payment for different payables. It needs strong control because at it is easily available and liquid it is very risky asset. Others the procedures applied for controlling cash on hand are:

- ✓ Counting: - When controlling cash on hand by counting are must exercise simultaneous counting over cash and other negotiable assets in order to prevent substitution. It prevents covering cash shortage by transporting from one fund to another by converting other assets. In order to prevent assets from being counted more than once, the controller must assign other controllers to verity at the same time. The other means of exercising control by counting is presenting all cash and counting by sealing the counted to prevent substitution.
- ✓ Examination of Item: - After cash on hand has been counted, the totals of the petty cash and un-deposited receipts should be traced to cash receipts records. Ambiguous

documents like checks, draft, disbursement voucher and any other item questionable should be investigated further. On the balance sheet data all petty cash funds should be cleared of vouchers by replenishing so that cash and expenses will be stated properly on the financial statement.

- ✓ Observing Deposit: - To assure the validity of checks, the controller should determine if the checks included in the cash on hand are deposited in the bank. If the checks are not deposited when the controller examines cash, there will not be a way for the controller to assure that worthless checks was not previously placed if the bank returned the checks as worthless or fraudulent. At the end of the year, checks of related companies and transferred checks are included on the cash on hand; they must be deducted as outstanding in the bank reconciliation.
- ✓ The Element of Surprise: - In controlling cash the controller must exercise a surprise count. In order to make internal control adequate surprise count of cash must be given a high priority. In verification of cash, the controller must not exercise always at the year end. He may make two verifications dates one on a surprise and the other at year end (John W.cook, 1980:419-421).

Good and desirable internal control measures that ideally may be considered to segregate duties and function are

· Handling or sales transaction

· Cash receiving and keeping

· Cash mail receiving

· Depositing of Cash

· Comparison of cash receipts and deposits

· General ledger entries and records (summery control records, sales, accounts receivable).

· Preparation of bank reconciliation

· Custody of petty cash fund

· Handling of purchase transaction

· Payment voucher preparation

· Check preparation

· Check signing and issuing

· Check custody

· Vouchers register (entries)

· Advances payments-purchase and travel and other advances

· Budgeting

· Payroll

· Inventory control (storing and issuing)

· Pre-numbered forms like cash receipt, checks, vouchers and other receipts.

2.2.4.7. Internal Control over Cash and the Computer

Computer processing of cash transactions can contribute to strong internal control over cash. Remittance advices or mail room listings of customers' payments can be processed by computer. Many companies use computers to issue checks and subsequently, to prepare bank reconciliations. The daily computer processing of cash receipts and checks can provide management with a continually up-to-date cash receipts journal, check register, customer's accounts' ledger, and cash balance. In addition to this, the computer can prepare reliable bank reconciliations even when thousands of checks are outstanding and can provide current information for cash planning and forecasting (Meigs, 1989:385).

CHAPTER THREE

METHODOLOGY

3.1.1 Research Design

This research were design in identify and answer the problem that is found by the researchers through different types of data collection methods to different groups of individual with different experience and position. Then analyzing and interpreting the data to achieve finding conclusions and recommendations. Therefore, among various types of research design we use stratified random sampling methods because the population embraces a number of distinct categories. Hence the researchers get a clear picture of the phenomena from the study. This research assesses internal audit/control practice of the Gurague zone finance bureau.

3.1.2 Types of Data

This study use both primary and secondary data sources.

Primary Data: - Collected through questioners open ended that enable the respondent to respond what they have, observation and personal interview both structured and unstructured.

Secondary Data: - Collected from different documents, paper, websites, directives, manuals and report prepared by the internal audit department and others. I am researcher believe that both methodology of gathering data is very important to get the necessary required information from internal users and external users to make our conclusion and recommendation at least to be near to correctness. Therefore this study will help other stockholders to have a good understanding and knowledge for better reference.

3.1.3 Methods of Data Collection

Primary data obtained using questionnaires, interview with the department head and finance bureau Employers and observations. Questionnaires was distributed to various stockholders of the bureau customers and vendors. Secondary data source such as the finance bureau audit evaluation report of internal auditor and federal audit report, governments internal audit charter, manuals, articles, journals and other documents relevant to the study were reviewed and observed.

3.1.4 Population, sample size and sampling Technique

The target population for the research was 107 employees and the sample size was to be 40 employees of Gurague zone finance bureau . The selection of the sample for interview was judgmental and for questionnaires use judgment sampling method for the study. The reasons for this is especially those staff members are directly or indirectly involved in the internal control activity of the bureau, and they were participate in the study as respondents to the questionnaire.

3.1.5. Data analysis

These data after being collected from questioner and interview, it analyzed by process and interpret with the use of table and percent. Depend on respondent result analyze the result by using tabulating method finally the result of research interpret and make it conclusion.

CHAPTER FOUR

4. DATA ANALAYSIS

4.1. Data Presentation, Analysis and Interpretations

This chapter deals with the data presentation, analysis and interpretation of the collected data. Based on the methodology stated, the selection of respondent in different department is made on non statistical sampling method; judgment sampling is also taking in to consideration. The data presented on “Descriptive” approach. While the analysis is done through the data collected using questionnaire from selected employees of Guragues zone finance bureau . As indicated in the first chapter of this proposal also included interview with concerned staffs. The researcher selected a total of 40 respondents and out of this 37 questionnaires were distributed to selected bureau employees. Out of which 35(94.60%) of the questionnaires were returned. On the other hand out of the total respondent 3 of the respondents made interview with the researcher which was conducted with department head and vice manager bureau who have direct relation with internal control over cash. The following table shows the summary of this analysis

Table 1 Total number of respondent of sex

Respondents	Plan	Actual	%
Bureau head and department head	3	3	100
Staff member of bureau	37	35	94.60
Total	40	38	

Source primary data

Characteristics of Respondents

In order to understand the nature of respondents, this section will discuss the general characteristics of respondents as summarized below

Table 2 Characteristics of respondents

NO	Item	Respondent	
		number	Percentage
1	Sex		
	a. Male	21	56.75
	b.female	17	44.74
	Total	38	100
2	Education		
	College diploma	2	5.26
	Degree	34	89.47
	Post graduate	2	5.27
	Total		100
3	Position		
	Bureau manger/department	3	7.89
	a. accountant	21	55.26
	b. Auditor	8	21.05
	C.Cashier	2	5.26
	d.Journal Keeper	2	5.26
	e.Teller		
	f. customer of bureau	2	5.27
	Total	38	100
4	Year of service		
	<3 years	1	2.63
	Between 3-5 years	5	13.16
	Between 6-10 years	14	36.84
	>10 years	18	47.37
	Total	38	100

Source primary data

As shown from the above table 2 item 1, out of the total respondent 56.75 %(21) were male and the rest 44.73% (17) were female this clearly indicates in bureau of finance the number of male employees is more than female employees. Item 2 same tables regarding their educational level about 5.26% of the respondents are diploma holders, 89.47%of the other respondents are B.A. degree holders and the rest of respondents which is 5.27% of the total are post graduates and above, so this shows that the respondent can provide reliable data.

Out of the total respondent 5.27% (2) of the respondents are customer of bureau, 55.26% (21) of them are accountant, 21.05% (8) of the respondents are Auditors, 5.26% (2) of the respondents are casher, 5.26% (2) of them are journal keeperand the rest 7.89% (3) of them are finance bureau leader. This shows that majority of the respondents are accountants. As shown in table 1 item 4 out of 38 respondents 2.63(1) of them are below 3 years of service, about 13.16 (5) of the total respondents are between 3-5 years of service, while 36.84% (14) of the respondent are between 6-10 years of service and the other 18% (18) of them are above 10years service period. In general this implies that since the establishment of Gurague zone finances much of its employees are youngsters and some others are assumed to be the more employers are more service provided and experienced in bureau.

4.2 Analysis of Basic Variables

4.2.1 Internal Procedures and Manuals

Table-3 Internal Control Review

no	Item	Frequency of respondent	
		number	Percentage
1	Does the bureau update its work procedures and manuals in regard to internal cash controlling system?		
	a.yes	27	77.14
	b.no	8	22.86
	Total	35	100
2	Is there continuous evaluation to revise internal policies and manuals?		

	a.yes	18	51.43
	b.no	17	48.57
	Total	35	100
3	If your answer for question number 2“yes” how often?		
	a.weakly		
	b.monthly	3	16
	c.semi annually	2	10
	d.anually	2	10
	e.any other time	11	61
	Total	18	100

As it shown in item 1 of table 3, 77.14% (27) of the respondents reported that manuals and procedures are revised at all, but 22.86% (8) of them stated that, there is not up to date work procedure and manual regarding cash. As shown in item 2 and 3 of the same table 51.43% (18) of the respondents reply that the internal control is reviewed any other time; whereas 48.57 % (17) of them stated that the Bureau do not conduct a continuous evaluation of internal policies and manuals. The general overview on internal control procedures and manuals of the Bureau has a certain problem. From this analysis the manuals and procedures available in the Gurague zone finance , the management should review in order to maintain more effective and efficient internal control system currently in practice and more continuous revised procedures and policy time based controlling.

4.2.2 Cash Control Procedures and Practices

Table-4 Personnel’s follow up and implementation of procedures.

1	How do you get the implementation of Internal Control of cash system and effective control in aging of receivable and payable	Frequency of respondent	
		number	number
	A.Excellent		
	B.very good	17	48.57
	C.Average	17	48.57

	D.Not good		
	E.Very bad	1	2.86
	Total	35	100
2	Do the personnel follow the procedure and policies set by the government policies and regulation		
	A.Yes	30	85.71
	B.No	5	14.29
	Total	35	100

As shown in item 1 of table 4, 48.57% (17) of the respondent replythat there is very good implementation and 48.57% (17) of the respondent havestated average implementation of internal control over cash system and 1(2.86%) of respondent have stated very bad implementation of internal control over cash. As it canbe observed in item 2 of the same table 85.71% (30) of the respondent were statedthat the personnel follow procedures and policies set by the bureau, while therest 14.29% (5) of the respondents were stated that they do not follow proceduresand policies set by the bureau.Also from conducting interviewee of the bureau managers respond that the top management is not stable and changing veryfrequently. However, continuous follow up on internal procedures and manualshould be done in order to perform the objectives of the finance bureau. This problemhas a significant contribution to the overall system of internal control ingeneral and internal control over cash in particular. While managementofficials of the bureau also stated that money is easily accessible either in thebureau or in the business and it is also a highly liquid asset. So the bureau shouldstrictly follow the procedures stated on the cash operation manual. In generalthe respondents from questionnaires and interview the implementation andfollow up of internal control system is under take in the Gurague zone finance;even though, rapidly changing management has its own impact on internalcontrolling system.

4.2.3 Cash Custody and Dual Control Practice

Table-5 Cash custody and dual control

1	. Are the cash safes under dual control (bank and pity cash)	Frequency of respondent	
		number	Number
	A.Yes	33	94.28

	B.No	2	5.72
	Total	35	100
2	Are cash and cash related items kept in secured storage		
	A.Yes	35	100
	B.No	-	
	Total	35	100

Source primary data

The above table 5 shows that 94.28% (33) of respondents stated that cash safesare under dual control and 2(5.72%) of respondent are not safe cash over control. As it can also be observed in item 2 of the same table100% (35) of the respondent stated that there is secured storage volt for cashand cash related items.The same is true that from the interview obtained, the interviewers stated thatin whatever way the volts locks are operated by keys with strong rooms(Kazina in amaharic). Inaddition, the bureau department andbureau managers/head/ confirmed thatthe locks are operated by more than one person controlling and manage it opration cash safe. They also respond thestrength of strong bank control or reconciliation at bureau and other cash operating centerswhich ascertained in order to assure the safety of the cash and some respondent are said cash are not safe guaranteed to implementation cash safe bureau must be continues follow up.

4.2.4 Duty segregation in the bureau

Table-6 Duties and responsibility

1	Does the bureau have a practice of segregation of duties with responsibility	Frequency of respondent	
		number	Number
	A. Yes	35	100
	B.No	-	
	Total	35	100
2	How is duty segregation in the Gurague zone finance bureau in regard to internal control procedure of cash?		
	A. Sufficient	16	45.71
	B .insufficient	3	8.58
	C.Average	16	45.71

	D. Non-Existence	-	
	Total	35	100

As indicated in table 6, item 1,from the total respondent 100% (35) believed that thereis segregation of duty in Gurague zone finance bureau. So this implies that there issegregation of duty in the bureau even though sometimes there might becertainties.As stated in the same table item 2, 45% (16) of the respondent were stated thatthere is sufficient duty segregation in regard to internal control, whereas, 8.58%(3) of the respondents were stated insufficient duty segregation, on the otherhand 45.71% (16) of the respondents clearly notice that there is an average dutysegregation of internal control in Gurague zone finance bureau. This in general impliesthat there is average and sufficient duty segregation in Gurague zone finance.While from the interview it's obtained that cash is the most sensitive assetwhich requires maximum care. The bureau managers and bureau head also stated that finance government budget is almost entirely related to cashoperation, the purpose of these separation of duties is to make difficult for theftor errors to occur unless two or more peoples are involved; whereas mosttransaction are being under taken using liquid cash. Thus, everyone in thebureau who is directly handling cash operations has to take due care. Thismeans the segregation of duty with responsibility to take care of cash ismandatory and principle of government regulation and low.

4.2.5 Deposit and Withdrawal Voucher System

Table-7 Existence of Pre-numbered Voucher System

1	Is there a Voucher system with regard to cash transaction	Frequency of respondent	
		number	Number
	A.Yes	32	91.43
	B.No	3	8.57
	Total	35	100
2	Are the voucher pre-numbered for each cash collection transaction		
	A.Yes	35	100
	B.No	-	
	Total	35	100

3	Are the voucher pre-numbered for each cash payment transaction		
	A.Yes	32	91.43
	B.No	3	8.57
	Total	35	100

As presented in table 7, 91.43% (32) of the respondents answered that there is voucher system in the Gurague zone finance bureau and 3(8.57%) of the respondent are not use voucher system with to cash transactions. Whereas, in the same table in item 2,100% (35) of the respondents stated that the vouchers are pre-numbered,. As shown in item 3 of the same table above 91.43% (32) of the respondent were stated that there is pre-numbered voucher for each cash payment transaction, whereas the rest 8.57% (3) of the respondents were reply some payment vouchers are not pre-numbered such as with other method, Certified Payment Order and Checks. In general the pre-numbered cash receipt and payment vouchers are more vital to facilitate the working condition. So bureau should have to maintain all cash receipt and payment vouchers with serial number. While from the interview made with bureau managers and bureau head responded that the cash receipt voucher of the bank are recording by taking bank advise except cash on hand because received and immediate recording. Based on the above evidence, some cash receipt vouchers are not prenumbered. Due to this, it is almost impossible to figure out any misused tickets. And it is difficult to prevent from theft and error that might have occurred.

4.2.6 Controlling environment and authorization of cash

Table-8 Cash control system

13	Is there surprise Cash Count	Frequency of respondent	
		number	Number
	A.Yes	28	80
	B.No	7	20
	Total	35	100
14	Is there strong control activities that check authorization of cash		
	A.Yes	29	82.86

	B.No	6	17.14
	Total	35	100

As shown in table , 80% (28) of the total respondent stated that there is surprise cash count and 20% (7) of them have replied there is no surprised cash count. Whereas, in item 2 of the same table 82.86% (29) of the respondents replied “yes” for authorization of cash in Gurague zone finance, while the rest 17.14%(6) of them answered “no” for strong control activity that check authorization of cash over internal control system. This implies that there is a presence of surprise cash count as well as a average control activity that check authorization of cash undertaken in Gurague zone finance. Since the researcher conducted an interview, interviewer confirmed that bureau “cashier” is responsible to coordinate, supervise and control the activity of cash operation. The cashier is one of the dual key holders of the volt and petty cash that safes at office. The cashier also insures that paying mini casher are supplied with adequate cash and receiving casher are cleared of cash books of cash during the operation. In addition to department of payment manager and bureau head puts the existence of internal auditors to supervise the accuracy of surprise cash count. Generally this indicates that the role of“ surprise cash count and check authorization activities” in the internal control over cash system is crucial. This in turns maintain for the safe guard of cash activity in any financial institutes.

4.2.7 Status of the Current System

Table-9 Level of internal control procedure and effectiveness

1	Is the Internal Control over Cash System efficient to handle service transaction	Frequency of respondent	
		number	Number
	A.Yes	30	85.71
	B.No	5	14.29
	Total	35	100
2	Do you believe “Gurague zone finance bureau ” has generally a sound Internal Control over Cash?		
	A.Yes	27	77.14
	B.No	8	22.86
	Total	35	100

3	What do you suggest to improve current internal control over cash system?		
	a. It should be revised	24	68.57
	b. It must be supported by computerized system	10	28.57
	c. Keeping as it is	1	2.86
	Total	35	100

On the top of the open-ended questions the respondents were asked to forward some specifications on the overall cash procedures and manuals. From the respondent point of view 14.29% (5) respondents stated that the internal control system is not efficient to handle service transaction, but the rest of the respondents 85.71% (30) replied that there is efficient service transaction in regard to cash control. This indicates that there is a need for amendment on the internal control system. In the same table item 2, 77.14 (27) of the total respondent reply that there is a sound control over cash procedure and manual, whereas 22.86% (8) of them stated that there is not a sound internal control system in Gurague zone finance bureau. Accordingly, item number 3 shows 68.57% (24) of the total respondents suggested internal control over cash system should be revised, while 28.57% (10) of them suggested that it must be supported by computerized system, and the rest 2.86%(1) of the respondents recommended that they support the manuals and procedures currently in practice.

From this context, procedures and manuals with regard to cash controlling system in the Gurague zone finance burea seems out dated, and this indicates there is an old fashion working environment which leads to dissatisfaction on customer service area and decline on employees' initiative to work. So, it needs revision of working environment with the current up to date technologies including computerized banking system and more customer satisfaction for better utilization of Asset and other government service by improving procedure ,policies and manual of work procedures for the satisfaction of customers in general and for the initiation of employees in particular

CHAPTER FIVE

5. Summary, Conclusion and Recommendation

This research was conducted to assess the internal control over cash system currently in practices in Gurague zone finance bureau. To successfully meet the objective, as explained in the methodology part of the study, for a total number of 38 respondents, that was the sample size. Questionnaire were distributed and collected and interview with the selected officials was held. The researcher has tried to see the internal control over cash systems in perspective of employees and bureau head and other practitioners/customers response to the case under study.

5.1 Summary

- Employees were asked about internal control over cash review, their responses were, 22.86% of the total respondent stated that the bureau internal control procedures and manuals are not revised at all and 77.14% of the respondent stated the bureau internal control over cash is revised.
- Regarding personnel follow up and implementation, 48.57(17)% of the response shows that there is very good implementation,48.57(17) of response shows that is average implementation and 2.86(1) of the respondents are stated very bad. And there is also personnel follow up on the procedures and manuals set by the bureau with regard to internal control over cash.
- Regarding cash safe under dual control 94.28%(33) respondent are stated the bureau is used dual and 5.75%(2) not used dual cash control
- Furthermore, 100% of the employees were stated that cash and cash related items kept in secured storage.
- 100% of them are stated that there is average segregation of duty in Gurague zone finance bureau.
- 91.43(32)% of the response shows that there is voucher system in the Gurague zone finance, but 8.57(3)% of the respondent stated that the cash receipt and payment vouchers are not pre-numbered.
- 14.29%(5) of the response shows that the internal control system is not efficient to handle service transactions and other 85.71(30) of respondents are stated that is efficient control handling service of transaction.

- 80%(28) of respondents are stated that have surprise cash count and 20%(7) of respondent are stated no surprise cash count.
- 82.86% of them response shows strong control activities of check authorized of cash and 17.14 them shows no strong control.
- The bureau or department head were asked on different areas, about cash in transit, they replied that the bureau when needs cash supply directs it requisition to the “treasury” and internal revenue ask(request) at head office by using annual action plan to get more cash

5.2. Conclusions

According to the analysis and findings of the study the following conclusions were drawn.

- A number of problems have been investigated on the analysis of employee comment, the major one includes: the manuals and procedures not reviewed at needed and time based and lack systematic approach to its work environment.
- Employees had complaint in personnel follow up and implementation with regard to internal control over cash system and also top management rapidly changing in the working environment. This situation may create there might not be effectiveness enough with regard to implementation of procedures and manuals set by the Gurague zone finance bureau.
- Most of the respondents are satisfied with cash custody and dual control systems of the bureau. So, cash in any way should not be left to a single individual custody or investget by other employee control.
- Cash can be stolen and the employee can cover up the shortage by falsifying the accounting record. So, the level of voucher system of the bureau is weak to protect the risk and more effective segregation of working environment.
- Setting the minimum cash(pity cash) requirement to meet the day to day operations and the maximum cash holding limit up to the amount of the sum insured is essential part of cash movement. Holding cash carries opportunity cost of profit(government responsibility) which could be made if the cash was invested elsewhere. The Gurague zone finance bureau has to balance the advantage of liquidity as a security against insolvency on one hand and profitability on the other hand. Therefore, concerned with

optimizing the amount of cash available to the bank and bureau by adjusting with communication with treasury department.

- Cash in transit are possible, the way of cash transit between bank and bureau are secured and protective way must be used.
- Gurague zone finance bureau's another strongest area on the application of internal control can be attributed to cash receipts and cash payment activities. Thus the bank must have to deal with the cross checking methods.
- As the result of this study indicated that the bureau head, department head and main cashier and mini cashier use separate keys for closing and opening of the individual safe vault. But there is a possibility for the cross check daily cash count practice by internal audit or other delegated employee or other mechanism.
- The researcher also identified that the cashier are more risky of cash loosing by payment time because of manual method payment. According to the researcher, this activity appears to have impact on the efficiency of the casher as they do. To give safe guard for the cashier, the bureau should implement amodern technology that use modern banking system of payment any transaction . The researcher also disclosed that bureau uses internal control over cash in order to safeguard cash from waste, fraud and inefficient use. In addition, the researcher also provide that the internal control structure currently in use by the Gurague zone finance bureau is fairly sufficient in terms of achieving the Bureau objective but the researcher also finds the backward technological advancement(use of more manual and no more technological advancement)in comparison to other private business organization which they are currently run in Ethiopia.

5.3 Recommendation

The following recommendations are made on the basis of the research findings and literature reviewed.

- Remove over reliance on one individual, do not delegate significant authority to one person to establish, implement, monitor and enforce any single function of the bank as it is now. The system permits the bureau head ,internal audit and cashier tocollaborate and steal the safe vault. The fact that collusion is one of the limitations of internal control, rotating (segregation) workers shall be considered. In addition to this, Continuous assessment on the implementation of internal control should be done in order to improve the quality of internal control system of the bureau.
- Training should be given timely to update the employees by control department. And it is advisable to conduct back ground checks on all potential employees before hiring. Carefully screen them to make certain they are qualified and have no record of fraud
- The problem of accessing on-cash staff to cash area can easily be seen. The bureau should strictly follow the procedures stated on the cash operation manuals. Since an unqualified audit report do not guaranteed that internal controls are effective organizations should continuously monitor the effectiveness of the internal controls.
- The voucher system i.e. all deposit and withdrawal voucher must be serial or pre numbered for the checking and verification that can enable healthy operation.
- The whole cash including the vault shall be re-checked and properly investigated periodically further cashier who regularly experience shortage shall be identified, so that management can take necessary measures.
- Collect the source of document from the customers (beneficiary) and ascertain that the number written on the paying voucher is the same with that of the presented by the customer and knowing the customer is very advisable for cashier.
- Whenever cash balance is made, it has to be checked against journal records at all times. And to be more accurate the accountants should have also use the automated techniques that accelerate the system too.
- As stated in the conclusion part the problem of treasury management in internal control of cash gap is not effective and more cash shortage. As much as possible the function should sent to the head department of treasury as the cash balance action plan is at its

balance point in every month, otherwise the bureau may not get working expenditure coverage. And this also due to cash shortage many government plan of huge projects of capital and recurrent expenditures are more attentively manage internal control over cash to more efficiency or target of bureau .As the above research finally recommend that in Gurague zone finance bureau must be more internal control over cash to utilize every cash as planed and targeted objectives.

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APPENDEX

WOLKITE UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Questionnaire for employees

Dear Respondents.

I am conducting a research work on an *Assessment of Internal Control over Cash in the case of Gurague zone Finance bureau*, for my partial fulfillment of, BA Degree in accounting and finance. I kindly request you to genuinely complete this questionnaire and this would greatly enhance the quality of my research. I assure you that the information that you provide will kept confidential and would only be used for academic purpose. Thank you in advance for taking your precious time to fill it on for me.

N.B. Do not write your name

Part I: General Background Information

Instruction I: Respond for the following items by putting a tick (/) mark on the box provided.

1. **Sex** : A. Male ☐ B. Female ☐
2. **Educational Level**: A. College Diploma ☐ B. B.Sc. or B.A. Degree ☐ C. Post graduate and above ☐
3. **Position:** A. Cashier ☐
   B. Accountant ☐
   C. Auditor ☐
   D. Journal Keeper ☐
   E. Teller ☐
   F. customer of bureau ☐
4. **Year of Service**:
   A. Below 3 years ☐
   B. Below 3-5 yearsa ☐
   C. Below 6-10 years ☐

D. Above 10 years

Part II. General question related to Internal Control over Cash

Instruction II: Respond by putting a tick √ mark on the box provided and explain the items that need further explanation. You can mark more than one item.

1. Does the bureau update its work procedures and manuals in regard to internal cash controlling system?

A. Yes B. No

2. Is there continuous evaluation to revise internal policies and manuals?

A. Yes B. No

3. If your answer for question number 2"yes" how often?

A. Weekly

B. Monthly

C. Semi-Annually

D. Annually

E. Any other time

4. How do you get the implementation of Internal Control of cash system and effective control in aging of receivable and payable?

A. Excellent

B. Very Good

C. Average

D. Not good

E. Very bad

If your answer is "Bad or Very bad" please specify--

----

5. Do the personnel follow the procedure and policies set by the government policies and regulation ?

A. Yes B. No

6. Are the cash safes under dual control (bank and pity cash) ?

A. Yes B. No

If your answer is "No" please specify---

----

7. Are cash and cash related items kept in secured storage (Volt)…?

A. Yes B. No

If your answer is "No" please specify---

----

8. Does the bureau have a practice of segregation of duties with responsibility?

A. Yes B. No

9. How is duty segregation in the Gurague zone finance bureau in regard to internal control procedure of cash?

A. Sufficient

B. Insufficient

C. Average

D. Non –Existence

10. Is there a Voucher system with regard to cash transaction?

A. Yes B. No

11. Are the voucher pre-numbered for each cash collection transaction?

A. Yes B. No

12. Are the voucher pre-numbered for each cash payment transaction?

A. Yes B. No

13. Is there surprise Cash Count?

A. Yes B. No

14. Is there strong control activities that check authorization of cash?

A. Yes B. No

15. Is the Internal Control over Cash System efficient to handle service transaction?

A. Yes B. No

If your answer is "No" please specify---

----

16. Do you believe "Gurague zone finance bureau " has generally a sound Internal Control over Cash?

A. Yes ☐ B. No ☐

If your answer is "No" please specify---

----

17. What do you suggest to improve current Internal Control over Cash System?

Annex-II

Interview Questions

Interview guide for Gurague zone finance bureau

Department leader of Audit .

1. What are the bureau's guide line of policies and procedures regarding cash Management , receivable and payable?

2. How the bueau follow the cash procedures and manuals set by the organization?

3. What are the practice of the bureau on separation (division) of duties and responsibilities of work in the area of cash and cash related activities?

4. How does the Gurague zone finance Internal Control System safe guard cash and other practice?

5. How does Cashier handle their duties?

6. Who made decision for approval of cash in-transit?

7. If there are internal auditors, are they independent from the Internal Control process?

Thank you