

**IMPACTS OF INTERNAL CONTROL ON CASH FLOW
MANAGEMENT:**

**A CASE STUDY OF PRIDE MICROFINANCE LTD
KAMPALA**

BY

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**A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS AND
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DECLARATION

I Thomas Siwingwa hereby declare that this work is my own and has never been submitted to any other university or institution for the award of any academic qualification. Indeed where other peoples work has been used, references have been duly provided and in some cases publications made.

Signed



Date

20 MAY 2011

APPROVAL

This is to certify that the research of “the impact of Internal Control on cash flow management” has been under my Supervision and is now ready for submission to the School of Business and Management for the award of a degree of Business Administration of Kampala International University.

Signature: 

DATE: 

Mr. Ruteganda Michael

DEDICATION

This work will be dedicated with lots of love and appreciation to my father Ramsay Siwingwa, my mother Bupe Siwingwa, brothers and sister for their support in all three years of my studies.

Special dedications go to my beloved friends Alice Sangwa Bahati, Peter Ajak Thon, Bwire Bony and my aunt Jasper Kamukama without their support, the completion of my degree would have been a mere dream.

I also have to give special thanks to almighty God for having given a chance to life and education

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I Thomas Siwingwa at this material moment thank the Almighty God that it has been his severance that I have been able to study up to this level. My sincere appreciation is extended to all the people who enabled me in developing my skill and knowledge.

During the process of carrying out this research and through the production of this report, many people have assisted me. I therefore wish to express my sincere gratitude to all those who helped me materially and morally.

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ABSTRACT

This study set out to investigate the impacts of internal control on cash flow management, using the case study of pride microfinance limited. According to the Committee of Sponsoring Organization (COSO) Framework, everyone in an organization has responsibility for internal control to some extent. Virtually all employees produce information used in the internal control system or take other actions needed to affect control. Also, all personnel should be responsible for communicating upward problems in operations, noncompliance with the code of conduct, or other policy violations or illegal actions. Each major entity in corporate governance has a particular role to play:

Management: The Chief Executive Officer (the top manager) of the organization has overall responsibility for designing and implementing effective internal control. More than any other individual, the chief executive sets the "tone at the top" that affects integrity and ethics and other factors of a positive control environment.

This study will be conducted with specific objective, to find out the relationship between internal control system and cash management, also investigate the effectiveness of the internal control methods on cash management.

The study will address research questions on the impacts of internal control on cash flow management. A case study will be adopted as the basic research design but frequency supported by others such as qualitative and explanatory. The study purpose will sample a population of fifty employees from top management, financial and accounts department, staff and other employees of the organization.

The study will use both primary and secondary data obtained from the available sources and findings from primary sources will be collected using questionnaires, interviews, and observations will be processed using frequencies, and percentages will be used as key tools to identify the relationship of variables.

The basic findings were that pride microfinance limited are currently using the internal control system in managing its cash flow.

The major conclusion of the study was that internal control has contributed to the achievement of particular objectives and understood of related progress regarding cash flow management in organisations.

Based on conclusion the major policy recommendation is that internal control system can only provide management of an entity with reasonable assurance that their objectives are reached because of their inherent impacts. The possibility that a person responsible for executing an internal control could abuse that responsibility by overriding an internal control

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study.

Internal control have always been an important element of any organizational financial and operating structure in the 1990's concerns about fraudulent financial reporting resulted in the formation of a group that started studies in internal controls. The name of the group is Committee of Sponsoring Organizations (COSO) developed a report that defined internal control as policies and procedures (financial or otherwise) adopted by the managers to help ensure as far as practical, the orderly and efficient conduct of its business i.e. management philosophy and operating style, and all policies and procedures adopted by management to assist in achieving the entity's objectives and identified five components of internal control such as; Environmental control, Risk management, Information and Communication systems.

In spite of the internal control systems being an important element of the organizations, Microfinance in Uganda operations have more often been characterized by ineffective and inefficient operations, non compliance with laws, regulations, policies and unreliable, inaccurate and incomplete financial reports resulting from weak and non-existent internal control systems.

These were be manifested in the numerous cases of poor management and misuse of assets and resources, lack of transparency in procurement, inflated expenditures on goods and services, non implementations of auditors reports, lack of adequate accounting records, poor budget utilization, funds manipulations and sometimes direct embezzlement of funds. Such inefficiency are a resultant effects of the increased level of funding channeled through microfinance which has in effect compromised their autonomy and deflected their developmental goals to suit donor requirements and founder members personnel interests.

1.1 Statement of the Problem.

The operations of microfinance in Uganda were recently characterized by the problem of cash flow management for the resources channeled through them (New vision 27th June 2008). Microfinance operations in Uganda had more often been characterized by ineffective and

inefficient operations, non-compliance with laws, regulations, policies and unreliable, inaccurate and incomplete financial reports resulting from weak and non-existent internal control systems.

These resulted in to numerous cases of poor management and misuse of resources, lack of transparency in procurement, inflated expenditures on goods and services, non implementations of auditors reports, lack of adequate accounting records, poor budget utilization, funds manipulations and sometimes direct embezzlement of funds. Basing on the above, the researcher was prompted to investigate the impacts of internal control systems

1.2 Purpose of the Study.

This study was carried out to evaluate the impact of internal controls on cash flow management in pride microfinance limited. Therefore the system of internal control was designed to manage risks to reasonable level rather than to eliminate all risks of failure to achieve policies, aims, and objectives. It was therefore only to provide reasonable and not absolute assurance of effectiveness.

The system of internal control was based on an ongoing process designed to identify and prioritize the risks to the achievement of microfinance policies, aims and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realized and to manage them effectively, efficiently and economically

1.3 Objective of the Study

The aims of the study were:

- i. To find out the relationship between internal control system and cash management in Pride Microfinance Limited Uganda.
- ii. To investigate the effectiveness of the internal control methods on cash management in Pride Microfinance Limited.
- iii. To suggest recommendations on the improvement of internal controls on cash management.

1.4 Research Questions

To achieve the above objectives, the study was guided by the following research questions.

- i. What were the internal control systems on cash flow management in Pride Microfinance?
- ii. How effective were its controls on cash management?
- iii. What can be done to improve on the internal controls on cash management?

1.5 The Scope of the Study

1.5.1 Study scope

The study covered the internal control systems on cash flow management, governing the operations and activities of microfinance in various departments in the company such as internal audit account department, finance department, purchasing and procurement department, marketing department and personnel department.

1.5.2 Geographical scope

The study focused on Pride microfinance limited, which was the head office, located on Metropolis House Plot 8-10 Entebbe Road Kampala

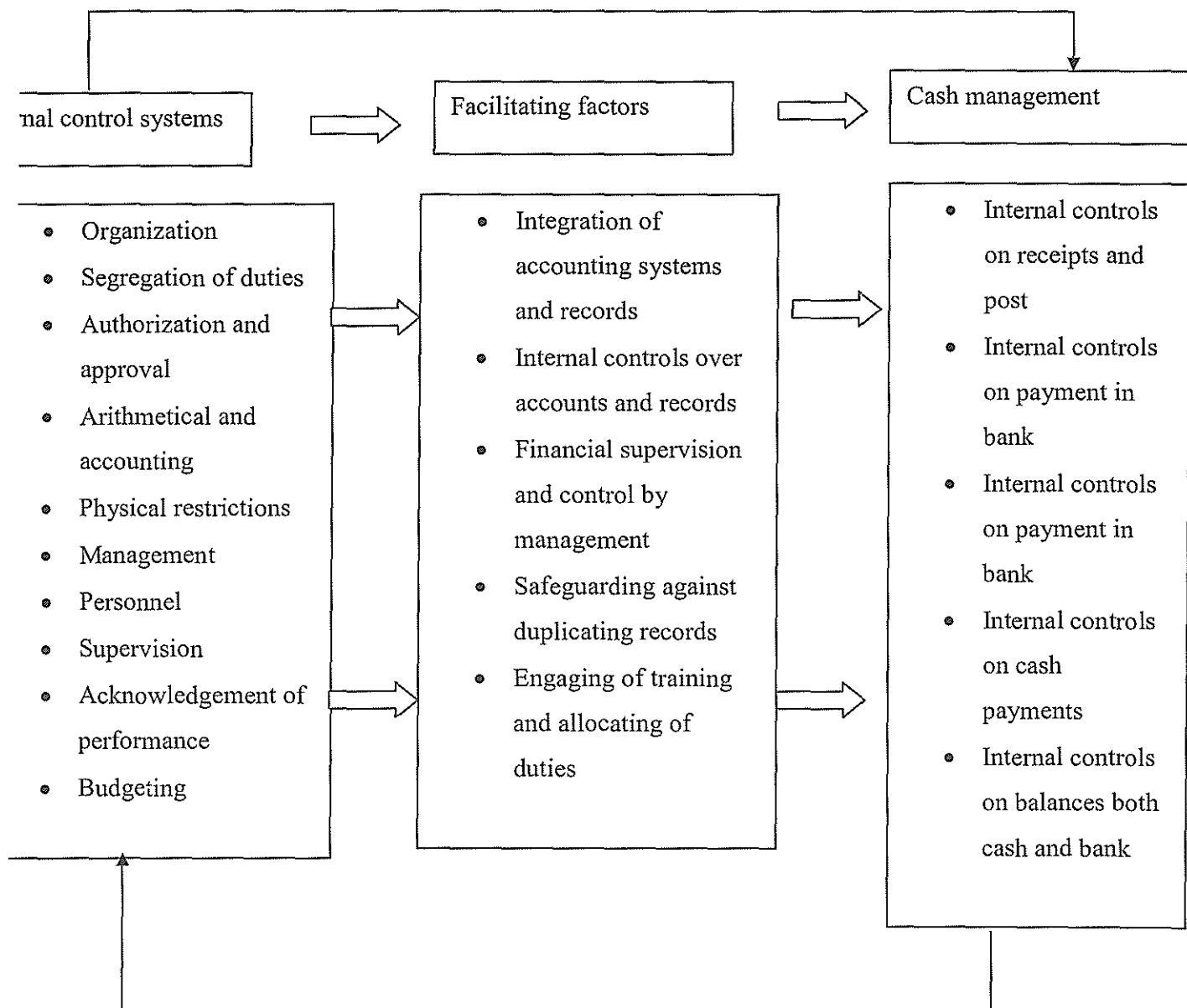
1.6 Significance of the study

The findings enabled the management of Pride Microfinance Limited to identify the weakness in their internal control system on cash management and also equipped them information on how best to utilize internal controls on cash management to ensure proper management of the company's funds.

Managers and directors of various entities, especially those engaged in similar operations had the necessary information to improve cash management in their entities.

This study was expected to stimulate further academic interest and provided information for further research on the topic and also to other decision makers.

1.7 Conceptual framework



Source: Millichamp Alan (1996) Auditing 7th Edition Letts Educational

CHAPTER TWO

LITERATURE REVIEW

2.1 Introductions

This chapter reviewed the relevant literature pertaining to internal controls and mainly covered cash controls and how forms of cash mismanagement could be manifested. Several authors had defined internal control systems differently;

According to Millichamp (1996), the term internal control system refers to the whole system of controls, financial and otherwise, established by management in order to carry on the business or the enterprise in an orderly and efficiently manner, ensure adherence and management policies, safeguard the assets and ensure as far as practical The completeness and accuracy of the records.

According to Swamy (1994), states that an internal control system comprises firstly, the control environment, being the overall attitude, awareness and action of directors and managers regarding the internal control systems. And its importance in the entire and secondly, control procedures, which are policies and procedures in addition to the control environment established to achieve the entity's specific objectives.

2.2 Methods of internal control.

There exist a variety of internal controls and for effective management and eventual achievement of an organization's objectives all of them should be performed effectively and be incorporated in the system. Internal control systems extended beyond matters directly related to the function of accounting systems, and the environment affects their effectiveness

2.2.1 Organization.

Accordingly, an organization should have a plan, which should define and allocate responsible officials. An enterprise should also have and identity the lines of reporting, for proper communications of the delegation of authority and responsibilities and nobody should override the system. Hence controls can best be implemented by the use of an organization chart. Which defines various obligations? (Emile 2004, Swamp 1994)

2.2.2 Segregation of duties.

This calls separation of the functions of initiating, authorizing execution, custody and recording, where by business operations are organized that two or more employees are required to participate at every transaction, the possibility of fraud is reduced and the work of one employee gives assurance to the work of another. It is described that no one person or department handles a transaction completely from beginning to end, as this reduces the chance of employee services to verify that of another, ensuring that errors are detected promptly. (Lawrence 2001).

2.2.3 Authorization and approval.

The transactions of the business enterprise all must be authorized and approved by the responsible officials whose limits of authority and approval match such transaction being approved or authorize. (Millichamp 1996).

2.2.4 Arithmetic and accounting.

These are controls in the recording function, which check that transactions have authorized, that they are all included correctly recorded and accuracy processed. Some of the procedures, accuracy of the records, the maintenance and checking of totals, reconciliation, control account trial balance and sequence checks. (Emile 2004).

2.2.5 Physical restrictions.

Control of this kind aims at limiting accessibility of entities assets to the only authorized persons in particular time. Serves a strong protective measure in safeguarding organizations assets, process and the data. The physical control methods in the case include, strong rooms and safes, security guards, cheque books involves, fences lockers and serialization of vouchers. (Kinney 2000)

2.2.6 Management;

According to Millichamp (1996), these are controls exercised by management, which is outside, over and above the day- to-day routine of the system. They include overall Supervisory controls, review of management accounting internal audit and other procedures. Senior management must be aware of the day- to-day activities of the company and be seen by staff to be so. Management

accounts should be designed to summarize performance in detail, management, to determine departure from intended plans should like budgeting and variance analysis.

2.2.7 Personnel.

Any internal control system regardless of its applicability should be operated by Personnel who are of desirable integrity/ authority, competence and capabilities to perform their challenging assignment well. The clear authority and responsibility in written job descriptions and personal manuals need be adhered to accordingly. (Millichamp 1996)

2.2.8 Supervision.

This control concerns the fact that all actions by all levels of staff should be supervised. The responsibility for supervision should be clearly laid down and communicated to the persons being supervised. According to the laid down policies of the organization. This must be done in terms of strong human relations approaches to build up motivation attitudes among the employees and avoid frustration among the subordinates being supervised. (Kinney 2000)

2.2.8 Acknowledgement of performances.

These control procedure requires that the person performing data processing operation should acknowledge their activities by means of signature, initial or stamps as this enables effective evaluation and responsibility to the employees at their working areas. (Lawrence 2001).

2.2.9 Budgeting.

Budgeting is common techniques used in business. Budgets are qualitative plans and can be compared to actual results to investigate differences. The above are the categories of internal control in organizations. Since the environment has an impact on the internal controls of the organization and the environment is subject to change the internal control systems must be under constant and regular supervision by management to incorporate the changes in the system. (Muheki 1994).

2.3 Internal control measures.

According to Millchamp (1996), the general measures for internal control include

- An appropriate and integrated accounting system of accounting and records.
- Internal controls over the accounts and records
- Financial supervision and control by management, including budgeting control, management accounting reports and interim accounts.
- Safeguarding and if necessary duplicating records.
- Engaging training and allocating specific duties to staff who are capable of fulfilling their responsibilities

Above and other measures can jointly improve the financial performing of an organization

2.4 Positive impacts of internal controls

2.5 Cash Management.

As large portion of the total transactions of business involved the receipt and disbursement of cash. The control of cash is of prime importance in any business.

Since cash is a component of working capital, its level has an implication on the liquidity, profitability and risks of the organization.

Cash management refers to the policies, rules and regulations designed by management to optimize the use of cash, so as to realize the firm's goals (Sharma 1996).

According to Van Horne (1989), cash management involves managing the monies of the firm in order to maximize cash availability and interest income on late funds. It also involves the formulation and implementation of optimal policies and procedures to monitor. Receipts, payments and balances in order to maximize the benefit of cash to the organization

According to Keynes, (1936), the three motives of holding cash include; the transaction motive, the speculative motive and the precautionary motive. Accordingly, the transaction motive is the need to hold cash to meet the payments resulting from ordinary business transactions; the precautionary motive of holding cash is aimed at maintaining a buffer to meet unexpected changes in prices.

2.6 Internal controls on cash.

According to Pander, (1996) cash management involves all activities, policies and procedures to ensure optimal cash balances, proper cash should therefore focus on the firm's receipts or inflows, payment or out flows and balances.

2.6.1 Internal controls on Receipts.

In an organization fanatical controls regulate the income and expenditure of the business. They take form of budgeting controls and techniques such as programmed evaluation and Review techniques such as programmed evaluation and Review techniques PERT and Periodical reconciliation of cashbook and passbook balance.

2.6.2 Controls on Receipts by post.

The objective of this control is to ensure that all cash and cheque s received by post are accounted for and accurately recorded in the books. Measures to achieve this according to ACCA and Sharma include;

Firstly, safeguards to prevent interception of mail between receipts and opening must be strengthened.

Secondly, a responsible official should be appointed and charged with opening of the post. This is important as it ensures safe custody of the cheque and cash in post.

Thirdly; at least two people should be present at the opening of post and all cheques and negotiable instruments should be immediately given a restriction crossing like account payee only, or not negotiable. This safeguards the cheque and reduces the responsibility of manipulation.

Lastly, there should be immediate entry of the details of the receipts, the date, payer and amount in a rough bank or post list of money received. This should be followed by regular comparison of the post list with the banking records in order to ensure proper records.

2.7 Internal control on payment.

Firm's cash outflows take the form of cash bank and other negotiable instruments. All these should be controlled in order for effective financial progress. (Halpern 1983)

The cashier should not be concerned with keeping or writing up books of accounts other than those recording disbursements nor should he or she have access to or be responsible for the custody of securities, title deeds or negotiable instruments belonging to the company

2.7.1 Controls on payments in the bank.

According to Millichamp (1996), the internal controls should show that all cash and cheques are banked intact all cash and cheques received are banked without delay at prescribed intervals, and that they are accounted for and recorded accurately.

2.7.2 Controls on cheque payments.

According to Sharma (1996), these include strict custody over the supply and issues of cheques. The controls should ensure prevention of unauthorized payments being made from bank accounts.

Preparation of cheques should be restricted where the person who prepares cheques is not a signatory and where cheques signatories are not responsible for recording payments segregation of duties as regards custody, recording, and initiation of cheques payments and other payments is of great importance and must be ensured.

2.7.3 Controls on cash payments.

As controls over cheque payments are easier to establish and maintain Senyonga (1994), business should try as much as possible to conduct all their cash transactions by means of cheques and limits on cash disbursements in this respect must be set.

2.8 Internal controls on balances.

The internal control system should ensure the prevention of misappropriation of balance held. Therefore a firms balance may be inform of cash or bank balances.

2.8.1 Cash balances.

The objectives of controls on cash balances are to ensure prevention of misappropriate or of unauthorized cash payments being made. Controls on cash balances include: the appointment of

officials responsible for cash balances this works with the imprest system, depending on the rules of reimbursement only against approved vouchers. The restriction on payment out of cash received is essential at this point.

There should be strict rules on authorization of cash payments and an independence cash court should check this on a regular and surprise basis. Arrangements of security measures for the custody of cash outside office hours and safeguarding cash in transit including the use of safes and restrictions of access, and insurance arrangements for cash balances should also be put in place.

2.8.2 Bank balance.

Internal controls on bank balances ensure the prevention of learning and landing and the misappropriation of bank balances. Bank reconciliation should be done at prescribed intervals. This is done to compare the actual bank transaction with bank balances. Reconciliation should be done by an independent person and the work should include comparison of debit and credit entries, test of details on pay in slips, unusual items like dishonored cheques among others. The balances at bank should be independently verified with the bank at regular intervals and a bank statement obtained the sequence of cheques numbers must also be analyzed.

The negative impacts

Internal control system can only provide management of an entity with reasonable assurance that their objectives are reached because of their inherent impacts.

According to Kamal (2004), the possibility that a person responsible for executing an internal control could abuse that responsibility by overriding an internal control. A system of internal check may be ineffective where the checks are not carried out or where individuals do them incompetently or where fraud occurs in items not checked, for example not ensuring that the latest amount of cash is banked so as to detect reaming and lading fraud hence affecting the operation of internal control systems in the company.

According to Milli-champ (1998), the usual requirement that the cost of an internal control is not disproportionate to the potential loss, which may result from its absence, hence controls that are not cost effective may be ignored.

According to Saleemi (1999), most systematic internal controls tend to be directed at routine transactions, staff may exploit this, in the way that, they will change the figures of the transactions taking place.

According to Roma swamy (1994), the potential for human error due to carelessness distractions, mistakes of judgments and the misunderstanding of instruments for example when one is hired also affects the internal control systems of the company because the employees may not be in position to use them.

The possibility of circumvention of internal controls through collusion with insiders or outsiders; for example accepting under-deliveries of items.

Evaluation of internal controls.

According to Milli-champ, the evaluation of internal controls is done by performance of an audit. According to statements of auditing standards (SAS), there one two elements of controls, the control environment and control procedures. According, the control environment encompasses the management style and corporate culture and values shared all employees. Thus it provides a background against which other controls are operated.

Summary.

Having analyzed internal control on cash management it is worth nothing that the system of internal control varies from entity to entity depending very much on the size of the enterprise, its business, and the type of transaction involved. It is therefore up to the top management of an entity to apply the basic principles of good internal control in devising a system appropriate to the particular entity, bearing in mind the limitations of internal control.

CHAPTER THREE

METHODOLOGY

3.1 Introductions

This chapter I described the methodology, which would be employed in the study, provided descriptive information on the methods and instruments of data collection, processing and analysis. It specified the area in which the study would be conducted, described the research population, research, procedures and the problems, which would be encountered during the study.

3.2 Research design

The research was designed to enable quick and efficient collection of relevant information. A descriptive survey design considered the most appropriate by the researcher as it would enable the researcher to collect as much information as possible from the company, both officially and at a personal level

3.3 sample and sampling design

3.3.1 Target population

Population is the group of people, units or items under investigation. The researcher interviewed a sample of 50 respondents of the company and these included the staff, mainly employees in finance/accounts departments. Other departments in the company will also be consulted although on a smaller scale.

3.3.2 Sample size

25 employees from Pride Microfinance Limited were chosen for representatives' samples. The departments, which the researcher conducted, included, were, top management, internal auditor, account departments, finance departments, purchasing and procurement department marketing department and personnel department.

3.3.3 Sampling design

Thirty-five employees were chosen using a combination of random and purposive Sampling. A sample representative of top management, middle- level managers and junior staff from various

departments was purposely to be selected while ensuring that the most respondents would be selected from the higher number of respondents.

3.4 Data Collections.

Sources of Data

The data for the study was to comprise of both primary and secondary data.

Primary data

The primary data was obtained through the use of Questionnaires, interviews and general observation.

Thirty- two questionnaires distributed to the various departments in the company. Each one of the heads of departments was requested to respond to one and the rest will be randomly distributed.

The country Manager, the internal auditor and the chief accountant was interviewed.

Speed, segregation of duties, record keeping, accuracy, discipline, general response to work and also the general trends of events were observed.

Secondary data

This is data that has been already collected and it has already passed through the statistical process. It can be sourced from Newspapers, Journals, Magazines, textbooks and Internet.

Secondary data was drawn from accounting manuals records and also from the company's annual reports. The annual reports included the audit reports, profit and loss account records and balance sheet records.

3.5. Data collections instruments

3.5.1 Questionnaires

This is a method of data collection, where a questionnaire is sent to the persons concerned, with a request to answer the questions and return the questionnaires. Although there are two forms of

questionnaires, that is mail and interview guide, the researcher used the interview guide because it was more convenient.

Therefore questionnaires were distributed amongst respondents to collect data. The questions were designed in such a way that general information on cash flow management could be generated from various respondents, establish the existence of an internal control system and evaluate the effectiveness of the internal controls on cash flow management in the company.

3.5.2 Interview method

This is a method of data collection where the investigator or the enumerator is brought in to contact with the respondent and asks him or her questions about the subject under study. The method can be used in two ways that is face-to-face and telephone interviews.

Therefore the researcher interviewed the top managements of Pride microfinance limited and heads of departments. The selected questions from the questionnaires were used as an interview guide. They were effective, as they enabled the researcher to obtain more detailed information and also observed company procedures

3.5.3 Observation method

Under this method, the information is sought by way of the investigators or the enumerator's own direct observation without asking the respondents or the sampling units of interest. Observation is done in two ways that is passive and participative.

Therefore the researcher observed the activities taking place in the company then collected and recorded the essential information needed for the research work.

3.6 Data processing

This data will be collected, compiled and edited to ensure that there are no errors. It was then sorted and re-arranged into special category groups according to the source from which it was collected.

The data was analyzed using Microsoft excel, with the aim of providing answers to researched questionnaires. The write- up of results was done using Microsoft word.

3.7 Constraints during data collection

Time was the major constraint. The researcher had other deadlines to meet for example, the demands of course works, preparations for examinations.

The research was costly. The researcher had to spend a lot of money in the typing, photocopying, printing of the work and also costs involved in transportation while looking for the information.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS OF FINDINGS

4.1 Introduction

This chapter presents data collection in organized logical and orderly manner in light of the objectives of the research.

It entails demographics details internal control systems and cash management in an organization a case study of Pride Microfinance limited Entebbe road Kampala branch.

4.2 Gender of Respondents

Both male and female respondents were involved in the study to ascertain whether there is gender balance in the organization.

The respondents were asked to state the gender status and below were their responses.

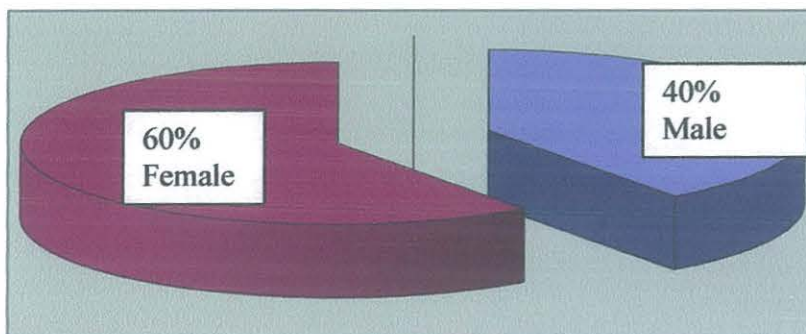
Table: 1 showing gender of respondents

Gender	Frequency	Percentage
Male	20	40
Female	30	60
Total	50	100

Source: Primary data

Figure 2: Showing gender of respondents

Gender of respondents



Source: Primary data

The above pie chart indicates that the organization has more female staff than male that constituted 60% and 40% of the population respectively. The findings revealed that the female staffs are slightly bigger than their male counter parts.

4.3 Qualifications of the Respondents

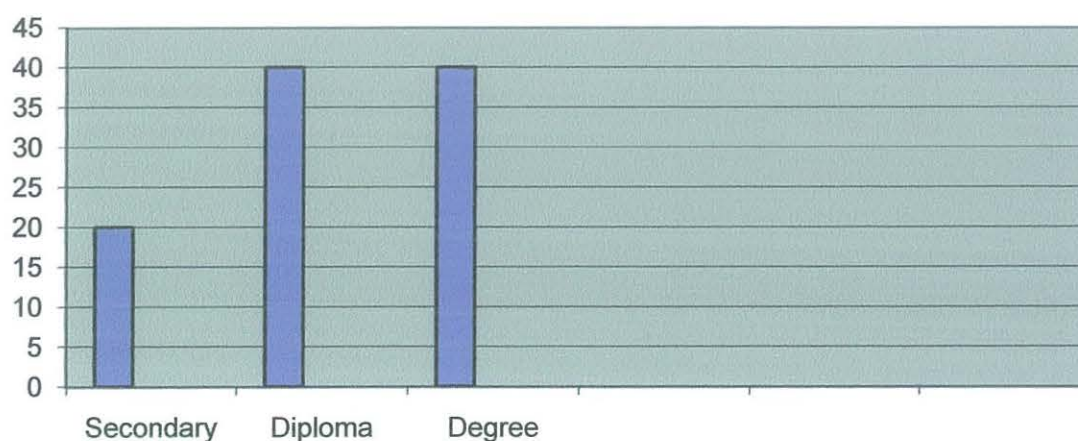
The respondents were asked to state their qualifications. This was aimed at ascertaining that the respondents had the required skills for the job. The responses of the respondents were as follows.

Table 2: showing the qualification of employees

Particulars	Frequency	Percentage
Primary	-	-
Secondary	10	20
Diploma	20	40
Degree	20	40
Total	50	100

Source: primary data

Figure: 3. showing the qualifications of the respondents



The table above shows that some respondents or workers of the organization had attained a level of education and 20% of them had attained up to secondary while 40% of the respondents had

attained a level of diploma and 40% also of the respondents ha attained a degree in their qualifications for the job.

The findings indicate that almost all the staff have qualifications and therefore are well trained and educated with enormous skills and competence that enable them to perform their duties effectively and efficiently.

4.4. The organization has an internal audit department/ section

The employees were asked whether the organization had an internal audit department/section and this was examined and below were the findings.

Table: 3. Showing whether the organization has an internal audit department/ section

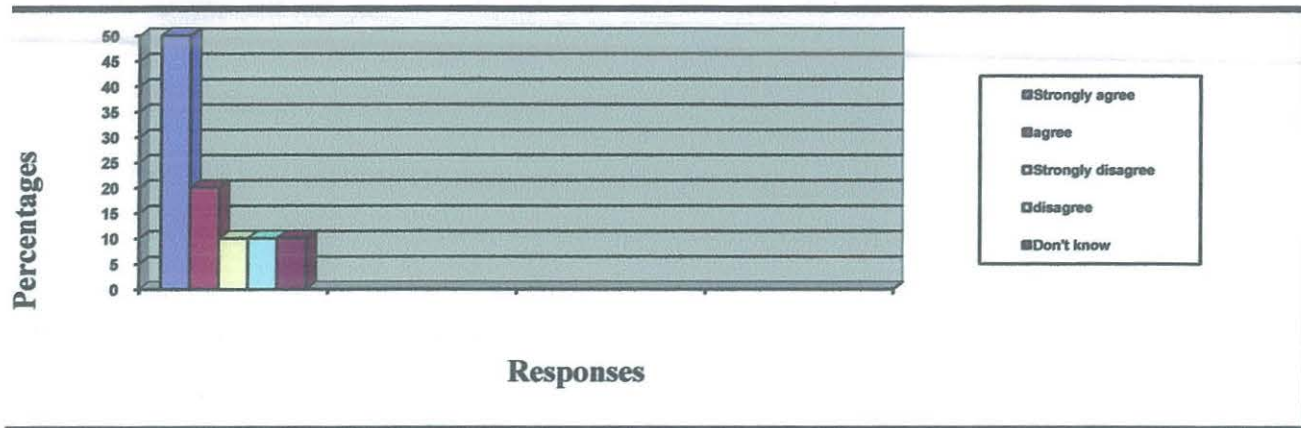
Particulars	Frequency (F)	Percentage (%)
Strongly agree	25	50
Agree	10	20
Strongly Disagree	5	10
Disagree	5	10
Don't know	5	10
Total	50	100

Source: primary data

In reference to the above findings in the table 3, 10% of the employees don't know whether there is an internal audit department and also 10% of the respondents disagree that there is an internal audit system while 10% of the respondents strongly disagree and agree that there is an internal audit department in the organization. There are also 50% of the respondents that strongly agree that there is an internal audit department in the organization.

This can also be shown diametrically as below;

Figure 3: Shows whether the organization has an internal audit department/ section



4.5: The organization has written policies and procedures for all its operations.

This involved asking the respondents questions that relate to whether the organization has written policies and procedures for all its operations

Table: 4. showing whether the organization has written policies and procedures for all its operations

Particulars	Frequency (F)	Percentage (%)
Strongly agree	30	60
Agree	10	20
Strongly Disagree	-	-
Disagree	5	10
Don't know	5	10
Total	50	100

Source: primary data

According to the table above 60% of the respondents strongly agree that the organization has written policies and procedures for all its operations while 20% of the respondents agree also that the organization has written policies and procedures though there are still some 10% who disagree and also some 10% who don't know whether the organization has written policies and procedures for its operations.

4.6. There is relative independence of persons involved at each stage of a transaction

The respondents were asked to describe the relationship between staff and management in order to ascertain whether the relationship was okay in line with motivational practices and below were responses of the respondents presented quantitatively.

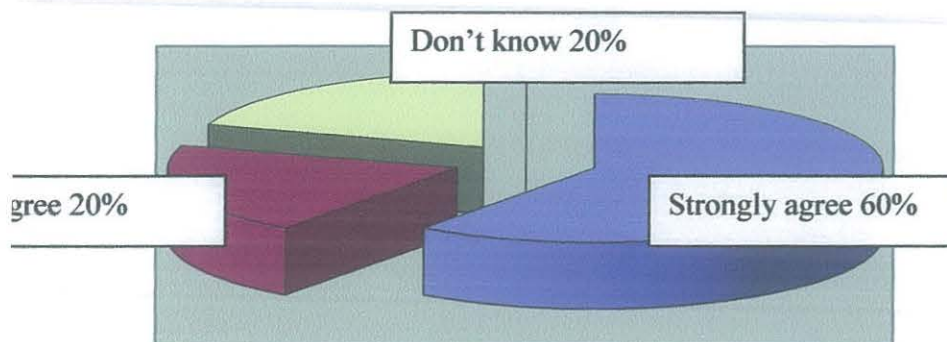
Table 5: showing whether there is relative independence of persons involved at each stage of a transaction

Particulars	Frequency (F)	Percentage (%)
Strongly agree	30	60
Agree	10	20
Strongly Disagree	-	-
Disagree	-	-
Don't know	10	20
Total	50	100

Source: primary data

From the findings in the table above 20% say that they don't know whether there is relative independence of persons involved at each stage of a transaction while other 20% of the respondents agree that there is relative independence of persons involved at each stage of a transaction and another percentage of 60% of the respondents strongly agree that there is relative independence of persons involved at each stage of a transaction. This was also illustrated diagrammatically as follows;

Figure 5: Showing there is relative independence of persons involved at each stage of a transaction



4.7. All cash due to the organization is received by authorized personnel

It was to assess whether all cash due to the organization is received by authorized personnel in the organization and the responses were as follows.

Table 6: showing whether all cash due to the organization is received by authorized personnel

Particulars	Frequency (F)	Percentage (%)
Strongly agree	30	60
Agree	20	40
Strongly Disagree	-	-
Disagree	-	-
Don't know	-	-
Total	50	100

Source: Primary Data

In view of the analysis from table 6 above it was found out that 60% of the respondents strongly agree that all cash due to the organization is received by authorized personnel while 40% of the respondents agree that all cash due to the organization is received by authorized personnel

4.8 All cash received in 10 above is properly recorded.

It was to assess whether all cash due to the organization is received by authorized personnel in the organization in the questionnaire 10 above was properly recorded and the responses were as follows;

Table 7: Showing that all cash received in 10 above is properly recorded

Particulars	Frequency (F)	Percentage (%)
Strongly agree	20	40
Agree	10	20
Strongly Disagree	5	10
Disagree	10	20
Don't know	5	10
Total	50	100

Source: Primary Data

In the Table above it shows that 40% of the respondents strongly agree that all cash received in 10 above is properly recorded whereas 20 percent of the respondents agree and another 20% disagree while another 10% of the respondents strongly disagree and another 10% don't know that all cash received in 10 above is properly recorded.

4.9. People who receive cash are different from those who record cash receipts.

This questionnaire was intended to find out where people who receive cash are different from those who record the cash in the cash receipt book and the research that was carried out is as below;

Table 8: Showing people who receive cash are different from those who record cash receipts

Particulars	Frequency (F)	Percentage (%)
Strongly agree	5	10
Agree	5	10
Strongly Disagree	20	40
Disagree	-	-
Don't know	20	40
Total	50	100

Source: Primary Data

In reference to table: 8, above the majority of the respondents 40% Strongly disagree that people who receive cash are different from those who record cash receipts while another 40% of the respondents don't know and 10% of the respondents agree and another 10% of the respondents strongly agree that people who receive cash are different from those who record cash receipts.

4.10. There are regulations sufficient to bank accounts personnel access to custody of cash received.

This question was intended to find out whether there are regulations sufficient to bank accounts personnel access to custody of cash received in the bank and the responses were as follows;

Table 9: Showing that there are regulations sufficient to bank accounts personnel access to custody of cash received.

Particulars	Frequency (F)	Percentage (%)
Strongly agree	30	60
Agree	10	20
Strongly Disagree	-	-
Disagree	-	-
Don't know	10	20
Total	50	100

Source: Primary Data

From the finding in table 9 above it was found out that 60% of the respondents strongly agree that there are regulations sufficient to bank accounts personnel access to custody of cash received while 20% of the respondents agree to the same and the other 20% of the respondents don't know whether there are regulations sufficient to bank accounts personnel access to custody of cash received

4.11. All cheques and proceeds of cash sales are held in locked drawers and access to these is limited.

This questionnaire was intended to discover whether all cheques and proceeds of cash sales are held in locked drawers and access to these is limited in the organization and the responses were as follows;

Table 10: Showing that all cheques and proceeds of cash sales are held in locked drawers and access to these is limited.

Particulars	Frequency (F)	Percentage (%)
Strongly agree	40	80
Agree	5	10
Strongly Disagree	5	10
Disagree	-	-
Don't know	-	-
Total	50	100

Source: Primary Data

From the findings in the table 10 above 80% of the respondents strongly agree that all cheques and proceedings of cash sales are held in locked drawers and access to these are limited while 10% of the respondents agree and the rest 10% of the respondents strongly disagree to the statement

4.12. Totals of cash received are balanced against general and subsidiary ledger records, and related credits to sales accounts receivables or other accounts as appropriate.

The question was to find out if totals of cash received are balanced against general and subsidiary ledger records and related credits to sales accounts receivable or other accounts as appropriate and the responses were as follows,

Table 11: Showing that the Totals of cash received are balanced against general and subsidiary ledger records, and related credits to sales accounts receivables or other accounts as appropriate.

Particulars	Frequency (F)	Percentage (%)
Strongly agree	30	60
Agree	5	10
Strongly Disagree	5	10
Disagree	10	20
Don't know	-	-
Total	50	100

Source: Primary Data

From the table above 60% of the respondents strongly agree that totals of cash received are balanced against general and subsidiary ledger records, and related credits to sales accounts receivables or other accounts as appropriate while 20% of the respondents Disagree and the other 10% of the respondents agree and another 10% strongly disagree with the statement.

4.13. All disbursements are duly authorized by officers in charge of finance.

This questionnaire was intended to find out whether all disbursements are duly authorized by officers in charge of finance and the responses were as follows;

Table 12: Showing that all disbursements are duly authorized by officers in charge of finance.

Particulars	Frequency (F)	Percentage (%)
Strongly agree	10	20
Agree	20	40
Strongly Disagree	10	20
Disagree	5	10
Don't know	5	10
Total	50	100

Source: Primary Data

According to the data investigated it was recognized that 40% of the respondents agree with the statement while 20% of the respondents strongly agree and strongly disagree that all disbursements are duly authorized by officers in charge of finance. And the rest 10% of the respondents disagree and also 10% of the respondents don't know that all disbursements are duly authorized by officers in charge of finance.

4.15 The company has an established internal leading system ("I owe you").

This questionnaire was intended to investigate whether the company has an established internal leading system and the response was as follows;

Table 13: showing that the Company has an established internal leading system

Particulars	Frequency (F)	Percentage (%)
Strongly agree	20	40
Agree	10	20
Strongly Disagree	10	20
Disagree	5	10
Don't know	5	10
Total	50	100

Source: Primary Data

From the table above, the analysis showed that 40% of the respondents strongly agree that the company has an established internal leading system, whereas 20% of the respondents also agreed and another 20% also strongly disagreed that that the company has an established internal leading system, while another 10% of the respondents disagree and other 10% also don't know whether the company has an established internal leading system

4.16 All cheques disbursement is duly signed by authorized personnel

This questionnaire was intended to investigate whether all cheques disbursement is duly signed by authorized personnel and the responses investigated were as follows;

Table 14: Showing that all cheques disbursements is duly signed by authorized personnel

Particulars	Frequency (F)	Percentage (%)
Strongly agree	20	40
Agree	10	20
Strongly Disagree	10	20
Disagree	-	-
Don't know	10	20
Total	50	100

Source: Primary Data

In view of the analysis from the table above, 40% of the respondents strongly agree that all cheques disbursement is duly signed by authorized personnel whereas 20% of the respondents agree and another 20% of the respondents strongly disagree that all cheques disbursement is duly signed by authorized personnel.

4.17. There are limits on disbursements

This questionnaire was intended to find out whether there are limits on disbursements in the organization and the responses were as follows;

Table 15: Showing whether there are limits on disbursements

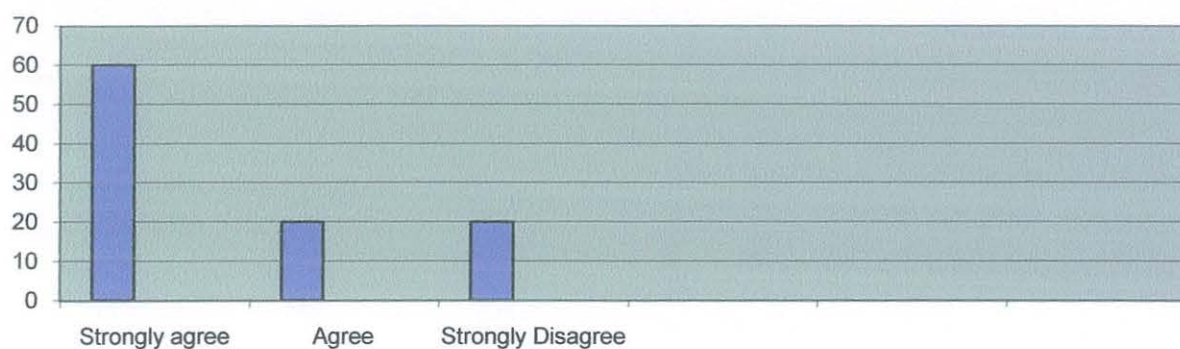
Particulars	Frequency (F)	Percentage (%)
Strongly agree	30	60
Agree	10	20
Strongly Disagree	10	20
Disagree	-	-
Don't know	-	-
Total	50	100

Source: Primary data

In view of the analysis from the table above, it was realized that 60% of the respondents strongly agreed that there are limits on disbursements whereas 20% of the respondents agree and also 20% of the respondents strongly disagree that there limits on disbursements

This was shown diagrammatically as below;

Figure 6: Showing there are limits on disbursements



CHAPTER FIVE

DISCUSSION OF FINDINGS & SUMMARY, CONCLUSION, RECOMMENDATIONS AND SUGGESTIONS

5.1 Introduction

This chapter discusses the findings of the study the formulate conclusions, recommendations and areas of further study.

5.2 DISCUSSION OF FINDINGS

The study covered the analysis of internal control systems and cash management in an organization case study: pride microfinance ltd Entebbe road Kampala branch.

The study has three major objectives and research questions.

- What are the internal control systems on cash flow management in Pride Microfinance?
- How effective are its controls on cash management?
- What can be done to improve on the internal controls on cash management?

In analysis, the first objectives To find out the relationship between internal control system and cash management in Pride Microfinance Limited Uganda various aspects were looked at, it was established that Pride Microfinance Limited Uganda has put in practice systems which include Budgeting, Acknowledgement of performances, Supervision, Personnel., Management, Physical restrictions, Arithmetic and accounting, Authorization and approval., Segregation of duties and Organization

To investigate the effectiveness of the internal control methods on cash management in Pride Microfinance Limited it was found out that, internal control methods on cash management in pride Micro finance Limited has managed to put up systems like;

Cash Management

As large portion of the total transactions of business involved the receipt and disbursement of cash, the control of cash is of prime importance in any business.

Since cash is a component of working capital, its level has an implication on the liquidity, profitability and risks of pride Micro Finance limited Uganda.

Internal controls on cash

Cash management involves all activities, policies and procedures to ensure optimal cash balances, proper cash should therefore focus on the firm's receipts or inflows, payment or out flowers and balances and this has been effective in pride Micro finance.

Internal controls on Receipts

In pride Micro finance limited fanatical controls to regulate the income and expenditure of the organization. They take form of budgeting controls and techniques such as programmed evaluation and Review techniques such as programmed evaluation and Review techniques PERT and Periodical reconciliation of cashbook and passbook balance.

Controls on Receipts by post

The objective of this control is to ensure that all cash and cheques s received by post are accounted for and accurately recorded in the books. Measures to achieve this according to ACCA and Sharma include;

Firstly, safeguards to prevent interception of mail between receipts and opening must be strengthened.

Secondly, a responsible official should be appointed and charged with opening of the post. This is important as it ensures safe custody of the cheque and cash in post.

Thirdly; at least two people should be present at the opening of post and all cheques and negotiable instruments should be immediately given a restriction crossing like account payee only, or not negotiable. This safeguards the cheque and reduces the responsibility of manipulation.

Lastly, there should be immediate entry of the details of the receipts, the date, payer and amount in a rough bank or post list of money received. This should be followed by regular comparison of the post list with the banking records in order to ensure proper records.

To suggest recommendations on the improvement of internal controls on cash management

Internal control system can only provide management of an entity with reasonable assurance that their objectives are reached because of their inherent impacts.

The possibility that a person responsible for executing an internal control could abuse that responsibility by overriding an internal control. A system of internal check may be ineffective where the checks are not carried out or where individuals do them incompetently or where fraud occurs in items not checked, for example not ensuring that the latest amount of cash is banked so as to detect reaming and lading fraud hence affecting the operation of internal control systems in the company.

The usual requirement that the cost of an internal control is not disproportionate to the potential loss, which may result from its absence, hence controls that are not cost effective, may be ignored. Most systematic internal controls tend to be directed at routine transactions, staff may exploit this, in the way that, they will change the figures of the transactions taking place. The potential for human error due to carelessness distractions, mistakes of judgments and the misunderstanding of instruments for example when one is hired also affects the internal control systems of the company because the employees may not be in position to use them. The possibility of circumvention of internal controls through collusion with insiders or outsiders; for example accepting under-deliveries of items.

5.3 SUMMARY

Having analyzed internal control on cash management it is worth nothing that the system of internal control varies from entity to entity depending very much on the size of the enterprise, its business, and the type of transaction involved. It is therefore up to the top management of an entity to apply the basic principles of good internal control in devising a system appropriate to the particular entity, bearing in mind the limitations of internal control.

The study covered a sample of 50 respondents all from Pride Micro finance Limited. Most of the employees, 60% were female and 40 % were male while at least 40% of the respondents were found to be having a degree qualifications and another 40% of the respondents had a qualification of a diploma and 20% had a secondary level of education

From the findings 20% say that they don't know whether there is relative independence of persons involved at each stage of a transaction while other 20% of the respondents agree that there is relative independence of persons involved at each stage of a transaction and another percentage of 60% of the respondents strongly agree that there is relative independence of persons involved at each stage of a transaction

In reference to the responses in the findings 40% of the respondents strongly agree that all cash received in 10 above is properly recorded whereas 20 percent of the respondents agree and another 20% disagree while another 10% of the respondents strongly disagree and another 10% don't know that all cash received in 10 above is properly recorded.

From the responses the majority of the respondents 40% Strongly disagree that people who receive cash are different from those who record cash receipts while another 40% of the respondents don't know and 10% of the respondents agree and another 10% of the respondents strongly agree that people who receive cash are different from those who record cash receipts

From the finding above it was found out that 60% of the respondents strongly agree that there are regulations sufficient to bank accounts personnel access to custody of cash received while 20% of the respondents agree to the same and the other 20% of the respondents don't know whether there are regulations sufficient to bank accounts personnel access to custody of cash received.

From the findings in the table 10 above 80% of the respondents strongly agree that all cheques and proceedings of cash sales are held in locked drawers and access to these are limited while 10% of the respondents agree and the rest 10% of the respondents strongly disagree to the statement

From the responses 60% of the respondents strongly agree that totals of cash received are balanced against general and subsidiary ledger records, and related credits to sales accounts receivables or other accounts as appropriate while 20% of the respondents Disagree and the other 10% of the respondents agree and another 10% strongly disagree with the statement.

In reference to table: 8, above the majority of the respondents 40% Strongly disagree that people who receive cash are different from those who record cash receipts while another 40% of the respondents don't know and 10% of the respondents agree and another 10% of the respondents strongly agree that people who receive cash are different from those who record cash receipts

From the finding in table 9 above it was found out that 60% of the respondents strongly agree that there are regulations sufficient to bank accounts personnel access to custody of cash received while 20% of the respondents agree to the same and the other 20% of the respondents don't know whether there are regulations sufficient to bank accounts personnel access to custody of cash received

It can therefore be concluded that internal control systems and cash management has an important contribution to employee performance and the managers of Pride Micro finance and this has helped it to improve on its performance as an organization towards its effectiveness and efficiency.

However, other factors that affect internal controls and cash management need to be examined and worked upon for the general performance of the organization of Pride Micro Finance limited Uganda to improve.

5.5 RECOMMENDATIONS

The following practical recommendation which may improve internal control systems and cash management in pride Micro finance limited included the following;

Internal control system can only provide management of an entity with reasonable assurance that their objectives are reached because of their inherent impacts. The possibility that a person responsible for executing an internal control could abuse that responsibility by overriding an internal control. A system of internal check may be ineffective where the checks are not carried out or where individuals do them incompetently or where fraud occurs in items not checked, for example not ensuring that the latest amount of cash is banked so as to detect reaming and lading fraud hence affecting the operation of internal control systems in the company.

TIME FRAME

The researcher took three months, the three month period were expected to cover the following activities of the research study report namely; data collection, analysis processing and interpretation, writing or typing research report and submission of research report to the relevant and concerned authorities.

The table for the time schedule was.

1st to 3rd week	3rd to 6th weeks	6th to 9th week	9th to 12th week.
Questionnaire designing Interview guide preparations Data collection.	Data cleaning Editing Coding Meet the supervisor	Data processing Data analysis meet with the supervisor	Data interpretation and presentation Approval by supervisor Actual report submission.