

**INTERNAL CONTROLS ON CASH FLOW MANAGEMENT IN AN ORGANISATION:
CASE STUDY: PRIDE MICROFINANCE LTD.**

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**A RESEARCH DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS AND
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AND BANKING OPTION) OF KAMPALA
INTERNATIONAL UNIVERSITY**

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DECLARATION.

I, Panther Michael declare that, this research report is my original academic work. It has not been submitted or presented for the award of Bachelor of Business Administration or any other award at any University or Other Institution of Higher Learning

Signed.



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APPROVAL

I confirm that this research report has been prepared by Mr. Panther Michael and submitted to the school of business and management for examination with my approval as a supervisor.

Signed 
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DR. KINYATTA STANLEY

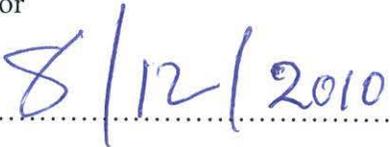
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DEDICATION

This work is dedicated to my beloved parents Ezra Mayom Ngong and Akon Chol Dong, my brothers Deng Mayom Ngong and Chol Mayom Ngong, sisters Yar Mayom Ngong and Ajoh Mayom Ngong; friends Chol Makol Chol and Madit Jok Deel for their tireless effort to make my research a success, May Almighty God bless them all.

ACKNOWLEDGEMENT

I thank GOD almighty for giving me all the necessary strengths, knowledge, wisdom, financial and moral ability to complete my research report.

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Much appreciation has to be extended to my family specifically to my beloved parent Ezra Mayom Ngong who supported me the most in my education, financially and morally as well. Also I acknowledge the efforts of my friends Chol Makol and Madit Jok including Adam. I wish to extend my gratitude to all lecturers from the school of business and management. It would be impossible to mention all the names of people who helped me in preparing this research report. May the Almighty God bless all.

ABSTRACT

Pride Micro finance includes the entire spectrum of financial services for broad sectors of the population, but particularly for the poor, but refers not only to small and micro loans, but also saving products to savings products insurance and money transfers. In short, microfinance means specialist financial services to disadvantaged people.

The study aimed at internal controls on cash flow management in an organization. The Pride microfinance institutions in Uganda have been charging high interest on the loans hence discouraging borrowing as the loan tend to be expensive for the poor. The objectives and hypothesis of the study vigorously focused into the trends, causes and implications of this notion.

For pride microfinance to achieve their objective of making credit available, they have to eliminate predatory lending to the poor Ugandan. The government has also to involve the microfinance institutions in their discussion table when setting the interest ceiling rate for them. This will ensure the interest charged by the Pride microfinance will allow the profitability and growth of the institutions as well facilitate the availability of credit to the poor.

CHAPTER ONE

INTRODUCTION

1.0 Background to 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.

Inspire 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

1.5 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?

1.6.0 The Scope of the Study

1.6.1 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.

1.6.2 Geographical scope;

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

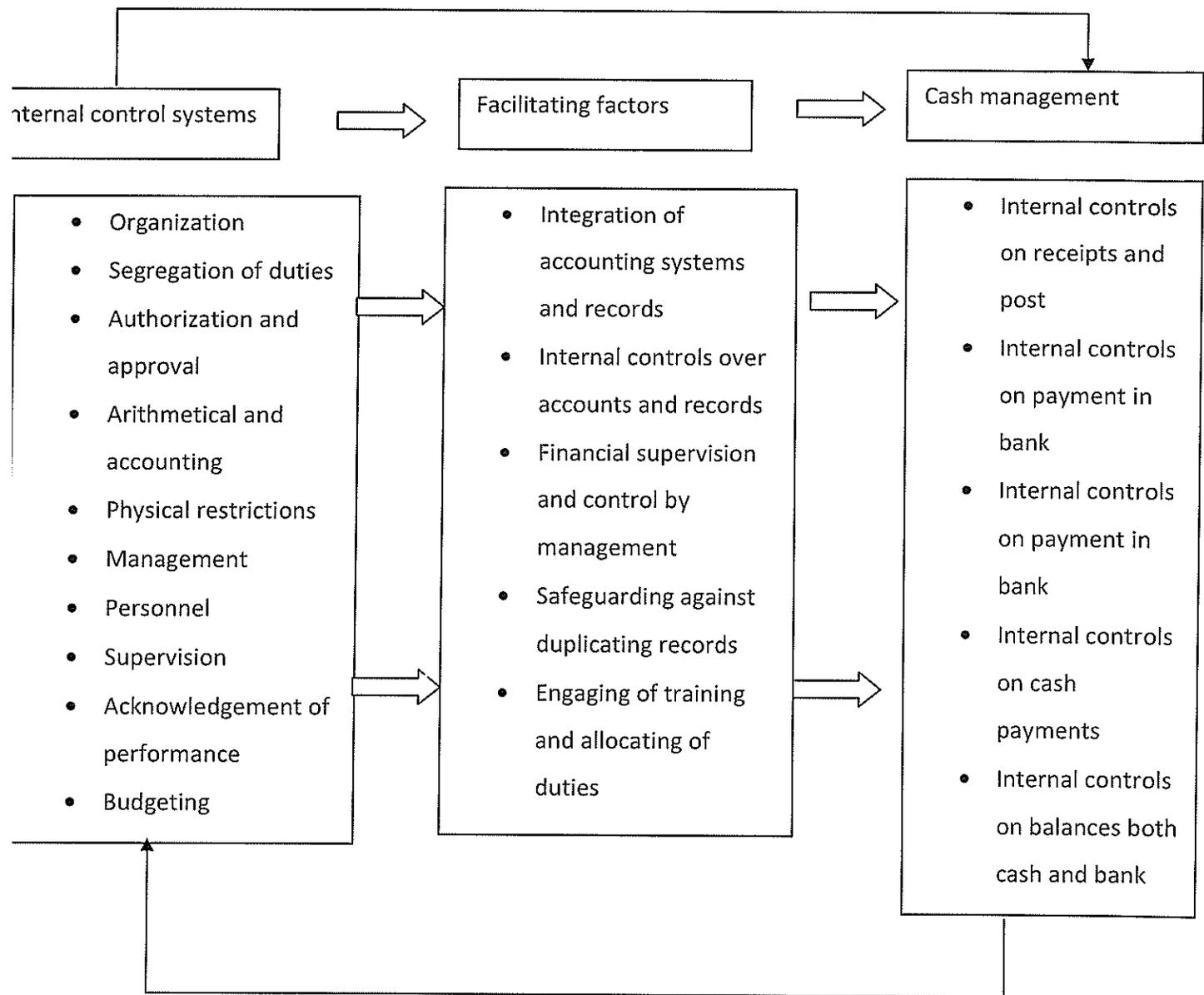
1.7 Significance of the study

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 with an information on how best to utilize internal control 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.

1.8. Conceptual framework



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

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction.

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)

2.2.9 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).

2.2.10 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 imprested 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 remaining 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 Introduction.

This chapter 1 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.

Is a case study concerning pride microfinance LTD

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

3.3.1 Research population

A Population is the group of people, units or items under investigation. The researcher is going to be limited to company staff, mainly employees in finance/accounts departments. Other departments in the company will also be consulted although on a smaller scale. The research will be done on a sample population of 100 people which will include the above mentioned employee's of the organization.

3.4 Sample size.

Fifty employees from Pride Microfinance Limited will be chosen as the representatives' of the samples. The departments, which the researcher will include, are as follows, top management, internal auditor, account departments, finance departments, purchasing and procurement department marketing department and personnel department.

3.5 Sampling design.

Fifty employees will be chosen using random and purposive sampling. A sample representative of top management, middle- level managers and junior staff from various departments will purposely be selected while ensuring that most of the respondents will be selected from the majority of the respondents to determine the impact of internal controls on cash flow management in the organization.

3.6 Data collection methods.

The data for the study will be comprised of both primary and secondary data.

Primary data

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

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

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

Speed, segregation of duties, record keeping, accuracy, discipline, general response to work and also the general trends of events will be 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 will also be drawn from accounting manuals records and also from the company's annual reports. The annual reports including the audit reports, profit and loss account records and balance sheet records

3.7 Research instruments

a. 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 will use the interview guide because it is more convenient.

Therefore questionnaires were distributed amongst respondents to collect data. The questions will be designed in such a way that general information on cash flow management can 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.

b. Interview method

This is a method of data collection where the investigator or the enumerate 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 will be used as an interview guide. They will be effective, as they will enable the researcher to obtain more detailed information and also observe company procedures

c. 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 collects and records the essential information needed for the research work.

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

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

3.8 The limitations to the research study.

- i. Time will be a major limitation. The time given to the researcher may not be adequate to allow the researcher accomplish the research on time.
- ii. The attitude of the respondents' may not be positive to all the questions which may be a limitation to an accurate conclusion in the findings.
- iii. The organization management may also think that the aim of the research is to spy on the organization thus limiting the researcher to same important company information

CHAPTER FOUR

4.0 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.

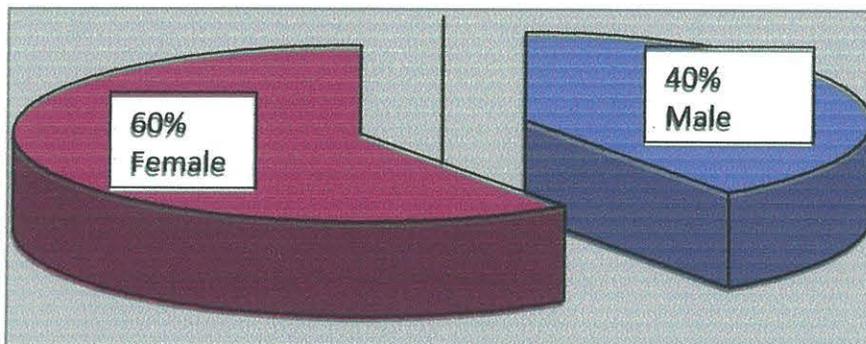
Table: 1 showing gender of respondents

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

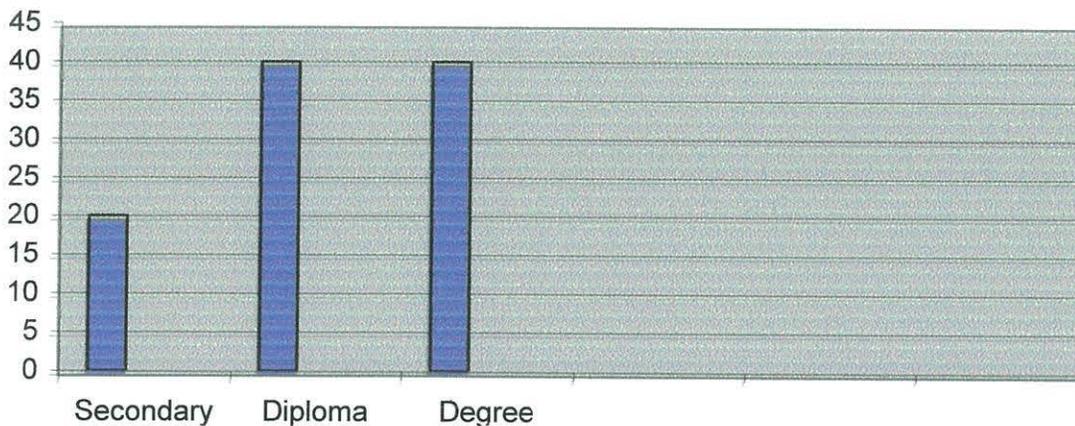
The respondents were asked to state their qualifications. This was aimed at ascertaining that the respondents had the required skills for the job. The responses of the respondents were as follows.

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. Analysis of Findings

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

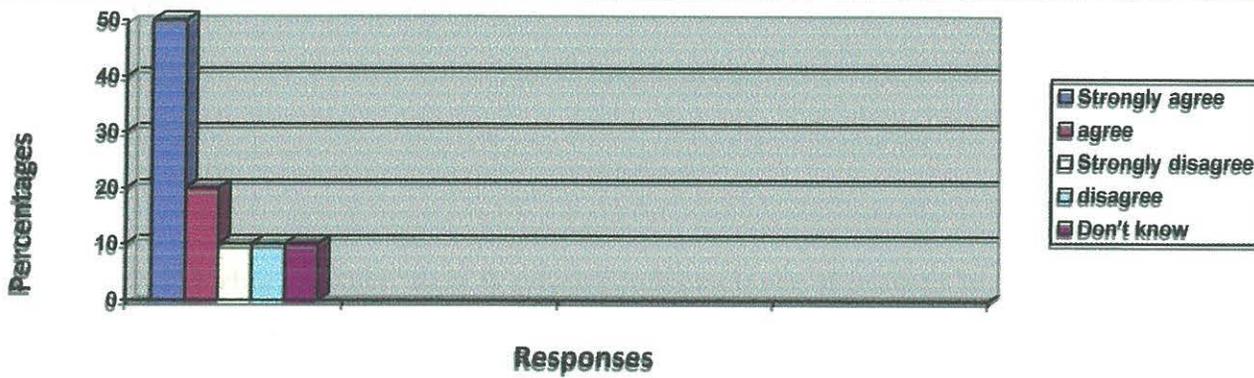
Particulars	Frequency (F)	Percentage (%)
Strongly agree	25	50
Agree	10	20
Strongly Disagree	5	10
Disagree	5	10
Don't know	5	10
Total	50	100

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



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

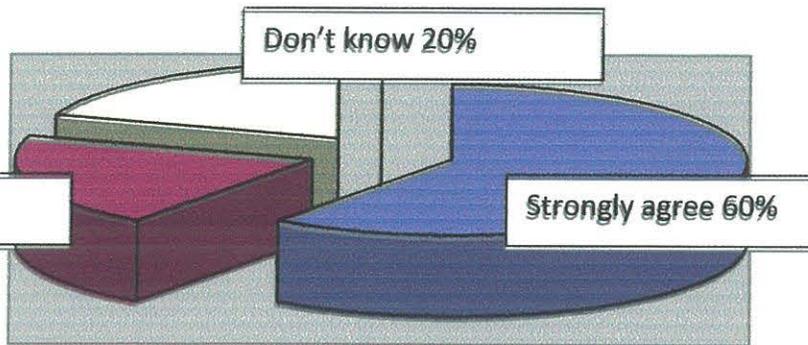
Table: 4. showing whether the organization has written policies and procedures for all its operations

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.

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



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

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.

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.

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.

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

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.

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.

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

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.

4.5. 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

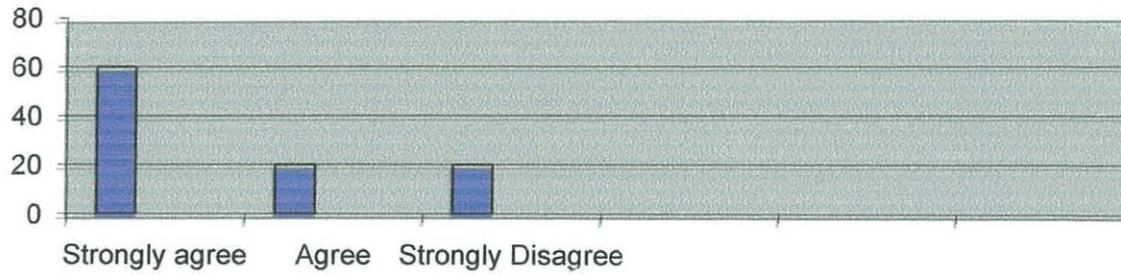
Particulars	Frequency (F)	Percentage (%)
Strongly agree	30	60
Agree	10	20
Strongly Disagree	10	20
Disagree	-	-
Don't know	-	-
Total	50	100

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

5.0 Introduction

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

5.1 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.

5.2 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.

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.

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.

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

5.3 CONCLUSION

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

From the general point of view of the respondents, it is evident that pride microfinance ltd has in place an internal control system and a cash management and the employees are happy with it.

According to the responses also 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.

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.

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.

5.4 RECOMMENDATIONS

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

1. 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.
2. 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.
3. The possibility of circumvention of internal controls through collusion with insiders or outsiders; for example accepting under-deliveries of items
4. When analyzing 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

5.5 RECOMMENDATIONS FOR FURTHER STUDY.

There should be further study on the internal control systems on cash flow management on pearl micro finance limited Uganda to compare my results.

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APPENDICES

APPENDIX: I

RESEACRCH INSTRUMENTS

**STUDY QUESTIONNAIRE ON THE IMPACT OF INTERNATIONAL CONTROLS ON
CASH FLOW MANAGEMENT IN AN ORGANIZATION A CASE STUDY OF PRIDE
MICRO FINANCE**

Dear respondent,

This questioner is designed for study purposes it's my humble request that you spare a few minutes of your time off your bush schedule to respond to the questions below. Your answers will be held in almost confidentiality thank you.

1. Name of the respondent (optional)

.....
.....

2. Sex

Male Female

3. Position of the respondent

.....
.....

4. Department

.....
.....

1. Highest level of education (please tick () as appropriate)

Primary secondary diploma degree

Other (please specify)

6. Period spent as an employee of the company.

.....
.....

Please indicate with a tick () to what extent you either agree or disagree with the following statements.

7. The organization has an internal audit department/ section.

Strongly agree Agree Disagree strongly disagree

Don't know

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

Strongly agree Agree Disagree strongly disagree

Don't know

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

Strongly agree Agree Disagree strongly disagree

Don't know

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

Strongly agree Agree Disagree strongly disagree

Don't know

11. All cash received in 10 above is properly recorded.

Strongly agree Agree Disagree strongly disagree

Don't know

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

Strongly agree Agree Disagree strongly disagree

Don't know

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

Strongly agree Agree Disagree strongly disagree

Don't know

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

Strongly agree Agree Disagree strongly disagree

Don't know

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

Strongly agree Agree Disagree strongly disagree

Don't know

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

Strongly agree Agree Disagree strongly disagree

Don't know

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

Strongly agree Agree Disagree strongly disagree

Don't know

If your answer above is agree, please state who authorizes these payments and limits allowed both in terms of amount in time.....

.....
.....

18. All cheque disbursement is duly signed by authorized personnel.

Strongly agree Agree Disagree strongly disagree

Don't know

b) There are limits on disbursements.

Strongly agree Agree Disagree strongly disagree

Don't know

APPENDIX II: 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 RESEARCHERS ACTIVE PLAN SEPTEMBER, 2010

TIME FRAME FOR THE RESEARCH PROJECT

1 st to 3 rd week	3 rd to 4 th week	4 th to 5 th week	5 th to 7 th week
questioner designing	Data cleaning	Data processing	Data presentation
Interview guide preparation	Data editing and coding	Data analysis and correction	Supervisors approval
Data collection	Supervisors remarks	Supervisors remarks	Actual report

APPENDIX III

THE PROPOSED BUDGET

ITEM	QUANTITY	AMOUNT(Shs)
Reams of duplication paper	01	12,000
Pens	13	3,000
Meals and accommodation		200,000
Binding costs		30,000
Printing costs		20,000
Transport costs		100,000
GRAND TOTAL		365000