



**ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF CASH CONTROL SYSTEM OF THE ETHIOPIAN ORTHODOX  
CHURCH DEVELOPMENT AND INTERCHURCH AID COMMISSION**

**BY  
SHIMELIS WORDOFA DEMISSIE**

**MBAAF/0365/2008A**

**JULY 2017  
ADDIS ABABA, ETHIOPIA**

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**A THESIS SUBMITTED TO ST.MARY UNIVERSITY, SCHOOL OF  
GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE  
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ADMINISTRATION IN ACCOUNTING AND FINANCE**

**JULY 2017  
ADDIS ABABA, ETHIOPIA**

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## DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of my advisor Zenegnaw Abiy (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

SHIMELIS WORDOFA

Name

\_\_\_\_\_

Signature

**St. Mary's University Addis Ababa July, 2017**

## **DEDICATION**

I thank the God Almighty for the precious gift of life, wisdom and health that he awarded me during my study period. I dedicate it to my mother who during my childhood imparted the passion for education in me.

## ENDORSEMENT

This thesis has been submitted to St. Mary's University School of Graduate Studies for examination with my approval as a university advisor.

Zenegnaw Abiy (PhD)

Advisor

\_\_\_\_\_

Signature

**St. Mary's University Addis Ababa July, 2017**

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## LIST OF ACRONYMS

ACCA:	Association of Chartered Certified Accountant
CIT:	Compassion International Tanzania
EOC-DICAC:	Ethiopian Orthodox Church Development Inter Church Aid Commission
HIV/AIDS:	Human Immunity Virus/Acquired Immunity Deficiency Syndrome
NGO:	Non-Governmental Organization
NPO:	Non-Profit Organization
NA:	Not Applicable
PFM:	Program Field Manual

### **Abstract**

Cash control is the most vital need for all organizations in everywhere to utilize their limited resources in their working environment. EOC-DICAC is one of charity organization which has been supported its major portion of financial requirements from the external funding sources through the process which requires competing with other similar organizations demanding for funds from donors. However, there is a gap between the existing cash control practice and required by the accounting standards. Therefore, the main objective of this study was to assess the cash control system of the EOC-DICAC). To address the research objective the researcher used descriptive approach where 56 respondents were selected by census method (33 staff from EOC DICAC, 9 staff from external audit firm and 14 staff from funding partners) and the findings were generated. The results revealed that the overall responses moderately agreed with the soundness of cash control. However, since a number of respondents rated disagreed and undecided responses to the 11 questions among the total questions asked, it is necessary to provide a serious consideration regarding the responses given to these specific questions. Therefore, EOC-DICAC management needs to maintain a strong and well-designed controlling mechanism to achieve a sound internal cash control system.

## CHAPTER ONE

### INTRODUCTION

#### 1.1. Background of the Study

As long as they are involving themselves in the process of buying and selling of commodities and services, the cash control system is commonly required by both profitable and not-to-profit organizations as well as house hold entities. To fully understand cash control, it is helpful to understand what is meant by cash, when it comes to financial accounting. Along with referring to currency and coin, this term is also understood to include forms of financial exchange like money orders, credit card receipts, and checks. Essentially, any type of financial exchange could be immediately negotiated for a fixed value qualifies (William, 2005).

Control is a common and an important function of management that guides to the direction in which it is intended to go. In terms of managerial functions, control consists of the steps taken to ensure that the performance of the organization conforms to the plans. Mwindi (2008) suggests that internal cash control as a process that management relies onto make sure things so as to be right.

Because of the nature of cash that it could be easily converted into other types of asset and easily exposed to steal, it must be carefully safeguarded. Several control procedures have been developed to help management monitor and protect cash because it is particularly vulnerable to loss or misuse.

One of the most important ways of cash controls is separating the handling of cash from its recording. The purpose of such separation of duties is to make it difficult for theft or errors to occur. If the cash records are maintained by an employee of an organization and who has also access to the cash handling itself, cash can be stolen and the employee can cover up the shortage by falsifying the accounting records (Diamond and Stice, 2000).

The cash controlling policies and system can be used as measurement of the soundness of financial management of an organization. The criticality of cash control system should be highly emphasized that it comprise the measures, record procedures and plan of an organization that

deals mainly with safeguarding asset and ensuring financial records are accurate and reliable (William, 2005).

In this respect, several types of studies were previously carried out by different researchers. For instance, the study which focused on the effect of organizational control carried out by Mills (1997) suggests that poor internal controls lead to asset misappropriations. The findings of the study conducted on the village banks in Uganda, Kenya and Tanzania by German Technical assistance (GTZ) and Africa Rural Agriculture and Credit Association (AFRICA) (2002) revealed that most of the organizations that were subjected to the study were operating without documented policies and procedures and lacked operational manuals. The research also identified the necessity of operational manuals in place and improving the existing systems.

Internal control mechanisms must have well documented processes that are understood by everyone involved. The Center for Micro Enterprise Development Project (1999) reports that there is an enormous need for organizations to reserve resources such as time, money and personnel to develop or improve a management information system that can match its information requirement. Although the above studies focused on cash and cash control, they did not consider the issues related to the contexts of Faith Based Organization (FBOs) cash control system. However, this study is intended to examine the major elements of cash control such as segregation of duties, authorization of cash transaction, rules and regulation, documentation of accounting records, and independent internal verification of the Ethiopian Orthodox Church Development Inter church Aid Commission (EOC - DICAC), which is one of the local Faith Based Charitable organizations working in Ethiopia.

## **1.2. Back ground of the organization**

EOC - DICAC was established as a development wing of the Orthodox Church by a legal notice in 1972 registered by the Federal Democratic Republic of Ethiopia Ministry of Justice Charities and Societies Agency as residence charity in accordance with the Charities and Societies Proclamation No. 621/2009 and obtained certificate of registration and license number 1560 on June 13, 2010. It was established with the mission of assisting the disadvantaged communities in Ethiopia to attain their self-reliance living based on its vision stated as envisions a just society in which everyone is able to lead a quality life. Since its establishment, it has performed emergency relief, rehabilitation, development, refugees & returnees support, and HIV/AIDS prevention and control areas of intervention.

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

According to Lewis (2009), NGOs operating in a rapidly changing and competitive world are required to develop understanding and confidence in order to make full use of financial management tools so as able to survive and sustain their operations. Good practice in cash management will help make effective and efficient use of resources to achieve objectives and fulfill commitments to stakeholders, to be more accountable to donors and other stakeholders, gain the respect and confidence of funding agencies, partners and beneficiaries as well as prepare themselves for long-term financial sustainability.

Cash control is the most vital need for all organizations in general and the EOC-DICAC in particular, so as to make them properly and efficiently utilizing their very limited scarce resources in such a way that able to survive and sustain in such a highly competitive working environment. As a residence charity organization, the EOC-DICAC has been involved in securing its major portion of financial requirements from the external funding sources through the process which requires competing with other similar organizations demanding for funds from donors. However, there is a gap between the existing cash control practice and that of required by the accounting standards. Among others, the 2015 audit report of EOC-DICAC management letter shows that there have been long outstanding debit and credit balances of cash on hand; separate records were not maintained for income generating activities such as investment in a share company and providing workshop services; and the process of control cash receipt vouchers were not well-defined by the management. This indicates that there are problems in the cash control system of the organization which need detail investigation based on standard study parameters. Hence, this study was conducted with the intention of examining the assessment of cash control system of EOC-DIAC against the main cash control elements required to relevant in any organization to measure it effectiveness of cash control.

As to the knowledge of the researcher, most of the researches that have been carried out in Africa considered the cases of profit making organizations, there are some research papers done around the area of non-profit making organizations regarding with financial management. For instance, Muses (2014) undertook a research on the assessment of cash control system of Governmental organizations located in Nigeria suggests that the financial management of any organization can be measured by its effectiveness of cash control system. On the other hand Mengesha et al., (2014) examined the financial management practices of non-governmental-organizations in Addis



Ababa and come up with the findings demonstrating that the study participant NGOs were unable to meet the requirement of international financial management standard.

However, the currently conducted study addresses the internal cash control in detail in terms of analyzing its basic components including: segregation of duties, authorization of cash transaction, documentation of accounting records, rules and regulation and independent internal verification. Unlike to previous researches that have considered different types of NGOs in one and the same group, this study considers only the specific context of FBOs.

#### **1.4. Research Question**

The research was intended to answer five basic questions that were related with the area of concern. These include:

- Is there adequate segregation of duties to cash control?
- Is the authorization of cash transaction properly practiced
- Is the established rules and guideline practically applied?
- Does the organization practice good documentation of accounting records?
- Does the organization carry out an independent internal verification?

#### **1.5. Objectives of the study**

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

The General objective of the study is to assess the internal cash control practices of the Ethiopian Orthodox Church Development and Interchurch Aid Commission.

##### **1.5.2. Specific objectives**

- To assess the adequacy of segregation of duties
- To evaluate the appropriateness of authorization of cash transaction
- To assess the application of rules and regulations established by the management
- To review the appropriateness of documentation of accounting records
- To assess an independent internal verification practices

## **1.6. Scope of the study**

This study focuses on the assessment of cash control system of EOC-DICAC, and the assessment was conducted at its head office and 9 branch offices including Dawint, Kilte Awalalo, Libo Kemekem, Arsi Robe, Ankober, Gambela, Kamash, Kurmuk and Kelem. The research set its limit only to investigate the main cash control elements affecting the effectiveness of cash controlling system.

## **1.7. Significance of the Study**

The study attempts to suggest possible alternative solutions to the problems of EOC-DICAC that were addressed by this research so that it can be used as an important input for management decisions through providing information concerning with separation of duties, authorization, documentation, rules and regulation and periodic review towards improving the currently practiced cash control system. It can also provide important inputs to those who will need to conduct further research in this area of concern, as well as it can add some sort of values to the existing body of knowledge in the area of research.

## **1.8. Organization of the research paper**

The overall organization of the research paper has been structured to comprise five main chapters. The first chapter briefly introduces the subject matter of the study with providing information on its main associated aspects. The second chapter discusses about the reviewing of theoretical and empirical literatures in detail. The third chapter is dealing with the designing and methodology employed to conduct the study. The fourth chapter describes the results and discussion aspect of the research based on the analysis made on the specific objectives of the study and the research report ends up with the last chapter with presenting the conclusions and recommendations made by the study. In addition, the list of reference materials that were reviewed is also included and the questionnaire set to collect the data has been also appended.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The principal objective of this study is to assess the cash control system of EOC-DICAC. It was then different types of conceptual and empirical literatures were consulted in the area of concern of the study. The knowledge gained from reviewing of the literatures helped the researcher to clearly and appropriately specify the study problem in terms of its operational contexts in a way that able to be suitable to research analysis, and facilitated an opportunity to evaluate different types of study designs and methodology employed in the related areas of concern (Kotler, 2004). Hence, the main points of the review are briefly described in this chapter by categorizing into two major sections. These include theoretical literature review and empirical literature review, and under each of which different sub-sections have been comprised, as the details will be discussed below.

#### **2.1. Theoretical Literature Review**

##### **2.1.1. Features of Internal Control System**

Different scholars consider internal control with viewing it from different angles, for example, Biggi (1985) defines it as the whole system of control, financial or otherwise, established by the management including internal check, internal audit and other forms of control. On the other hand, the American Institute of CPAs (1980) considers internal control as which comprising the plan and all methods and means of co-ordination of an organization adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data to promote operational efficiency and encourage adherence to prescribed managerial policies. despite their differences in wording many scholars have related with the concept of internal control systems, they were able to reach to consensus in accepting as the system which may be financial or otherwise established by the management in order to carry on the business of the company in an order manner, safeguard its assets and secure as far as possible the accuracy and reliability to its records, as defined by the Institution of Charter Accounts in England and Wales (1988). Considerations on Establishing an Internal Control System Various authors suggested some measures to be taken into consideration so as to establish internal controls. For instance, Mahushi

(1985) emphasizes that in order to establish a satisfactory system of internal control the following measures have to be taken into consideration:

- A plan of the organization system, which provides proper segregation of functional responsibility between departments and individuals must be well defined and prove, be properly delegated.
- A system of authorization, recording and custody procedures must be adequate to provide reasonable account control over assets, liability and capital.
- Preparation of financial forecast in which a plan of operation is analyzed by setting objectives for each business decision.

### **2.1.2. Concepts of Cash**

According to Davidson et al., (1999) cash is any medium of exchange, which is readily negotiable. It must be free of restriction for any business purpose. Cash has to meet the prime requirements of general suitability and availability for immediate use in purchasing and payment of debt. Acceptability to a bank for deposit is a common test applied to cash items. In addition, cash is a ready money in the bank or in the business. It is not an inventory, accounts receivable and a property. Rather, these might be converted to cash at some point in time. But, it takes cash on hand or in the bank would be utilized to pay suppliers, to settle the rent, and to meet the payroll. However, profit growth does not necessarily mean availability of more cash at a time (Davidson et al., 1999).

Cash is an important current asset for the operations of the business. It is the basic input needed to keep the business running on a continuous basis; it is also the ultimate output expected to be realized by selling the service or product manufactured by the firm. The firm should keep sufficient cash, however, it should not be advisable to hold neither excessive nor deficit amount of cash beyond the level of its requirement at a given time. Cash shortage will disrupt the firm's manufacturing operations while excessive cash will simply remain idle. Thus, a major function of the financial manager is to maintain a Sound cash position (Pandey, 2007).

Cash is the money which a firm can disburse immediately without any restriction. The term cash includes coins, currency and cheques held by the firm, and balances in its bank accounts. Sometimes near-cash (liquid asset) items, such as marketable securities or bank time deposits, are also included in cash. The basic characteristic of such liquid asset is that they can be easily

converted into cash. Generally, when a firm has excess cash, it invests it in marketable securities. This kind of investment contributes some profit to the firm (Hampton, 2001).

### **2.1.3 Features of Effective Internal Cash Control**

The features of Effective Internal Cash Control have been expressed by different authors and the major ones described as follows:

**Authorization and Approval:** All transactions require authorization and approval by an appropriate responsible person. The limit of authorization should be specified and approved by the Board of Directors to avoid favoring of excessive power to only some individuals (Meigset al., 1982).

**Segregation of Duties:** Meigset et al., (1982) explained that the prime means of control is the separation of responsibilities which if combined would enable one individual to record and process a complete transaction. This feature reduces the risk of internal manipulation or error and increases internal checking. Mwisho (2000) explained that if a large number of people are employed in the organization, they must be kept in charge of some responsible officer. Failure to exercise either examination or supervision tends to weaken the foundation of internal control thus creates a gap for payment which are not genuine and consecutively causes the loss of cash.

**Serial Numbering of Documents:** Internal control devices of wide applicability was the use of serial numbered documents such as cheque tickets, receipts, Bank payment vouchers, sales invoice, all the documents involved in accounting system must be serially numbered as explained by Wolf, (1997). Mwisho A.M. (2000) said receipts and cash payments of cash should be controlled very carefully. Since it is this area that chance of frauds, errors or irregularities are greater.

**Personnel:** The important element of successful control is personnel. Incompetent and dishonest employees can undermine the system, regardless of how well it meets the other items on the checklist.

**Arithmetical and Accounting Accuracy:** These are controls within the recording functions, which check transaction to be recorded and processed. This means checking arithmetical accuracy, calculation, control accounts and accounting for document.

**Voucher system:** Meigs et al. (1985) expressed that a voucher is one of the methods of achieving strong internal control over cash disbursement. It provides assurance that all disbursements are authorized and reviewed before a cheque is issued. Therefore the accounting department is responsible for assembling the appropriate documentation to support every cash disbursement.

**Organization:** Woolf (1990) emphasized that an enterprise should have a plan of the organization defining and allocating responsibilities. This plan should also identify lines of reporting for all aspects of the enterprise's operations. These operations include control, delegation of authority and clear specification of responsibility.

#### **2.1.4. Nature and Uses of Cash Control**

Cash control is a process that is used to verify the complete nature and accurate recording of all cash that is received, as well as any cash disbursements that take place. As a broad principle of responsible financial accounting, this process takes place in any environment where goods and services are bought and sold (William, 2005). Moreover, IFAC(2012) argues that effective internal control also creates a competitive advantage, as an organization with effective controls can take on additional risk.

#### **2.1.5. Role and Purposes of Cash Control**

According to William (2005), the role and purpose of cash control system is very crucial because internal control consists of the measures, record procedures and plan of an organization that deals mainly with safeguarding asset and ensuring financial records are accurate and reliable. They further explained that the need for cash control can be seen in its roles and purposes which are Financial and Administrative internal control.

#### **2.1.6. Two Elements of A Good Cash Control System**

A good cash control system is required to have two important elements which include internal audit and internal check. Where internal audit exist, cash controls is greatly facilitated and in order to achieve the planned objectives, management must have to set reasonable procedure for the internal audit department (Leslie, 1973). Internal auditors have the responsibilities of providing management with information about the adequacy and assessment of the organization system of internal control. They should be responsible to examine and review of the organization policies and activities towards ensuring compliance with statutory legislative requirement.

Internal auditing is required to undertake at all times special investigation at the management request.

It is necessary to explain the principles of internal checks which also forms part of the system internal control embrace. According to OremadeT. (1979), internal check covers the detection of fraud or errors and interior quality of work. It involves four principles which focused on the need for work division so that no single person has sole control over a complete cycle of work; the work flows should be subjected to an independent check without duplication; special checks should be carried out by senior officials as checks are not automatically out as part of the system, and proper lines of authority should be established for dealing with such transactions.

### **2.1.7. Characteristics of Internal Control over Cash**

Wolf (1997) emphasizes that an effective internal control over cash must possess at least the following characteristics:

- All cash receipts should be deposited daily in the bank and that significance cash payments should not be made directly from cash receipts on hand;
- The validity and amount of every expenditure should be verified before payment is made and signed cheque is issued;
- Optional balance of cash will be maintained at a time;
- Payments would be made based on a proper document and to be limited to a few known officials of the organization;
- There would be mechanical devices for safeguarding assets;
- Customer should obtain receipts equal to the amount paid to cashier;
- All cancelled receipts should be retained for approval and auditor should inspect it;
- Only one person should be authorized to collect cash;
- Cash collection should be kept in a safe boxes and not otherwise such as drawers;
- Cashier will only handle cash while depositing, collecting and writing cashbook should be done by another clerk;
- Evidence banking should be dealt with the accounts section to ensure accountability and posting of debtors will be made through more copies;
- Each creditor/ customers should have a separate ledger with respective name where transactions relating can be posted and avoid miss-posting of transactions;
- Invoice should be posted in the following day to ensure balances updated on a continuous;

- Receipts for debtor's discounts, credit notes or any other allowances should be posted to the credit side of the respective debtors immediately before producing a report for a month. Also debit notes should be treated promptly to avoid omission of data at the end of the month; and
- Only authorized signatories should be allowed to sign cheque.

### **2.1.8. Effectiveness of Internal Control over Cash**

According to Meigs et al., (1982), there are universal rules for achieving internal control over cash as outlined below:

- Do not permit any one of the employees to handle transaction from the beginning; to its end, separate cash handling from recording;
- Centralize receiving of cash as much as possible;
- Encourage customers to obtain receipts and observe cash register;
- Make all disbursement by cheque with exception of expenditure from petty cash;
- Deposit each day's receipt intact and
- Have bank reconciliation prepared by employees not responsible for the issuance of cheque or custody of cash.

### **2.1.9. Internal Control over Cash Receipts and Payment**

The system of internal cash control which an organization operates is to ensure that it receives all the money which differs according to the nature of the credit sales, rent and investments, either there is usually a record of the value of the transaction before cash is received or amount receivable can be ascertained, the aspect of the business should ensure that such transactions are properly entered into books to provide a record of what should be reported/received. In the case of payment (petty cash), there should be record keeping of which the company receives against the reimbursements so as to check whether the amount requested is the same as what has been spent, and the petty cash vouchers should be pre-numbered. Furthermore, receipts also are pre-numbered and the forms of checking that have been properly recorded are introduced for verification of the amount collected and amount banked.



### **2.1.10. Management and Cash Control System**

It is the management of an organization that put in place the cash control system for smooth running and continuity of the organization. However, management has a way of affecting the internal control system and vice versa. When a cash control system is set up by the management, it will be arranged in such a way that any misconduct or lapses in the system will be noticed. The competence and integrity of the personnel operating the controls must be ensuring by management through proper selection and training to assure the organization beyond reasonable doubt against fraudulent acts (Muses, 2014).

### **2.1.11. Internal Cash Control Effectiveness in the Context of NGOs**

Internal cash control system is the primary accountability and governance tool of NGOs, which can establish and use to provide accountability to its Stakeholders and safeguard its assets. It allows the management to determine the measurement of the conditions or characteristics that can damage the entire organizations and turn into the improvements and cost-effectiveness (Brewer List, 2014). Further, Brewer and List (2004) and Enison (2007) suggest that internal cash control is an ongoing process and can help the entire organization to analyze its goals and objectives. Determining the risks is another scope of the control that can be describe as the detective and preventive cash controls. Taking the idea of changes and the detective or preventive actions, it only emphasizes that the management should place a monitoring action on the controls of the activities. Basically, supervision helps the entire organization to ensure the effectiveness of the internal cash control system as well as the effectiveness and efficiency of the policies, procedures and the responsibilities (Benison, 2007).

Although the above studies have largely focused on the impact of effective internal control measures on overall operational efficiency of NGOs, there is an emerging literature examining the implications of internal control measures beyond operational efficiency. On the other hand, Feng et al., (2009) examines the relation between internal control quality and management guidance accuracy and found a positive relation, consistent with ineffective internal controls causing errors in internal management operations in general.

### **2.1.12. Sharing of Information as Means of Achieving Effective Cash Control**

To successfully control an organization, managers need not only know what the performance standards are, but also figure out how to share that information with employees. Every employee should be fully aware of his or her responsibilities and lines of authority, lines of reporting and

levels of responsibility should be clear. Errors and fraud are much more likely to occur where it is uncertain who is responsible for what and who should be reporting to whom (FIS, 2008). Organization (NGO's) must exercise overall control over its financial affairs. They should ensure that the way in which the charity is administered is not open to abuse by unscrupulous associates, management or employees; and that their systems of control are rigorous and constantly maintained. This includes the procedural controls operating within the NGO and the structures of responsibilities (reporting structures) tend to be staffed by hard working and dedicated employees. However, many NGO's fail to capitalize in these qualities because of their inadequate organizational structures. If structures/roles are not clearly defined, for example between the CEO (chief Executive Officer) and the Trustee Chairman, this may cause misunderstanding administratively.

#### **2.1.13. The Need for Sound Personnel Management to Effective Cash Control**

The quality of cash control is directly related to the quality of the personnel operating the system. The organization should have sound personnel policies for hiring, orienting, training, evaluating, counseling, promoting, compensating and taking remedial action. For example, in hiring a standard should be sought only to hire the most qualified person, with prior working experience and evidence of integrity and ethical behavior. Background checks may vary with the organization and employee position. Post-employment controls include internal and external audits (Schartmann, 2010). It was also supplemented by (Green, 2010) who claims the vitality of post-employment controls in the context of NGOs with emphasizing the need for the day to day work of employees should be properly supervised.

Good supervision is important to reduce the likelihood of errors or fraud. This aspect is carried out by the management of the organization, as a means to check compliance with the laid down procedures. Delegated responsibilities should be properly discharged. As the NGO sector has expanded in terms of funding and functions, there has been a growing concern with the issues of professionalization and accountability (Cheng, 2013).

#### **2.1.14. Periodic Reviewing as Means of Achieving Effective Cash Control**

Periodic reviews are considered to have significant effects on operational efficiency by means of cost reduction. Control activities as a component of internal cash controls and consider control activities as policies and procedures that help ensure that management directives are carried out.

Basically it comprises; performance reviews, information processing, physical controls, and segregation of duties.

Previous research have focused on studying certain control elements such as communication which was handled by Hooks et al (1994), risk management Mills(1997) and human resource practices done by Carey and Stringer, (1995). The study on village banks in Uganda, Kenya and Tanzania by German Technical assistance (GTZ) and Africa Rural Agriculture and Credit Association (AFRICA) (2002) revealed that most of the organization were operating without documented policies and procedures and lacked operational manuals. It identified the necessity to provide support to the micro finance institutions so that they can come up with operational manuals and to improve on the existing systems. Information system is a set of interrelated components all of which should be present and work together for a common purpose. Internal control mechanisms must have well documented processes that are understood by everyone involved. There is immense need for organizations to set aside resources such as time, money and personnel to develop or improve a management information system that can match its information requirement (The Center for Micro Enterprise Development Project, 1999). An organization which lacks information will be unable to attain its potential performance even if it may have capable and motivated staff (Consultative Group to Assist the poorest (CGAP), 1998).

A study of internal control function of the Kenya Polytechnic University College conducted by Wainaina (2011) shows that as a substitute of its presence on the scene of operations, management must rely on internal control techniques to implement its decisions and to regulate the activities for which it would ultimately be responsible for. It is in this light that use of effective Internal Control Systems is deemed crucial in the management of business resources. As a result, the management of any organization designs cash controls procedures to allocate, control and ensure efficient utilization of resources, in order to achieve the overall corporate goals. It was found that Cash Control Systems play an important role in preventing and detecting fraud and protecting the organization's resources. This is achieved through proper authorization controls and documentation.

## ***2.2 Empirical Literatures Review***

In addition to reviewing those literatures concerned with the theoretical concepts relevant to cash control discussed above, the researcher had also reviewed available empirical literatures in order to familiarize himself with the previous studies conducted on the similar

areas of concern at hand. The empirical literatures review was of a great importance that the knowledge gained from which was found to be essential inputs in the process of specifying the research problem into its operational contexts and in the designing of approach and methods employed by which the study was conducted. In spite of all this, as to the knowledge of the researcher, there is a scarcity of empirical literatures on cash control particularly dealing with the study conducted in the contexts of Ethiopian NGOs. However, available limited empirical literatures focusing on the areas of concern similar to the current research have been reviewed. Accordingly, a brief discussion will be presented focusing on demonstrating the specific areas of concern with highlighting of the previous empirical researches carried out along with their intentions, methods and major findings. In addition, elaborating of the similarities and differences of the previous studies and this study as well as indicating the existence of research/ knowledge gap in the area of concern that was intended to fill by this research.

In view of that, Andrew (2014) conducted a case study on five compassion centers located in Tanzania, Africa with the intention of assessing their internal control system over cash. A mixed (qualitative and quantitative) data collection and analysis method was employed to carry out the study, and convenience, Purposive and simple random sampling techniques were also used to select the study subjects. Further, the quantitative data collected on the nine major variables were analyzed by descriptive method. The nine variables include System operations, Sending financial reports on time, keeping books of accounts in accordance to Program Field Manual 2.02, Procurement procedures, Leadership interference to cash control, Delaying of funds from CIT, Separation of duties, Internal auditing to be done every one year followed by external auditing and the qualifications of accountants of compassion centers. Content analysis was also utilized to analyze the qualitative data. As a result, the findings were able to disclose in ineffectiveness of internal control over cash control.

Abdinasir et al., (2015) conducted a quantitative survey on the Somali flight service companies with the aim of scrutinizing effectiveness of their internal control and cash management procedure and examining the relationship between internal controls and cash management procedure. The research team analyzed the quantitative data collected through questionnaire around segregation of duties and cash managements with using of descriptive and correlation statistics and came up with the findings which emphasizing the need for establishing internal control by the business company for the sake of protecting properties in a safe manner.

Mengesha et al., (2014) carried out an extensive survey which was intended at assessing the financial management practices of local Non-Governmental Organizations operating in Addis Ababa, Ethiopia. The study participants were drawn from the staff of finance departments of selected local NGOs working in Addis Ababa, who were selected by a random sampling technique. In this study, the researchers employed descriptive method of assessment with analyzing the data gathered by questionnaire, using with statistical tools tables and percentages. As indicated in the research paper, charitable organizations should submit annual financial statement and annual audit reports which are required to be audited by a certified auditor to the Charities and Societies Agency. They should also require preserving their routine records of financial transactions. The study findings further demonstrates that a substantial number of respondents confirmed that neither cash forecasts had been prepared nor knowing about the cash forecast itself in spite of its significance to control performances against their plans. On the other hand, a cash forecast document is necessary to determine the required cash for implementing activities in advance so as the actual implementation of activities would not be interrupted resulting from financial deficit. Similarly, the budget was not authorized by the board even if it is required for sound internal control system. Regarding financial sources, the main portion of fund of local NGOs is to be generated from donation and grants which makes their sustainability in danger as their existence is dependent on their competitive ability in effectively maintaining the rules and regulations of donor agencies. Project implementations had been interrupted because of cash shortage, resulting from unable to timely receive funds to be transferred from the donors. Regarding, Accounts records keeping, in most cases the financial management system is complying with the donor requirements, but lack of preparing financial statements for financial position in comply with the financial management standards and failure in timely submission of financial reports still remains as a shortcomings of local NGOs financial management.

### ***2.3 Conclusions and Knowledge gap***

From the point of view of the general areas of study concern, the previous empirical researches discussed above are closely related with this research as their central concern is organizational cash control. Although these researches consider cash within the general contexts of financial management, they did not clearly specified it within its specific contexts in a way that to be independently viewed and examined with its main associating variables as done by this study. Despite survey is observed to be commonly employed by the previous researches and this

research, their study objectives and resulted findings have been partially differing from one another as well as this study. Unlike to the previous studies conducted in the area of concern, the findings of this research were generated based on analyzing the data collected from the respondents selected using with census technique, the specific objectives and the research questions of the study and the specific area of concern (as this study considered only a single organization and simultaneously being a faith based). This study is also considered the main variables of internal cash control into one group. Such issues uniquely identify this study contrasted with the previous studies.

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

#### *3.1 Research Design*

*“Descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group”*(Kothari, 2004, P. 37).The main aim of this research is to assess the cash control currently practiced by the EOC–DICAC with respect to considering the commonly recognized cash control elements including segregation of duties, authorization of cash transaction, rules and guideline, documentation of accounting records and independent internal verification. In order to properly achieve the objectives of the research, a quantitative survey approach was used and the data analyzed by descriptive method. The data were collected through self-administering survey of the staff drawn from finance and internal audit departments of EOC-DICAC, external audit firms involved in the organization financial auditing and sample funding partners who provide fund to EOC-DICAC projects.

#### *3.2. Target survey Population*

As a limited number of finance staff availability in the EOC-DICAC and its external audit firms, the study used census methods to select the respondent from the two organizations. However, the number of funding partners from which the respondents selected was based on the amount of funding share contributed to EOC-DICAC. These three different groups of respondents that the study targeted is because all of them have been found to directly involve in the cash transaction and control system of the organization. For instance, the staff of finance department and internal audit department of EOC-DICAC has been involved in the day to day financial activities in the organization. The targeted respondent from external audit firms were the staff involved in external audit activity that they are knowledgeable persons about the financial control of the organization. Besides, the respondent finance focal persons targeted from funding organization have also been engaged in periodical financial reviewing and other financial performance follow up activities related with their respective donation.

The study used the census method under which all of the 41 staff members of finance and internal audit department of EOC-DICAC had been involved. This figure includes all managerial and technical staff working at the head office and branch levels, particularly their duties and

responsibilities are related with cash handling, financial management and internal auditing functions. Other respondents were also drawn from other than the staff of EOC-DICAC. That is, 9 staff from three external audit firms who were involved in auditing of the books of accounts of the organization for the period of 2012 to 2016, 14 staff of funding partner, who has been working as finance focal persons in the funding partner organizations, contributed large share of donation to EOC-DICAC during the last five years. The funding partners based in Addis Ababa include: Protestant Agency Diconian Development, Norwegian Church Aid, Dan Church Aid, Consortium Christina Relief and Development Association, Ethiopian Interfaith Development Dialogue Action, and The Management Agency.

**Table1.Number of respondents by their respective organizations**

S/n	Group of respondents	Target population
1	EOC_DICAC finance staff	41
2	External Audit Firms staff	9
3	Funding partners finance staff	14
	Total	64

As clearly observed from the above table the variety of the respondents will be taken as study subject, in order to gather viable information from the feelings and opinions of several types of appropriate respondents to be fulfilling the objective of the study.

### **3.3. Data Sources and Collection Tools**

The required data used to conduct the study were collected from primary sources using survey questionnaires distributed to the respondent's staff from EOC-DICAC, external audit firms and selected funding partners. The data gathering basically focuses on cash control system of EOC-DICAC with a particular emphasis on adequate separation of duties, proper authorization of accounting records, application of rules and regulation, documentation of accounting records and independent internal verification. The required response rate was maintained to the level as much as sufficient using with the follow-on activities like reminding the respondents from donor organizations and external audit firms through telephoning and email, and the internal respondents from EOC-DICAC were reminded through face to face and telephoning contracts.



### ***3.4. Validation and Reliability of the Instrument***

The questionnaire for this research work was designed in a way that it arouses interest in the mind of the respondent. The set of questionnaires was given to the advisor and returned with his constructive suggestions. In addition, a pretest on the questionnaire was conducted before the distribution of the actual survey questionnaires to the respondents, and the required modification was accordingly made.

### ***3.5. Definition of Variables***

In the study process, five key variables were measured including Segregation of duties, authorization of cash transaction, rules and regulation, documentation of accounting records and independent internal verification. They were measured using a 5- point Likert scale approach which conserved the respondents' answers ranging from "Strongly Disagree" to "Strongly Agree". The measurement of each variable is explained below.

#### **3.5.1 Segregation of duties**

This variable measured by asking question in relation to the responsibility for record keeping separate from the cash handling and as well as related activates assigned to different individuals.

#### **3.5.2 Authorization of cash transaction**

To ensure an effective cash control system the management should established a clear responsibility accomplished by one person, which includes the authorization and approval of transactions. Thus, the variable measured by asking question aimed at establishing to the authorization and approval of cash transaction practice.

#### **3.5.3 Rules and regulation**

Internal control established by the management in the conduct of the business including internal check, internal audit and other forms of control to comply with the requirement of funding partners and regulatory bodies. Accordingly, the variables were measured by asking question focused at setting to guideline and procedure in place.

#### **3.5.4 Documentation of accounting records**

This procedure shows the documents provide as evidence for cash transactions and events have occurred to facilitate the accounting process to do this the documents should be pre-numbered

and accounted for. In addition, the source documents promptly forwarded to the accounting department to help timely record of transaction.

### **3.5.5 Independent internal verification**

This variable involves the review, comparison, and reconciliation of data. Accordingly, the designed questions were aimed at measuring variables for establishing independent review, comparison and reconciliation of information.

### **3.6 Data Analysis**

Before starting to analyze, the collected raw data were processed in such a way that able to be clean and suitable for the analysis (Mugenda, 2003). The data collected with the questionnaire were cleaned to ensure their completeness and accuracy, and then coded. Response on each item was put into each of the main study variables in scientific way for easy analysis using Statistical Package for Social Science (SPSS) software. In order to draw meaningful conclusion, the data were summarized and presented using appropriate table format with frequencies, percentages for classifications of responses for easier understanding and for good visual impression. The data were analyzed using descriptive statistical method; the employed descriptive statistical parameters were mean and standard deviation. These parameters were selected to describe and interpret the resulted findings.

### **3.7. Ethical Consideration**

Kombo and Tromp, (2006) stressed that the researchers are required to provide attention to the ethical issues associated with carrying out their research. Accordingly, the confidentiality of the respondents participated in the research was appropriately maintained and the researcher motivated the participants to participate with voluntarily and actively to respond the questions through elucidating the significance of the study and promising that their information to be kept confidential.

## CHAPTER FOUR

### RESULTS AND DESCUTIONS

#### 4.1 Reliability Test of Instrument

One of the common methods to test the reliability and validity of data collected through questionnaire is using of Cronbach's alpha coefficient. Lee Cronbach (1951) defines reliability as an attribute of an instrument used to measure its internal consistency. Consistency indicates that an instrument has constructive value it used to measure. The Cronbach's alpha for data collected for 47 questions of segregation of duties, authorization of cash transaction, documentation of accounting records, rules and regulation and independent internal verification from three groups is as follows.

#### Segregation of Duties

<u>Respondent group</u>	<u>N</u>	<u>Cronbach's Alpha</u>
EOC-DICAC	5	.614
Audit firm	3	.390
Funding partner	1	NA

#### Authorization of Cash Transaction

<u>Respondent group</u>	<u>N</u>	<u>Cronbach's Alpha</u>
EOC-DICAC	5	.759
Audit firm	1	NA

### **Rules and Regulation**

<u>Respondent group</u>	<u>N</u>	<u>Cronbach's Alpha</u>
EOC-DICAC	5	.774
Audit firm	2	.593
Funding partner	7	.516

### **Documentation of Accounting Records**

<u>Respondent group</u>	<u>N</u>	<u>Cronbach's Alpha</u>
EOC-DICAC	5	.866
Audit firm	2	.259
Funding partner	1	NA

### **Independent Internal Verification**

<u>Respondent group</u>	<u>N</u>	<u>Cronbach's Alpha</u>
EOC-DICAC	5	.823
Audit firm	4	.710
Funding partner	1	NA

Overall, the Cronbach's alpha for data collected for 47 of major cash control elements is .899 (approximated to 0.9)

Cronbach's Alpha	N of Items
.899	47

Source, own survey (2017)

This indicates that the survey instrument used is in general highly valid and the data are highly consistent because the Cronbach's alpha is ranged in an excellent measure of internal consistency where  $\alpha \geq 0.9$ .

## 4.2. Response Return Rate

**Table 2 Response return rate of questionnaires**

Respondents category by organization	Distributed questionnaires	Returned questionnaires	Response Rate
EOC-DICAC staff	41	33	80%
Audit firm staff	9	9	100%
Funding partners staff	14	14	100%
<b>Total</b>	<b>64</b>	<b>56</b>	<b>88%</b>

Source, own research (2017)

As shown in table 2, among a total number of 64 questionnaires dispatched, 56 were filled and returned. Particularly, all the dispatched questionnaires to audit firm staff and funding partners' staff respondents were fully returned. This was due to a researcher carried out frequently communicating the respondents through telephone and email contacts to remind and to time reminding sent the responses. Out of 41 questionnaires distributed to EOC-DICAC staff 33 were returned this implies that 8 questionnaires were not returned. That was because of among the targeted staff respondents during the study period some staff were on leave and the remaining others were on field work in the remote working area. Face to face contact was made to remind internal staff (EOD-DICAC).

## 4.3. General background characteristics of the respondents

### 4.3.1. Gender of the respondent

**Table 3. Gender composition of the respondents by organizations**

Gender	EOC-DICAC		External audit firm		Funding Partners	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Male	19	57.6	6	66.7	7	50.0
Female	14	42.4	3	33.3	7	50.0
<b>Total</b>	<b>33</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>

Source, own survey (2017)

The respondents were asked to state their gender and the distribution was shown in the above table3. According to the findings from table 3 above, 42.4%, 33.3% and 50% were female respondents drawn from EOC-DICAC, External audit firm and funding partners, respectively. Overall, there are 32 (57%) male and 24 (43%) in the three organizations. It means that the majority of the working group of employees in the three organizations was males. These findings represent the views of the two gender groups about assessment of internal cash control system of the EOC-DICAC. This was necessary for the study to get a balanced picture of the respondents' views.

#### 4.3.2. Level of Education

The study sought to establish the background information of the respondents in terms of level of education. This was necessary to establish the composition of educational qualifications of respondents in the three organizations.

**Table 4 Level of education of the respondents**

Level of education	EOC-DICAC		External audit firms		Funding Partners	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Master	3	9.1	1	11.1	7	50.0
Bachelor	20	60.6	7	77.8	7	50.0
Diploma	7	21.2	0	0.0	0	0.0
ACCA	0	0.0	1	11.1	0	0.0
Others	3	9.1	0	0.0	0	0.0
<b>Total</b>	<b>33</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>

Source, own survey (2017)

According to the results shown in Table 4.4.3.2 the respondents were held Bachelor degree (60.6%, 77.8%, and 50%), Diploma (21.2%), Master degree (9.1%, 11.1%, and 50%), ACCA (11.1%) and others (9.1%) in the three respective organizations. This implies that the respondents are adequately qualified and academically competent. Since they were equipped with the concepts regarding internal cash control systems practice of EOC-DICAC, they were able to easily understand and accurately respond on the questionnaire.

### 4.3.3. Length of service of the respondents

The researcher asked the respondents background information in terms of work experience in the period they had spent on their jobs to find out their experience about the internal cash control on performance of EOC-DICAC and findings resulted to a high level of experience on the jobs by the respondents as captured in table 5below:

**Table 5 Length of service**

Years	EOC-DICAC		Funding Partners	
	Frequency	Percent	Frequency	Percent
1-5	9	27.3	0	0.0
6-10	6	18.2	7	50.0
11-15	7	21.2	3	21.4
Over 15	11	33.3	4	28.6
<b>Total</b>	<b>33</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>

Source, own survey (2017)

Unlike to the preceding tables (table 2,3 and 4), this table shows only the length of service years of the respondents of EOC-DICAC and funding partner organizations due to that this were required to the study based on its nature. The results in table 5revealed that majority of the respondents (33.3%) have over 15 years work experience in the EOC-DICAC followed by 1-5years (27.3%), 11-15 years (21.2%) and6-10 years (18.2%)experience with EOC-DICAC. However, the findings show that of the majority of the respondents' have16 years and above experience in EOC-DICAC. Concerning, the respondent from funding partner organizations those who have 6-10 year work experience account for 50% and then followed by over 15 years (28.6%), and 11-15 years (21.4%) experience, respectively. This indicates that in both organizations the respondents have adequate work experiences in relating with sufficiently responding to the questions.

#### 4.3.4. Position of the respondents

The respondents positions was also assessed to find out their types and levels of working positions to understand the existing composition in evaluating the internal cash control practices of EOC-DICAC (table 6).

**Table 6 Position of the respondents**

Working position	EOC-DICAC		External audit firms		Funding Partners	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Department head	2	6.1	0	0.0	0	0.0
Division head	1	3.0	0	0.0	0	0.0
Senior finance expert	16	48.5	0	0.0	6	42.9
Junior finance expert	10	30.3	0	0.0	0	0.0
Cashier	3	9.1	0	0.0	0	0.0
Audit manager	0	0.0	1	11.1	0	0.0
Audit Partner	0	0.0	2	22.2	0	0.0
Senior Auditor	1	3.0	5	55.6	0	0.0
Finance manager	0	0.0	0	0.0	4	28.6
Program finance officer	0	0.0	0	0.0	3	21.4
Grant Coordinator	0	0.0	0	0.0	1	7.1
Others	0	0.0	1	11.1	0	0.0
<b>Total</b>	<b>33</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>

Source, own research (2017)

The results in Table 6 revealed that 91.4%, 58.6%, 30.3 %, 28.6 %, 22.2%,21.4% and9% respondents were working as senior finance experts in EOC-DICAC and funding partners, senior auditor in EOC-DICAC and external audit firms, junior finance experts in EOC-DICAC, audit partner in external audit firms, finance manager in funding partners, program finance officer in funding partners and cashier in EOC-DICAC, respectively.

The above table also indicated that the presence of a well-designed structure for the finance department within the EOC-DICAC, which enables the effectiveness of cash control system of



the organization. It implies that the composition of finance staff in the EOC-DICAC the respondent staff distribution comprised the higher, middle and lower levels of position with EOC-DICAC finance department.

#### ***4.4. Findings and analysis by the study specific objectives***

This section discusses the results of the study in detail based on the findings observed from the conducted survey by categorizing into five main study variables treated under each of the five specific research objectives which concerned with assessing the cash control system of EOC-DICAC. These include segregation of duties, authorization of cash transaction, rules and regulation, documentation of accounting records and periodical review.

The respondents were asked to indicate the level of their agreements rating from strongly disagree (1) to strongly agree (5), based on the 5– points likert scale, to the statements provided under each of this, and the means and standard deviations of the resulted responses were calculated. Accordingly the responses given to the questions set to each study variables are summarized by each of the three organizations separately from which the respondents were drawn, as demonstrated in the following tables.

#### **4.4.1. Segregation of duties**

Table 7 Segregation of duties responses by staff of EOC-DICAC

<b>objective 1</b>	<b>N</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>Mean</b>	<b>Std.</b>
		<b>Frequency in %</b>						<b>D</b>
A clear and detail job description which fits to specific duties and responsibilities in place	33	3.0	9.1	6.1	63.6	18.2	3.85	0.94
Assigning of different staffs to cash collection and record keeping	33	6.1	9.1	6.1	42.4	36.4	3.94	1.17
Assigning of different staffs for cash review and verification	33	9.1	15.2	9.1	36.4	30.3	3.64	1.32
Adequacy and competency of staff in a finance department	33	27.3	6.1	39.4	27.3	0.0	3.67	1.16
Whether the jobs of recording of transaction and its initiation have been performed by different individuals	33	3.0	27.3	15.2	39.4	15.2	3.36	1.14
<b>Overall mean</b>	<b>33</b>	<b>9.7</b>	<b>13.4</b>	<b>15.2</b>	<b>41.8</b>	<b>20.0</b>	<b>3.69</b>	<b>1.15</b>

Source, own survey (2017)

The questions regarding the adequacy of segregation of duties were asked EOC-DICAC staff respondents and the responses summarized as shown in the above table. The overall mean value and standard deviation are 3.69 and 1.15, respectively. On average 9.7% , 13.4%, 41.8%, and 20% of the respondents were strongly disagreed, disagreed, undecided, agreed and strongly agreed responses, respectively.

**Table 8 Segregation of duties responses by staff of audit firms**

	N	1	2	3	4	5	Mean	Std.
<b>Objective 1</b>	Frequency in %							D
Adequacy and competency of staff in a finance department	9	0.0	11.1	22.2	66.7	0.0	3.56	0.73
Whether the jobs of recording of transaction and its initiation have been performed by different individuals	9	0.0	0.0	11.1	66.7	22.2	4.11	0.60
A job function is designed to minimize risk of error or fraudulent manipulation of the organization’s cash	9	0.0	11.1	0.0	77.8	11.1	3.89	0.78
<b>Over mean</b>	<b>9</b>	<b>0.0</b>	<b>7.4</b>	<b>11.1</b>	<b>70.4</b>	<b>11.1</b>	<b>3.85</b>	<b>0.70</b>

Source, own survey (2017)

The questions regarding the adequacy of segregation of duties were asked audit firms staff respondents and the responses summarized as shown in the above table. The overall mean value and standard deviation are 3.85 and 0.70, respectively. On average 0.0% 7.4%, 11.1%, 70.4%, and 11.1% of the respondents were strongly disagreed, disagreed undecided, agreed and strongly agreed responses, respectively.

**Table 9 Segregation of duties responses by staff of funding partners**

	N	1	2	3	4	5	Mean	Std.
<b>Objective-1</b>	Frequency in %							D
Availability of appropriate accountant as per requirement of the signed project agreement	14	0.0	0.0	7.1	57.1	35.7	4.29	0.61

Source, own survey (2017)

Unlike to the previous group of respondents regarding the question related to segregation of duties only one items was asked the funding partners that was due to other questions asked under this objective to the staff of EOC-DICAC and audit partner were not considered to be not relevant to ask the funding partners.

The mean value and standard deviation are 4.29 and 0.61, respectively. 0.0% 0.0%, 7.1%, 57.1%, and 35.7% of the respondents were strongly disagreed, disagreed undecided, agreed and strongly agreed responses, respectively.

In general, the questions related to segregation of duties were asked to three groups of respondents as shown in the above tables the responses shows that majority of the respondents in all of these three groups agree on the adequacy of the segregation of duties. However, the given rate of responses varies from one to another. On average the staff of EOC-DICAC responses indicated mean value of 3.69 and standard deviation 1.15 while the staff of audit firms responses indicate mean value of 3.85 and standard deviation 0.70 and the staff of funding partners mean value of 4.29 and standard deviation 0.61. It has been observed that relatively the opinion of staff of EOC-DICAC shows that the highest standard deviation. It implies that there is a great variation among the opinion of the responses given to these questions under these respondent groups.

#### 4.4.2 Authorization of cash transaction

**Table 10 Authorization of cash transaction by staff of EOC-DICAC**

Objective-2	N	Frequency in %					Mean	Std. D
		1	2	3	4	5		
Share of authority between top management and finance department approving cash transaction	33	9.1	15.2	9.1	39.4	27.3	3.61	1.30
The presence of a clear cut guidelines on payments approval	33	3.0	21.2	6.1	45.5	24.2	3.67	1.16
A regular surprise cash count by authorized person	33	6.1	27.3	6.1	42.4	18.2	3.39	1.25
Accounting records data entry is not allowed to unauthorized personnel	33	9.1	6.1	12.1	42.4	30.3	3.79	1.22
Cash collections and payments performed by an authorized person only	33	0.0	3.0	9.1	36.4	51.5	4.36	0.78
<b>Overall mean</b>	<b>33</b>	<b>5.5</b>	<b>15.6</b>	<b>8.5</b>	<b>41.2</b>	<b>30.3</b>	<b>3.76</b>	<b>1.14</b>

Source, own survey (2017)

The questions regarding the appropriateness authorization of cash transaction were asked EOC-DICAC staff respondents and the responses summarized as shown in the above table. The overall mean value and standard deviation are 3.76 and 1.14, respectively. On average 5.5%, 15.6%,

8.5%, 41.2% and 30.3% of the respondents were strongly disagreed, disagreed, undecided, agreed and strongly agreed responses, respectively.

**Table 11 Authorization of cash transaction by staff of audit firms**

Objective-2	N	1	2	3	4	5	Mean	Std.
	Frequency in %						D	
The organization pay attentions to implement systematic internal cash control for its operational unit at all levels	9	0.0	44.4	22.2	33.3	0.0	2.89	0.93

Source, own research (2017)

Unlike to the previous group of respondents regarding the question related to authorization of cash transaction only one items was asked the audit firms that was due to other questions asked under this objective to the staff of EOC-DICAC. Similarly, under this objective no question asked to funding partner because of considered to be not relevant.

The question regarding the appropriateness authorization of cash transaction were asked audit firms staff respondents and the responses summarized as shown in the above table. The mean value and standard deviation are 2.89 and 0.9, respectively and also 0.0%, 44.4%, 22.2%, 33.3% and 0.0% of the respondents were strongly disagreed, disagreed, undecided, agreed and strongly agreed responses, respectively.

In general, the questions related to appropriateness authorization of cash transaction were asked to EOC-DICAC and audit firms of respondents as shown in the above tables the responses shows that majority of the respondents in EOC-DICAC agree on the appropriateness authorization of cash transaction. However, the given rate of responses varies from one to another. On average the staff of EOC-DICAC responses indicated mean value of 3.76 and standard deviation 1.14 and the staff of audit firms responses indicate a mean value and standard deviation are 2.89 and 0.9. It has been observed that relatively the opinion of staff of EOC-DICAC shows that the highest standard deviation. it implies that there is a great variation among the opinion of the responses given to these questions under these respondent groups as well as the audit firms staff responses shows a disagreed with its mean value of 2.89 in regards to appropriateness authorization of cash transaction.

### 4.4.3 Rules and regulations

**Table 12 Rules and regulation responses by staff of EOC-DICAC**

Objective-3	N	1	2	3	4	5	Mean	Std. D
	Frequency in %							
An organizational guideline is in place which prohibiting the handing of cash receipts and disbursements and records by the same persons	33	9.1	9.1	9.1	33.3	39.4	3.84	1.30
Laid down procedures are in place with regard to recording and documentation of financial data	33	0.0	3.0	18.2	45.5	33.3	4.09	0.80
All cash transaction in the organization would be approved before and after their realization	33	6.1	0.0	6.1	42.4	45.5	4.18	1.01
A cash of the organization kept in safe box and not wrongly utilized either by error or deliberately	33	6.1	3.0	15.2	33.3	42.4	4.03	1.13
Well- defined procedures for handling and managing the process of a cash disbursement	33	0.0	15.2	12.1	39.4	33.3	3.91	1.04
<b>Overall mean</b>	<b>33</b>	<b>4.3</b>	<b>6.1</b>	<b>12.1</b>	<b>38.8</b>	<b>38.8</b>	<b>4.01</b>	<b>1.06</b>

Source, own survey (2017)

The questions regarding the application of rules and regulation were asked EOC-DICAC staff respondents and the responses summarized as shown in the above table. The overall mean value and standard deviation are 4.01 and 1.06, respectively. The overall mean value and standard deviation are 3.76 and 1.14, respectively. On average 4.3%, 61%, 12.1%, 38.8% and 38.8% of the respondents were strongly disagreed, disagreed, undecided, agreed and strongly agreed responses, respectively.

**Table 13 Rules and regulation responses by staff of audit firms**

Objective-3	N	1	2	3	4	5	Mean	Std. D
	Frequency in %							
Safeguarding of cash from loss of all kinds	9	0.0	0.0	0.0	88.9	11.1	4.11	0.33
Maintained a well-defined procedures to protect misusing of cash	9	0.0	22.2	44.4	22.2	11.1	3.22	0.97
<b>Overall mean</b>	<b>9</b>	<b>0.0</b>	<b>11.1</b>	<b>22.2</b>	<b>55.5</b>	<b>11.1</b>	<b>3.67</b>	<b>0.65</b>

The questions regarding the appropriateness of rules and regulation were asked audit firms staff respondents and the responses summarized as shown in the above table. The overall mean value and standard deviation are 3.67 and 0.65, respectively. On average 0.0%, 11.1%, 22.2%, 55.5% and 11.1% of the respondents were strongly disagreed, disagreed, undecided, agreed and strongly agreed responses, respectively.

**Table 14 Rules and regulation responses by staff of funding partners**

	N	1	2	3	4	5	Mean	Std. D
<b>Objective-3</b>	Frequency in %							
Applicability of funding agreement regarding with opening separate bank account and cash utilization	14	0.0	0.0	0.0	64.3	35.7	4.36	0.50
Timely provision of acknowledgement of receipts with copy of bank advice	14	0.0	0.0	0.0	42.9	57.1	4.57	0.51
Fund received from the donor have been spent within the agreed project implementation period	14	0.0	0.0	0.0	64.3	35.7	4.36	0.50
Unspent cash balance has been immediately reimbursed at end of a project period	14	7.1	28.6	14.3	28.6	21.4	3.29	1.33
Keeping of agreed schedules in presenting formal fund request	14	0.0	0.0	14.3	50.0	35.7	4.21	0.70
Accuracy and timely submission of financial performance reports	14	0.0	7.1	21.4	57.1	14.3	3.79	0.80
The organization timely submits the financial reports of the external auditor	14	7.1	7.1	14.3	57.1	14.3	3.64	1.08
<b>Overall mean</b>	<b>14</b>	<b>2.0</b>	<b>6.1</b>	<b>9.2</b>	<b>52.0</b>	<b>30.6</b>	<b>4.03</b>	<b>0.77</b>

Source, own survey (2017)

The questions regarding the appropriateness of rules and regulation were asked funding partners staff respondents and the responses summarized as shown in the above table. The overall mean value and standard deviation are 4.03 and 0.77, respectively. On average 2.0%, 6.1%, 9.2%, 52.0% and 30.6% of the respondents were strongly disagreed, disagreed, undecided, agreed and strongly agreed responses, respectively.

Overall, the questions related to rules and regulations of cash control were asked to three groups of respondents as shown in the above tables the responses shows that majority of the respondents

in all of these three groups agree on the application of rules and regulations. However, the given rate of responses varies from one to another. On average the staff of EOC-DICAC responses indicated mean value of 4.01 and standard deviation 1.06 while the staff of audit firms responses indicate mean value of 3.67 and standard deviation 0.65 and the staff of funding partners mean value of 4.03 and standard deviation 0.77. It has been observed that relatively the opinion of staff of EOC-DICAC shows that the highest standard deviation. It implies that there is a great variation among the opinion of the responses given to these questions under these respondent groups.

#### 4.4.4 Documentation of Accounting Records

Table 15 Documentation of accounting records responses by staff of EOC-DICAC

	N	1	2	3	4	5	Mean	Std.
<b>Objective-4</b>		Frequency in %						D
A proper recording and filling system of accounting records have been practiced	33	0.0	12.1	12.1	42.4	33.3	3.97	0.98
The organization uses simple and friendly accounting software that adequately processing and generating accurate and timely financial information	33	0.0	9.1	18.2	36.4	36.4	4.00	0.97
All accounting entries are supported by appropriate documentation e.g. receipt vouchers	33	0.0	6.1	0.0	30.3	63.6	4.52	0.80
All disbursements are made by pre-numbered checks and vouchers	33	0.0	6.1	0.0	27.3	66.7	4.55	0.79
All cash transaction correctly recorded and accurately processed and control account maintained	33	0.0	3.0	9.1	33.3	54.5	4.39	0.79
<b>Overall mean</b>	<b>33</b>	<b>0.0</b>	<b>7.3</b>	<b>7.9</b>	<b>33.9</b>	<b>50.9</b>	<b>4.29</b>	<b>0.87</b>

Source, own survey (2017)

The questions regarding the proper documentation of accounting records were asked EOC-DICAC staff respondents and the responses summarized as shown in the above table. The overall mean value and standard deviation are 4.29 and 0.87, respectively. On average 0.0%, 7.3%, 7.9%, 33.9% and 50.9% of the respondents were strongly disagreed, disagreed, undecided, agreed and strongly agreed responses, respectively.

**Table 16 Documentation of accounting records responses by staff of audit firms**

	N	1	2	3	4	5	Mean	Std.
<b>Objective-4</b>	Frequency in %							D
All cash income and expenditures have been documented and recorded in accordance with the policies and procedures of the organization and the project agreements entered with funding agencies and co-signatory collaborating Government bodies	9	0.0	0.0	44.4	33.3	22.2	3.78	0.83
The accounting cash record satisfy the purpose of the audit in such a way that auditors must obtain sufficient quality and volume of evidences	9	0.0	33.3	44.4	22.2	0.0	2.89	0.78
<b>Overall mean</b>	<b>9</b>	<b>0.0</b>	<b>16.7</b>	<b>44.4</b>	<b>27.8</b>	<b>11.1</b>	<b>3.34</b>	<b>0.81</b>

Source, own survey (2017)

The questions regarding the proper documentation of accounting records were asked audit firms staff respondents and the responses summarized as shown in the above table. The overall mean value and standard deviation are 3.34 and 0.81, respectively. On average 0.0%, 16.7%, 44.4%, 27.8% and 11.1% of the respondents were strongly disagreed, disagreed, undecided, agreed and strongly agreed responses, respectively.

**Table 17 Documentation of accounting records responses by staff of funding partner**

	N	1	2	3	4	5	Mean	Std.
<b>Objective-4</b>	Frequency in %							D
The organization keeps an accurate and regular financial records of the implemented project	14	0.0	0.0	0.0	78.6	21.4	4.21	0.43

Source, own research (2017)



The questions regarding the proper documentation of accounting records were asked funding partners staff respondents and the responses summarized as shown in the above table. The mean value and standard deviation are 4.21 and 0.43, respectively. And also 0.0%, 0.0%, 0.0%, 78.6% and 21.4% of the respondents were strongly disagreed, disagreed, undecided, agreed and strongly agreed responses, respectively.

Generally, the questions related to documentation of accounting records were asked to three groups of respondents as shown in the above tables the responses shows that majority of the respondents in all of these three groups agree on the application of rules and regulations. However, the given rate of responses varies from one to another. On average the staff of EOC-DICAC responses indicated mean value of 4.29 and standard deviation 0.87 while the staff of audit firms responses indicate mean value of 3.34 and standard deviation 0.81 and the staff of funding partners mean value of 4.21 and standard deviation 0.43. It has been observed that relatively the opinion of staff of EOC-DICAC shows that the highest standard deviation. It implies that there is a great variation among the opinion of the responses given to these questions under these respondent groups.

#### 4.4.5 Independent internal verification

Table 18 Independent internal verification responses by staff of EOC-DICAC

Objective-5	N	Frequency in %					Mean	Std. D
		1	2	3	4	5		
There is independence of internal audit from cash control system	33	3.0	12.1	9.1	63.6	12.1	3.70	0.95
The organization carries out a periodic review to check the proper implementation of internal cash control	33	3.0	18.2	0.0	57.6	21.2	3.76	1.09
Periodic cash reconciliation being practiced in the organization	33	0.0	12.1	9.1	42.4	36.4	4.03	0.98
Period reviewing of records in the cash journals against performed cash transactions	33	0.0	12.1	9.1	54.5	24.2	3.91	0.91
The organization ensures consistent practices to measure actual activities with written policies and procedures in regards to cash control	33	3.0	18.2	6.1	36.4	36.4	3.85	1.20
<b>Overall mean</b>	<b>33</b>	<b>1.8</b>	<b>14.5</b>	<b>6.7</b>	<b>50.9</b>	<b>26.1</b>	<b>3.85</b>	<b>1.03</b>

Source, own survey (2017)

The questions regarding the practices of independent internal verification were asked EOC-DICAC staff respondents and the responses summarized as shown in the above table. The overall mean value and standard deviation are 3.85 and 1.03, respectively. On average of all respondents 1.8%strongly disagreed, 14.5%disagreed, 6.7%undecided, 50.9% agreed and 26.1% strongly agreed.

Table 19 Independent internal verification responses by staff of audit firms

<b>Objective-5</b>	N	1	2	3	4	5	Mean	Std. D
		Frequency in %						
The organization timely takes relevant corrective measures to solve cash related problems as per the given audit recommendations in regular manner	9	0.0	33.3	55.6	11.1	0.0	2.78	0.67
Audit findings observed from the audited financial report of the prior year regarding to the cash control have been cleared in the subsequent auditing period	9	0.0	44.4	33.3	22.2	0.0	2.78	0.83
An appropriate mechanism in place which facilitate the proper handling of audit findings and realization of audit recommendations in the organization	9	11.1	0.0	66.7	22.2	0.0	3.00	0.87
The board of management reviews the annual audit report as an input for implementing internal controls including compliance with the relevant governmental rules and regulations	9	0.0	0.0	77.8	11.1	11.1	3.33	0.71
<b>Overall mean</b>	<b>9</b>	<b>2.8</b>	<b>19.4</b>	<b>58.4</b>	<b>16.7</b>	<b>2.8</b>	<b>2.97</b>	<b>0.77</b>

Sources, own survey (2017)

The questions regarding the practices of independent internal verification were asked audit firms staff respondents and the responses summarized as shown in the above table. The overall mean value and standard deviation are 2.97 and 0.77, respectively. On average 2.8%, 19.4%, 58.4%, 16.7% and 2.8% of the respondents were strongly disagreed, disagreed, undecided, agreed and strongly agreed responses, respectively.

Table 20 Independent internal verification responses by staff of funding partners

Objective-5	N	Frequency in %					Mean	Std. D
		1	2	3	4	5		
Corrective measures have been timely taken in responding to the feedbacks given on cash control by the funding partner	14	0.0	7.1	7.1	7.1	78.6	3.57	0.94

Sources, own survey (2017)

The questions regarding the practices of independent internal verification were asked funding partners staff respondents and the responses summarized as shown in the above table. The overall mean value and standard deviation are 3.57 and 0.94, respectively. And also 0.0%, 7.1%, 7.1%, 7.1% and 78.6% of the respondents were strongly disagreed, disagreed, undecided, agreed and strongly agreed responses, respectively.

In general, the questions related to the practices of independent internal verification were asked to three groups of respondents as shown in the above tables the responses shows that majority of the respondents moderately agree on the practices of independent internal verification. However, the given rate of responses varies from one to another. On average the staff of EOC-DICAC responses indicated mean value of 3.85 and standard deviation 1.03, the staff of audit firms responses indicate a mean value and standard deviation are 2.97 and 0.77 and the funding partners staff responses shows a mean value of 3.57 and standard deviation 0.94. It has been observed that relatively the opinion of staff of EOC-DICAC shows that the highest standard deviation. It implies that there is a great variation among the opinion of the responses given to these questions under these respondent groups.

## CHAPTER FIVE

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1. Conclusions

The common features of good internal cash control system is attributed to segregation of duties, authorization of cash transaction, rules and regulations, documentation of accounting records, and independent internal verification procedures. This study aimed to assess whether there is an effective internal cash control system in the EOC-DICAC, with employing a quantitative survey method. The set of questionnaires was developed which aimed to examine internal cash controls practices of EOC-DICAC and distributed to the staff of EOC-DICAC and its external audit firms and funding partners, and the responses were then analyzed through a descriptive method. Based on the analysis indicated in the foregoing chapter, the following conclusions were made as will be presented by categorizing into each of the study specific objectives.

**Assessing the adequacy of segregation of duties:** relating to the adequacy of segregation of duties, on average, the responses of all the respondents drawn from the staff of EOC-DICAC, audit firms and funding partner organizations show that majority of the respondents approximately agreeing with the adequacy of duties in the EOC-DICAC with the values of overall means ranging between 4.29 and 3.69 , as shown in the tables constructed for each group of the respondents despite there have been variations shown in the level of responses given by each respondent groups. On the other hand, as shown in table 7,8 and 9, a large number of frequencies of respondents have been indicated in the disagree and undecided columns of some of the statements. That is, the feelings of the majority of respondents were disagree and undecided with answering the two statements related to “the adequacy and competency of finance department staff (72.8%)” and “whether the jobs of recording transaction and its initiation have been performed by different individuals (45.5%)”. It implies that the issue addressed in these two statements regarding adequacy of internal cash control remains to be questionable. Because the feelings reflected by these respondents should need providing attention to the responded two specific items

**Evaluating appropriateness of authorization of cash transactions:** relating to the appropriateness of authorization of cash transactions in the cash control system of EOC-DICAC, on average, the responses of all the respondents drawn from the staff of EOC-DICA and audit firms organizations show that majority of the respondents agreeing with the appropriateness of authorization of cash transactions in the EOC-DICAC, however, there are variations in the level of their responses. As shown in table 10 and 11 on the other hand, the majority of the respondents disagreed and undecided with the items stated as “the organization pay attentions to implement systematic internal cash control for its operational unit at all levels (66.6%)” and “a surprise cash count has been regularly carried out by an authorized staff (39.5%)”. It implies that, the issue addressed in these statements regarding appropriateness of authorization of cash transactions of internal cash control requires further investigation. In order to improve the cash control system regarding with the two items that have been disagreed or undecided by these considerable number of respondents.

**Assessing the application of rules and regulation:** relating to the application of rules and regulation in the cash control system of EOC-DICAC, on average, the responses of all the respondents drawn from the staff of EOC-DICA and audit firms organizations show that majority of the respondents agreeing with the application of rules and regulation in the EOC-DICAC, however, there are variations in the level of their responses. As shown in table 12, 13 and 14, on the other hand, the majority of the respondents disagreed and undecided with the items stated as “the organization maintained a well-defined procedures to protect misusing of cash (66.6%)” and “unspent cash balance has been immediately reimbursed at end of a project period (50%)”. It implies that, the issue addressed in these statements regarding application of rules and regulation of internal cash control remains to be questionable.

**Reviewing the appropriateness of documentation of the accounting records:** relating to the appropriateness of documentation of the accounting records in the cash control system of EOC - DICAC, on average, the responses of all the respondents drawn from the staff of EOC-DICAC, audit firms and funding partner organizations show that majority of the respondents agreeing with that the appropriateness of documentation of the accounting records have been practiced in the organization, however, there are variations in the level of their responses. As shown in table 15, 16 and 17, on the other hand, the majority of the respondents tended to disagree and undecided regarding with the item stated as “all cash income and expenditures have been

documented and recorded in accordance with the policies and procedures of the organization and the project agreements entered with funding agencies and co-signatory collaborating Government bodies (44.4%)” while 77.7% of the respondents tended to disagree and undecided to a statement on “the accounting cash record satisfy the purpose of the audit in such a way that auditors must obtain sufficient quality and volume of evidences”. It implies that the issue addressed in these statements regarding appropriateness of documentation of the accounting records of internal cash control requires to be improved.

**Assessing: the independent internal verification practices:** relating to the independent internal verification practices in the cash control system of EOC -DICAC, on average, the responses of all the respondents drawn from the staff of EOC-DICAC, audit firms and funding partner organizations show that the majority of the respondents partially agreed with the values of their overall means ranging between 3.85 and 2.97. In addition, the value of an overall mean of responses given to this objective is observed to be less and it implies that, relatively, there has been a great variation in the responses given to the statements presented under the other four objective of the research. Moreover, as shown in the tables constructed for each group of the respondents in table 18, 19 and 20 the majority of the respondents tended to disagree and undecided regarding with the item stated as “the organization timely takes relevant corrective measures to solve cash related problems as per the given audit recommendations in regular manner (88.9%)”, “audit findings observed from the audited financial report of the prior year regarding to the cash control have been cleared in the subsequent auditing period (77.7%)” and “an appropriate mechanism in place which facilitate the proper handling of audit findings and realization of audit recommendations in the organization (77.7%)” of the respondents tended to disagree and undecided. It implies that the issue addressed in these statements regarding independent internal verification practices of internal cash control requires to be improved.

Overall, the respondents opinion on the performance of internal cash control system of EOC-DICAC demonstrated that the majority the respondents agreed with a response rate ranging from a mean value of 4.29 to 2.89, (this study was used to measure the responses 5=strongly agreed, 4= agreed, 3=undecided, 2= disagreed and 1= strongly disagreed) which implies that on average overall responses to be found is moderately agreed. On the other hand, since a number of respondents rated disagreed and undecided responses to the 11 questions among the total

questions asked, it is necessary to provide a serious consideration regarding the responses given to these specific questions.

## **5.2. Recommendations**

Based on the conclusions made above, the following actionable recommendations to be practically applied by the EOC-DICAC management:

- The necessity of staffing finance department with adequate and competent staff which enable the department to effectively discharging its duties and responsibilities;
- Different individuals should be assigned to perform the recording transaction and initiation jobs separately;
- The organization's management should provide a special attention to implement a systematic internal cash control at the level of its all operational units;
- A surprise cash count has to be regularly carried out by an authorized personnel;
- A well designed procedures of cash control should be established to protect misusing cash of the organization;
- The projects' cash leftover should be timely reimbursed to the respective funding partner at the end of project implementation period;
- In addition to meeting of the requirements of its own internal cash control policies and procedures, the organization documenting and recording of income and expenditures practices should necessarily adhere to the Government and donors policies regarding with cash management;
- The accounting cash record of the organization should be appropriately organized in a way that to provide sufficient and quality evidences which able to satisfy the requirements of financial auditing;
- The organization should devise specific methods adequately enable to take measures on in response to the recommendations given by external auditors based on long-outstanding audit findings related with maintaining of separate records for income generating activities and invested in share companies, clearing abnormal cash balances, performing periodical cash reconciliations; and
- The management should consider the need for conducting a further study

### **5.3. Limitation of the study**

The limitations that have been encountered in this assessment were the following: Most of the respondents were too busy with their daily schedule to spare time for the questionnaire. In such circumstances the researcher gives ample time to those respondents to fill the questioners at their own time. This was made possible by serving them the questionnaires in time. Despite this limitation sufficient and reliable data was collected to render the study meaningful in order to arrive at a useful conclusion.

### **5.4. Suggestion for further studies**

One of the significance of this research is to provide basis for conducting further studies in the area of concern. In this regard, the researcher suggests that the need for a detail research enable to extend the results of this study with conducting an in-depth assessment using with both quantitative and qualitative assessments.



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## APPENDICES

### ***Appendix i. QUESTIONNAIRE FOR EOC-DICAC STAFFS***

Dear respondent, I am currently carrying out a study for the purpose of writing a final year research paper as requirement for the award of Master of Business Administration in Accounting and Finance of St. Mary University. The research is: "The assessment of cash control systems of Ethiopian Orthodox Church Development Inter-Church Aid Commission (EOC-DICAC)".

I would like to ask you a number of questions about the assessment of cash control system of EOC-DICAC. I would be grateful if you can take some time to answer these questions. You are not obligated to answer any of the questions. If you choose to participate, nothing you say will be used against you under any circumstances. I also assure that the information you give will be used solely for the purposes conducting academic research and your identity and information will be kept confidential.

Your cooperation in this study will significantly contribute to the fulfillment of the study objectives sincerely appreciate your time and efforts invested in answering my question.

Thanks in advance for your kind contribution towards this study.

#### **Part One: Respondent's Background Information**

**Please tick (✓) your appropriate choice in the given box.**

1.1 Gender:    1. Male     2. Female

1.2 Educational level

1. PHD     2. Master's Degree     3. Bachelor Degree

4. Diploma     5. Others  (if any, please specify) \_\_\_\_\_

1.3 Length of service with the EOC-DICAC in years

1. Less than one     2. 1 – 5     3. 6 - 10

4. 11-15     5. Above 15

1.4 Position

1. Department head     2. Division head     3. Senior finance expert

4. Junior finance expert     5. Cashier     6. Others  (if any, please specify) \_\_\_\_\_

## Part Two: Specific Information

The following statements are considering about the EOC-DICAC cash control system. Please, rate your level of agreement with ticking (√) in the box given under one of the five given alternatives.

S/N	Statements	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
		1	2	3	4	5
2.1	<b>Separation of Duties</b>					
2.1.1	You are provided with a clear and detail job description which fits to duty and responsibility assigned to your position					
2.1.2	Different staffs have been assigned to cash collection and record keeping functions separately					
2.1.3	Cash review and verification have been carried out by different staff					
2.1.4	The finance duties and responsibilities have been adequately staffed in terms of number, qualification and experience					
2.1.5	The individual responsibility for recording should not be the same ones who initiate transaction					
2.2	<b>Delegation of Authority</b>					
2.2.1	Regarding approval of cash transaction, authority between top management and finance department has been fairly shared					
2.2.2	Availability of a clear cut organizational guidelines on approval of payments delegated to different functional unit					
2.2.3	A surprise cash count has been regularly carried out by an authorized staff					
2.2.4	Data entry of Accounting records have been managed by only authorized personnel entitled to do					
2.2.5	All collections and payments of cash have been carried out by authorized person					

S/N	Statements	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
		1	2	3	4	5
2.3	<b>Rules and Regulation</b>					
2.3.1	An organizational guideline is in place which prohibiting the handing of cash receipts and disbursements and records by the same persons					
2.3.2	Laid down procedures are in place with regard to recording and documentation of financial data					
2.3.3	All cash transaction in the organization would be approved before and after their realization					
2.3.4	A cash of the organization kept in safe box and not wrongly utilized either by error or deliberately					
2.3.5	Well- defined procedures for handling and managing the process of a cash disbursement					
2.4	<b>Documentation of Accounting Records</b>					
2.4.1	A proper recording and filling system of accounting records have been practiced					
2.4.2	The organization uses simple and friendly accounting software that adequately processing and generating accurate and timely financial information					
2.4.3	All accounting entries are supported by appropriate documentation e.g. receipt vouchers					
2.4.4	All disbursements are made by pre-numbered checks and vouchers					
2.4.5	All cash transaction correctly recorded and accurately processed and control account maintained					
2.5	<b>Independent Internal Verification</b>					
2.5.1	There is independence of internal audit from cash control system					
2.5.2	The organization carries out a periodic review to check the proper implementation of internal cash control					
2.5.3	Periodic cash reconciliation being practiced in the organization					
2.5.4	Period reviewing of records in the cash journals against performed cash tractions					
2.5.5	The organization ensures consistent practices to measure actual activities with written policies and procedures in regards to cash control					

**Appendix ii. QUESTIONNAIRES FOR FUNDING PARTNERS**

Dear respondent, I am currently carrying out a study for the purpose of writing a final year research paper as requirement for the award of Master of Business Administration in Accounting and Finance of St. Mary University. The research is: “The assessment of cash control systems of Ethiopian Orthodox Church Development Inter-Church Aid Commission (EOC-DICAC)”.

I would like to ask you a number of questions about the assessment of cash control system of EOC-DICAC. For this purpose, I would be grateful if you can take some time to answer these questions. You are not obligated to answer any of the questions. If you choose to participate, nothing you say will be used against you under any circumstances. I also assure that the information you give will be used solely for the purposes conducting academic research and your identity and information will be kept confidential. Your cooperation in this study will significantly contribute to the fulfillment of the study objectives sincerely appreciate your time and efforts invested in answering my question

Thanks in advance for your kind contribution towards this study.

**Part One: Respondent’s Background Information**

**Please tick (√) your appropriate choice.**

1.1 Gender: 1. Male  2. Female

1.2 Educational level

1. PHD  2. Master’s Degree  3. Bachelor Degree   
4. Diploma  5. Others  (If any, please specify)\_\_\_\_\_

1.3 Length of service in years

1. Less than one  2. 1 – 5  3. 6 - 10   
4. 11-15  5. Above 15

1.4 Position

1. Finance Manager  2. Senior Finance officer  3. Junior Accountant   
4. Others  (if any, please specify) \_\_\_\_\_

1.5 As a founding partner, has your organization been collaborating with EOC-DICAC at least for the last five years? (2012-2016)  Yes  No

1.6 If your answer is yes for question 1.5 above, please rate the following statements given in part two.



**Part Two: Specific Information**

The following statements are considering about the EOC-DICAC cash control system. Please, rate your level of agreement with ticking (√) in the box given under one of the five given scales

S/N	Statements	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
		1	2	3	4	5
2.1	A separate bank account being opened and the received cash has properly been utilized as per the requirements of funding agreement					
2.2	The receipt for fund transfer acknowledgement together with a copy of respective bank advice has been timely provided by the organization					
2.3	Fund received from the donor have been spent within the agreed project implementation period					
2.4	Unspent cash balance has been immediately reimbursed at end of a project period					
2.5	The organization keeps an accurate and regular financial records of the implemented project					
2.6	corrective measures have been timely taken in responding to the feedbacks given on cash control by the funding partner					
2.7	The organization assigned appropriate accountant according to the requirement of the signed project agreement					
2.8	The organization regularly presenting a formal fund request required as per the period scheduled in the project agreement					
2.9	Financial performance reports being accurately and timely submitted by the organization to the funding partner					
2.10	The organization timely submits the financial reports of the external auditor					

**Appendix iii. QUESTIONNAIRES FOR EXTERNAL AUDITORS**

Dear respondent, I am currently carrying out a study for the purpose of writing a final year research paper as requirement for the award of Master of Business Administration in Accounting and Finance of St. Mary University. The research is: “The assessment of cash control systems of Ethiopian Orthodox Church Development Inter-Church Aid Commission (EOC-DICAC)”.

I would like to ask you a number of questions about the assessment of cash control system of EOC-DICAC. For this purpose, I would be grateful if you can take some time to answer these questions. You are not obligated to answer any of the questions. If you choose to participate, nothing you say will be used against you under any circumstances. I also assure that the information you give will be used solely for the purposes conducting academic research and your identity and information will be kept confidential.

Your cooperation in this study will significantly contribute to the fulfillment of the study objectives sincerely appreciate your time and efforts invested in answering my question

Thanks in advance for your kind contribution towards this study.

**Part One: Respondent’s Background Information**

**Please tick (✓) your appropriate choice.**

1.1 Gender: 1. Male  2. Female

1.2 Educational level

2. PHD  2. Master’s Degree  3. Bachelor Degree

4. Diploma  5. Others  (if any please specify) \_\_\_\_\_

1.3 Position

1. Audit Manger  2. Senior Auditor  3. Junior Auditor

4. Others  (if any please specify) \_\_\_\_\_

1.4 Did your audit firm involve in the auditing of EOC-DICAC books of accounts for the last five years (2012-2016)?

Yes  No

1.5 If your answer is yes for question 1.4 above, please rate the following statements given in part two.

## Part Two: Specific Information

The following statements are considering about the EOC-DICAC cash control system. Please, rate your level of agreement with ticking (√) in the box given under one of the five given scales.

S/N	Statements	Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree
		1	2	3	4	5
2.1	The finance duties and responsibilities have been adequately staffed in terms of number, qualification and experience					
2.2	A job function is designed to minimize risk of error or fraudulent manipulation of the organization cash					
2.3	The individual responsibility for recording should not be the same ones who can initiate transaction					
2.4	Cash has been safeguarded from loss of all kinds including those are raising from fraud and irregularity					
2.5	All cash income and expenditures have been documented and recorded in accordance with the policies and procedures of the organization and the project agreements entered with funding agencies and co-signatory collaborating Government bodies					
2.6	The organization maintained a well-defined procedures to protect misusing of cash					
2.7	The organization pay attentions to implement systematic internal cash control for its operational unit at all levels					
2.8	The accounting cash record satisfy the purpose of the audit in such a way that auditors must obtain sufficient quality and volume of evidences					
2.9	The organization timely takes relevant corrective measures to solve cash related problems as per the given audit recommendations in regular manner					
2.10	Audit findings observed from the audited financial report of the prior year regarding to the cash control have been cleared in the subsequent auditing period					
2.11	An appropriate mechanism in place which facilitate the proper handling of audit findings and realization of audit recommendations in the organization					
2.12	The board of management reviews the annual audit report as an input for implementing internal controls including compliance with the relevant governmental rules and regulations					