

ST. MARY'S UNIVERSITY
FACULTY OF BUSINESS
DEPARTMENT OF ACCOUNTING

**AN ASSESMENT OF INTERNAL CONTROL OVER
CASH IN CASE OF NYALA INSURANCE COMPANY**

BY

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JUNE, 2014

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**IN PARTICULAR FULFILLMENT OF THE
REQUIREMENTS FOR THE DEGREE OF BACHELOR
OF ARTS IN ACCOUNTING**

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DECLARATION

Advisee's declaration

We, the undersigned, declare that this senior essay project is our original work, prepared under the guidance of Ato Tesfaye Nigatu . All sources of materials used for the manuscript have duly acknowledged.

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Advisor's declaration

This paper has been submitted for examiner with our approval as the university advisor

Name

Signature

Date of submission

Acknowledgment

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Acronyms

NISCO: Nyala insurance share company

CHAPTER ONE

INTRODUCTION

1.1 Back ground of the study

Internal control is defined as process affected by an organizations structure, work and authority flows, people and management information system, designed to help the organization accomplish specific goals or objectives. It is a means by which an organization's resource are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organizations resources both physical (e.g., machinery and properly) and intangible (e.g., reputation or intellectual property such as trade marks). While internal control should be designed for every aspect of a business's operation, the controls for cash arguably among the most important. Since cash is the most liquid asset and the easiest for people to convert for their own needs, it is often the easiest thing to steal or misreport. Therefore, the internal controls associated with cash must be more stringent. (Guptak, 1999)

This research will give emphasis by testing the key factors of internal control system over cash of Nyala insurance by considering its business function, aiming that to assess the effectiveness and weakness that apparently affects the achievement of the organization objective as cash is the most liquid asset in any organization which is vulnerable for each misuse or embezzlement. This study will undertake by testing the internal control system over cash of the company with respect to the very nature of cash rather than other asset.

Nyala insurance established In accordance with the licensing and supervision of insurance business proclamation No. 86/1994, Nyala Insurance S.C (NISCO) was established in July 1995 with an authorized and fully paid-up capital of Birr 50.0 million and Birr 7.0 million respectively. At the end of the 2012/13-fiscal year, it's paid up capital reached Birr 35.0 million. Currently, the company operates from 26 Customer Service Centers (branch offices) and 12 contact offices operating in all regional states of the country. (www.nyala insurance.com)

Nyala Insurance has qualified, young, motivated and committed staffs. The Company's Human Resource Policy is to follow "Grow Own Trees" strategy and recruit young and dynamic graduate Ethiopians mostly straight from higher learning institutions. The training and development activity is considered as an investment to produce a flexible and multi-skilled human resource. On the job coaching and intensive formal/informal training, local and abroad are the company's routine staff development programs. (www.nyala insurance.com)

The number of employees of NISCO has reached 247 as at June 30, 2013 in response to the company's nationwide penetration and it's committed toward full staffing. Out of the total employees, about 81% are below 40 years of age, while 11% and 8% of the employees are between 41 to 50 years of age and over 50 years of age respectively.

NISCO recognize professionally skilled and well motivated employees as its vital organizational asset. Hence, the company exerted effort to recruit the best qualified personnel for all of its posts. As at 30th June 2013, 68% of the employees of NISCO are 1st Degree and above, while 22% and 10% are College Diploma holders and High School respectively.

20 January 2014 Nyala Insurance Posts Remarkable Profits Addis Ababa (November 18, 2013) - Nyala Insurance S.C (NISCO) fruitfully registered a 32.4 per cent increase of net profit in the 2012/13 fiscal year from general and life non-life business accounts, an outstanding growth compared to the previous fiscal year. (www.nyala insurance.com)

1.2 Statement of the problem

Naturally cash is very liquid asset for any organization that could be transferred easily to any other so that it needs sufficient internal control system. As the vulnerability of cash to misuse and fraud is high relatively, the integrated control system with a planned implementation process requires signifying the proper utilization of cash and also father to meet the objective as a whole.

In this regard the researcher has asses and evaluates the internal control system over cash of the Nyala insurance company by using different accounting techniques. In addition to assessing the internal control of the company the researcher find out any problem related to the internal control over cash of the company. Such as account recording, segregation of duties and timely review of cash transaction and deposit etc.

1.3 Research questions

1. Does the company use pre-numbered and orderly identifiable cash related documents that help to establish accountability?
2. How implementation of segregation of duties and to recommend appropriate solution for the identified problems?
3. How strong is the company policy and procedure that forces the control system to be implemented regarding cash?
4. What are the company internal control over cash strength and weakness?

1.4 Research objective

1.4.1 General objective

The objective of this study are to asses and evaluate the adequacy of internal control system and procedure over cash in Nyala insurance S.C aiming to provide valuable comments regarding its cash effectiveness and efficiency.

1.4.2 Specific objective

- > To give comment on the organizations strength and weakness over cash control.
- > To suggest some practical action to improve to cash control practices.
- > To investigate organizational culture regarding cash control system.
- > To evaluate the cash collection and payment procedure.

1.5 Significance of the study

1. It can also be a base for interrelated research to conduct further research.
2. The paper recommendation could be used as reference for policy maker and an input for additional control system design process.
3. It's also very good opportunity for us to understand what practically internal control system over cash works practically.

1.6 Scope of the study

The study will be conducted on the practice of internal control over cash in Nyala insurance S.C the last two years of performance of finance department in depth study will be conducted specifically at finance department by concentration on reports issued by branches.

1.7 Research methodology and design

1.7.1 Population and sampling techniques

The researcher used judgmental sampling technique for conducting the study, by questioning 40 out of 247 employees in department of finance and, interviewing staff and department heads to get the data necessary to establish valid conclusion.

1.7.2 Method of data collection

To support the collection of data the researcher used both primary and secondary data collection methods. The primary data collected by questioning employee of the company, and interview staff and department heads especially working in department of finance. The other data collection method is secondary data by referring the company financial manual and professional research.

1.7.3 Data analysis method

The collected data were presented in descriptive form, and the data analysis will be made by both qualitative and quantitative methods. Once the analysis process is completed, the interpretation of all data was follows, it has been presented using different tools such as table and percentage to make clear the relation among variable, and also the analyzed data has been Presented in easy understand way to draw conclusion and find out the major factors that affect internal control over cash.

1.8 Limitation of the study

When we conduct a research on cash control system there is limitations to make further study on all system of cash control. This are indicated as follows:

- > Shortage of time.
- > Financial problem to conduct detail study.
- > Unable to get sufficient data.

1.9 organization of the paper

This paper is composed of four chapters. The first chapter present the introduction part of the study which includes background of the study, statement of the problem, objective of the study, significance of the study, scope of the study and research design and methodology. The second chapter presents review of literatures. Then the third chapter details with data analysis and presentation. Finally, the last chapter contain summary of findings, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1. Internal Control System

Different authors expressed an internal control system differently. But the basic idea they need to say is the same. Some of an internal control system definition given by different authors is given as follows:

Internal Control System is an overall environment establishment of an enterprise for an effective monitoring and control of its operation, it aims at adherence to management policies, safeguarding of asset of the enterprise and proper accounting and recording transaction. (Gupta.k, 1999)

The system of internal control it means a plan of an organization laying down appropriate division of functional responsibilities proper authorization and recording of transactions by person who is competent to discharge their assigned duties. (Maisch.A.N, 1998)

The detailed policies and procedures used to direct operation and provide reasonable assurance that the entities objectives are achieved are called internal control system. This internal control structure can be divided into three elements these are:-

1. Internal Control Environment it represents an overall attitude toward and creating awareness of an enterprise including management, philosophy, operating style, the organizational structure of the enterprise and personnel policies and practices.

2. Control Procedures are those policies and procedures, which management has established with in the control environment in order to provide reasonable assurance that enterprise goal to be achieved.

3. The Accounting System it is integral part of the internal control structure of an enterprise without the information generated by the accounting system management would lack the ability to plan and direct operating in achieving enterprise goals. (Gupta.k, 1999)

In general the internal control system of an organization covers:

- Adequate recording of flow data, physical inventory
- Efficient cash management
- Preparation of bank reconciliation
- Safe guarding of checks
- Flexible accounting system and

More over the efficient and effective utilization of human material and financial resources of the company shows that overall operations is controlled and used for the better accomplishment of objectives. (Warren, 1999)

2.1.1. Objective of Internal Control System

In a small business where it's possible for the owner/manager to supervise the employees personally and direct the affairs of the business, few control policies and procedures are necessary. As the number of employees and the complexities of an organization increase, it becomes more difficult for the management to maintain control over all phases of operations.

As a result management needs to delegate authority and to become more dependable on the control system in order to achieve organization's goal and objectives. Managers use internal control system to, monitors and control business's operations. Internal control relating to the accounting system is meant to accomplish the following objectives:

- A. To ensure that transaction are executed in accordance with management's general and specific authorization.
- B. To ensure that all transactions are promptly recorded in the correct amount in the appropriate accounts and in the accounting period in which these are executed so as to permit proper financial information within a framework of recognized accounting policies and relevant statutory requirement if any, and to maintain accountability of assets

- C. To ensure that assets are safe guarded from unauthorized access use or disposition
- D. To ensure that the recorded assets are compared within existing asset at reasonable interval and appropriate action take with regard to any difference. (Gupta.k, 1999)

2.1.2 Characteristics of Internal Control System

Internal control system can vary with the size and nature of the organization goal and it has the following characteristics

- A. Plans of organization which provide appropriate division of functional responsibility
- B. A system of authorization and record procedures so as to ensure reasonable accounting control over assets, liabilities, revenue and expense
- C. Sound practices to be followed in the performance of duties and function of the department in the organization
- D. Personnel of quality commensurate with responsibility
- E. Managerial supervision and review. (warren, 1999)

In addition to above general characteristics, internal control system may include the following identification so as to implement sound and satisfactory internal control system

1. Delegation of specific individuals the power of approval for a transaction taken place in the organization
2. Division of record keeping so that one's record is checked by another
3. Segregation of record keeping practices from related transaction activities
4. Proper physical control of organization assets
5. Separation of the custody of assets from the recording of the same asset and related transaction
6. Periodic verification as to the existence and completeness of the recorded assets (Maisch A. , 1998)

2.1.3 Components of Internal Control System

Recently the definition of internal control has been revised and divided into two main categories as an administrative internal control and financial internal control.

Administration Control it is an organizational plan, which intersects division of work among the individual with authority and responsibility so as to achieve organizational goals with limited resources. Administrative control includes all the control required to implement both operational control and managerial control. A specific administrative control includes these relating to the organizational structure, management policies and procedures and the process leading to the transactions.

Specific administrative control includes:

1. Preparing adequate documentation such as procedure, manuals, job descriptions and organizational charts
2. Logical segregation of assigned responsibilities and duties
3. Proper employee selection and training
4. Establishing clear role's for authorizing of different transactions such as authorization for credit and signing

Financial Control it's an organization plan, which interests the division of work among individual's authority and responsibility for execution of recording classifying, summarizing and interpretation of accounting and financial reports, internal financial control uses many techniques in order to maintain adequate internal control for assets and the reliability and accuracy of transactions.

There are also other elements of an internal control system. The major element of internal control system is categorized in to the following six components. These are:

- Component and trust worthy personnel
- Adequate segregation of duties
- Proper procedure for authorization
- Adequate documents and records
- Physical control over asset
- Independent internal auditing (Fekade, 2003)

2.1.4 Principles of internal control

Internal control policies and procedures vary from company to company. They depend on factories as, the nature of the business and its size. Yet certain fundamental control principles apply to all companies. The principles of internal; control are:

1. Establish responsibilities
2. Maintain adequate records
3. Insure assets and bond key employees
4. Divide responsibility from custody of assets
5. Divide responsibilities for rebated transactions
6. Apply technology control
7. Perform regular and independent reviews (Maisch.A.N, 1998)

A proper internal control should establish responsibilities for an individual who is accountability for the performance of each task. Responsibilities must be divided among tasks which are related and serious of activities for whom all individual who undertake those tasks. It's also called separation of duties maintaining a reliable and adequate record to ensure a control system effective as to protection of assets from misuse and thief uses as source of information that management uses to monitor company operation. A record should be kept separately from custody of assets in order to reduce the risk of theft or wasters of an asset because the person with control over the asset knows that records of the asset are kept by another person. (Gupta.k, 1999)

2.1.5 Limitation of Internal Control

All internal control policies and procedures have limitation probably the most serious source of these limitations is the human element internal control policies and procedures are applied by people and often impact other people. This human element creates several potential limitations that we can categorize as either:

1. Human error

Is a factory whenever internal control policies and procedures are carried out by people Human error can occur from negligence, fatigue, mismanagement or confusion

2. Human fraud

It involves intent people to defeat internal control for personal gain; fraudulent behavior can defeat many internal controls. This includes collusion to thwarts the separation of duties principles as explained above.

Thus human element height the important of establishing an internal control environment to convey management's commitment to internal control policies and procedures, another important limitation on internal control is cost-benefit principles.

This means the costs of internal control must not exceed their benefit analysis of costs and benefit must consider all factors, including the impact on moral. Most companies, for instance have a legal right to read employee email. Yet companies seldom exercise the right unless confronted with evidence of potential harm to the company the same holds for drug testing, phone lapping and hidden cameras. The bottom line is that no internal control system is perfect and that management must establish internal control policies and procedures with a net benefit to the company. (Fekade, 2003)

2.2 Internal control over cash

Cash is medium of exchange that a bank will accept for despite an immediate credit to the deposit's account cash includes currency and coin, personal checks, bank drafts, money orders, credit card sales drafts and cashier's checks as well as money on deposit with banks. Cash includes currency cash and amount of deposit in bank account, checks account (also called demand deposits) and some saving account (also called time deposit). Cash also includes items that are acceptable for deposit in these accounts such as customer's checks, cashier check and money orders. There are items sometimes confused with cash that include postage stamps, post dated checks and certificate of deposit. Postage stamp should be classified as short term prepayment postdated checks should be classified as receivables and certificates of deposit, Should be included in short term investment rather than cash as they are not available for immediate withdrawals. (Gupta.k, 1999)

Cash Equivalents

Cash equivalent which are similar to cash can be include as part of cash. Cash equivalent are short term highly liquid investment assets meeting two criteria that are readily convertible to a cash amount and sufficiently close to their maturity date. So that, market value is not sensitive to interest rate changes many companies invest idle cash in assets called cash equivalent as to increase their return on investment. (warren, 1999)

Cash Control and Management

As cash is a means of acquiring goods and service, cash management is a major important activity, in any organization. The management of cash generally is centered on forecasting and internal control

The responsibilities of management with respect to cash are:

1. To assure that there is sufficient cash to carry on operation
2. To invest any idle cash
3. To prevent loss of cash due to theft or misappropriation

Due to vary nature cash is a very liquid asset which can be easily converted in to other assets. It's highly vulnerable for misuse theft, fraud and misappropriation

So that, sound internal control system, is necessary to assure that the cash is used for proper business purpose and not wasted, misused or stone.

A good system of internal control for cash provides adequate procedures for protecting both cash receipts and cash disbursement. These procedures should meet three basic guidelines.

1. Handling of cash is separate from recoding for cash
2. Cash receipt are promptly (daily) deposited in bank
3. Cash disbursements are made by check (Maisch.A.N, 1998)

Control of Cash Receipt

Internal control of cash receipt ensures that all cash received is properly recorded and deposited. Cash receipts arise from many transactions including cash sales, collections of customers' accounts, receipt of interest and rent, bank loans, sale of assets and owner investment. The principles of internal control apply to all types of cash receipts.

A good internal control over cash receipts includes:

- S Separation of the function of handling cash from maintenance of activity records
- S Prepare a control list of cash receipts at the time and place of the money is received
- S Require that all cash receipts must be deposited daily in the bank
- S Record cash receipts on a timely basis as much as possible (Gupta, 1999)

Control of Cash Disbursement

Control of cash disbursement is especially important for companies' most large theft occurs from payment of fictitious invoices. One key to controlling cash disbursement is to require that all expenditures be made by check. The only exception is small payments made from petty cash. Another key is to deny access to the accounting records to a person other than the owner who has the authority to sign checks. This separation of duties helps prevent an employee from hiding frequent disbursements in the accounting records. Controls over cash disbursements include

- > Make all payments by check except for small payments to be made from a petty cash fund
- > Require that the validity and amount of every expenditure be verified before a check is issued.
- > Separate the functions of approving the expenditure from the function of signing checks.
- > Do not permit any employee or unemployee to handle a transaction from beginning to end.
- > Have monthly bank reconciliations prepared by an employee not responsible for the issuance or custody of checks. (Warren, 1999)

Voucher System Control

Voucher system control is a set of procedure and approved designed to control cash disbursement and acceptance of obligations the voucher system control establishes procedures for:

- > Accepting obligations resulting in cash disbursement
- > Verifying, approving and recording obligations
- > Issuing checks for payment of verified/approved and recorded obligations
- > Requiring obligation be recorded when incurred
- > Treating each purchase as a an independent transaction

A good voucher system follows these procedures for every transaction. This applies even when many purchases are made in same company during a period. A voucher system's control over cash disbursement begins when a company incurs an obligation that will result in payment of cash. A key factor in this system is that only approved department and individual are authorized to incur such obligations. The system often limits the kind of obligations that department or individual can incur. In a large retail store, for instance only a purchase department should be authorized to incur obligation for merchandize purchase. Other key factor is that procedures for purchasing receiving and paying for merchandizing are often divided among several departments. The receiving department and accounting department of coordinate and control responsibilities of this department several different business papers used. (Maisch.A.N, 1998)

A voucher is an internal business paper (or folder) that is used to accumulate other papers and information needed to control cash disbursement and to ensure a transaction is properly recorded. (Gupta.k, 1999)

Petty Cash System of Control

A business principle for controlling cash disbarment is that all payments are made by check. An exception to this rule is made for petty cash disbursement. Petty cash disbursements are the small payment required in most companies for items such as postage, cashier fees, repairs. Supplies any amount other than small payments are excluded.

If firms made all small payment by check, it would require numerous checks for small amount this system would be both time consuming and expensive. To avoid writing checks for small amounts a company usually sets up a petty cash fund and uses the money in thus fund to make small payment. (Maisch.A.N, 1998)

The Internal Control of Bank Account

It's one of the major devices for maintaining control over cash. To get the most benefit from a bank account all cash received must be deposited in the bank and all payments must be made by checks drawn on the one maintained by the business and the other by the bank the form used by a business in connection with a bank account is a signature card, deposit ticket check and record of checks drawn. (Fekade, 2003)

Bank Statement

It's maintained by bank that shows beginning balance check and other debits (deduction by bank) deposits and other credits (addition by the bank) and balance at the end of the period.

Bank Reconciliation

Uses of bank account credit control over cash effective internal control is achieved by timely reconciliation of the bank account by an employee who has no other responsibilities posting to cash.

The reason for not equal of the account (the bank and deposit) balance are

1. Delay by either party in recording transaction
2. Errors by either party in record transaction

Effective internal control is achieved by timely reconciliation of the bank account by on employee who has no other responsibility petty to cash .Even in very small companies the owner not the person handling cash or keeping the account records should reconcile the bank account. (warren, 1999)

CHAPTER THREE

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

3.1 characteristics of the study population

This chapter deals with the presentation and analysis of data secure from primary and secondary sources. Primary data are collected from the NISCO's employees on the basis of questionnaire and interview; Secondary data are collected from secondary resources such as company financial manual, magazine and professional researches.

The practical analysis deals with the internal control system over cash of NISCO in its finance department and branches. This analysis made on the internal control over cash receipt, disbursement and reconciliation. Generally, the internal control over cash in NISCO is performed in centralized manner at head office where in finance department. However, the control system also there in branches , cash receipts and disbursement are controlled by the accountants at head office by verifying cash receipt vouchers with respective bank deposit slips and payments vouchers with its source document which are being originated at branches. They also undertake bank reconciliation monthly for both cash receipt and disbursement.

3.2 Analysis of internal control over cash

3.2.1 Analysis of interviewee

3.2.1.1 Overview of accounting system

The basic accounting system to be used in NISCO is the manual accounting system, using prime registers and general and subsidiary ledger accounts.

The company also uses computerized system for its accounting and insurance (underwriting and claim) functions. The software is known as “AMIS” advanced insurance management system .The system originally created by an England software company but know the distribution in Africa made by Kenya’s software company through franchising.

However the system has its own limitation it has significant role that aids insurance activities it has been designed in accordance with business activity i.e. underwriting, claims and finance and works on Ms-dos. The system can be accessed by the user using through a menu that are classified accordingly. There is a registration menu that guides the user to register underwriting and claim then, issue policy and claim number in sequential manner. Next to this the user will go to proposal menu it uses in fact for underwriting work only to put the detail information about the proposal and the insurable interest that are going to be issued. Then the proposer go to processing menu so as to process the information like premium calculation and making claim estimates, as a result the user can produce the output like sequential debit note, policy schedules, additional attachments policy documents and periodical reports concerning claim and underwriting.

Regarding the financial part the user can access like repots debtors account per client and type of business monthly or yearly production and claim report after cash receipt and claim payment posted to update the debtors account and outstanding claim monthly report will send to the head office with data taken through back up by tape.

3.2.1.2 Revenue and expenditure accounts

Revenue

NISCO is participating in so many insurance busies portfolio and an investments activates which are not related to insurance business.

The revenue of the company may be classified as:-

- > Premium income
- > Survey income
- > Investment income
- > Other income

Premium income

- S All new business, renewals, additions and cancellations shall be accounted in the financial year of accounting.
- S In order to determine the out-off point, policies whose expiry period begins in July shall not be underwritten or renewed in June or vice versa.
- S Reserves for unexpired risks and outstanding claims shall be set at the end of every financial year for all classes of non-life insurance business.
- S Source documents may be raised at head Office and branches. The actual data processing will be handled by the accounts.

Survey income

- S Survey income may be collected on preliminary survey of goods at sea ports. The survey fee shall be accounted net of any commission payable to surveyors. Survey fees should be paid in cash.

Investment income

S Dividends, bank interest, income from Government bonds and Treasury bills and income from real-estate activities shall be accounted under investment income.

Other income

S All income from other sources such as gain on sale of fixed assets, sale of salvage taken over as a result of accidents involving insured interests, gain on currency exchange, etc, shall be classified under this category.

Expenditures

S Expenditures are of two types: those chargeable to expense accounts and those chargeable to asset accounts:

- o If it is known at the time of expenditure that the related benefit will not extend beyond the current accounting period (e.g. a month's rent paid at the beginning of the month) or if an item acquired during the year is consumed during the same year, the cost shall immediately be charged to an expense account. Expenditures made during the current year that will become expenses in subsequent years (e.g. cost of fixed assets, prepaid expenses) shall be charged to asset accounts. Expenses incurred during the current year but not paid at the end of the year shall be shown as liabilities of the company.
- o All expenditures should be approved by appropriate authority before they are made.
- o All expenditures shall be accounted in the same financial year.
- o All expenditures shall be properly recorded and supported by valid documents.
- o Expenditures shall be correctly treated and properly allocated between assets and expenses. (Nyala Insurance, 1996)

3.2.I.3. Cash receipts /collections/

As it's well known cash is the most liquid asset so that it needs strong control procedure on collection and disbursement process. On this topic the researcher tries to concentrate on cash collection. Regarding to cash collection NISCO policy is good because no insurance will be issued without half payment of annual premium with cash and the period will be cover four months (short period) in effect no amount will be uncollectable as the policy will be expired within period. If the insured do not settle the next half payment cash may be received from premium income or collection from debtors.

NISCO's internal control procedure over cash collection

All cash from premium income and from non-insurance transactions shall be collected through bank, i.e. the client or payer will be asked to deposit the required amount to NISCO'S bank account with the DASHIN Bank. The deposit slip can be prepared by NISCO staff. After deposit by the client, an official receipt of NISCO should be issued to the client/payer against the deposit slip. In respect of insurance transactions, a printed and pre numbered premium/claims receipt voucher is issued, while in respect of non-insurance transactions a printed and pre numbered ordinary receipt voucher is issued. The vouchers are prepared in three copies, the original to be given to the payer with 10 cents revenue stamp affixed, the second copy being for the accounts and the third copy to remain in the pad. (Nyala Insurance, 1996)

Accounts Recording

Upon receipt of the Receipt Cash Book by the Accounts at Head Office, the accountant in charge shall check the correctness and completeness of the report and supporting documents and code the cash receipts.

Cash receipts will be credit individually to the appropriate ledger accounts as soon as register recording is completed. The debit entry to cash on hand account will be recorded in total at month end from the Receipts Cash Book.

According to survey made In relation to the internal control system over cash of the company the following facts has been identified.

1. The branch account, junior customer service offices will complete monthly receipt voucher by attaching the respective bank deposit slip after he codes with relevant account classification accordingly and make it post to the computer to update the debtor account then he send the document to finance department monthly, then an independent person will make an investigation in it and will communicate to the branches if any discrepancy on irregularities arise. These are the main and the strong part of controlling with regard to cash receipt.

2. The company financial manual said that the client should deposit any premium receipt and branch accountant is responsible for issuing a receipt voucher to customer but as its difficult to use it practically in order to compute in service delivery competition in the market the branch accountant will collect cash, issue receipt to customer as well as making cash deposit in NISCO's bank account where found in DASHIN bank, in addition to this he also responsible for recording and coding transactions and posting to update debtors account.

3. As the burden of work is high in branch he do not make a deposit cash daily it may lasts for three or four days this may leads the person to use the cash for personal needs by using lapping.

4. No personal protection has assigned for cash collection that are separated from other business function.

5. No cashier has assigned for cash collection that are separated from other business function.

Thus, concerning internal control system over cash receipt the company control system lacks segregation, timely review of cash transactions and deposit, and physicals protection has been taken for cash in transit.

3.2.1.4 Cash payment /disbursement/

It's the policy of the company to effect all payment by cheque i.e. payments in connection with the company activities and payments that cannot be handled by the petty cash fund. NISCO has expenditure for its operation. Hence, for sake of internal control the company has a procedure to control expenditure therefore the companies expenditure is categorized in to three they are claim process and payment, purchase and payroll.

Claim process and payment

This disbursement is directly related to the company's main operation which is the payment to cover the claim on damage this kind of payment can be made in any branch of the company with some restriction. The restriction is a claimable to pay by branch office is limited to the amount not more that 10,000 birr and for the purpose of controlling its approved by the officials i.e. customer service executive/CSE/ branch manager and customer service officer /CSO/ when the amount of payment is more than birr 10,000 it should be signed by the branch manager and the authorized management head office and an amount payment more than 100,000 is paid by head office.

That means there is approval authority limit for signatory which are designed i.e. branch manager and department head can sign a cheque jointly for the amount more than birr 10,000 up to birr 50,000, department head with general can sign for the amount more than birr 50,000 up to birr 500,000 and general manager with managing director or board chairman for unlimited amount can sing a check.

As the same as explained signatory limit above. For cheque payment there is also an authority limit for clam approval which are stated in the table as follows. (Nyala Insurance, 1996)

Table 3.1.1 Authority limit for cheque payment

Limits of claim	Branch grade manager			Marketing head	General manager
	A	B	C		
Less than 10,000	yes	yes	yes	yes	yes
Less than 20,000	yes	yes	-	yes	yes
Less than 30,000	yes	-	-	yes	yes
Less than 50,000	-	-	-	yes	yes
Less than 100,000	-	-	-	yes	yes
Greater than 100,000					yes

Source: NISCO financial manual

The claim amount above the authority limit of branches need a clearance that is going to be approved by the next authoritative body accordingly

Claim process

NISCO uses different claim procedure to process and settle the claim in accordance with the type of claim. However this research concentrate on motor claim as significant payment made through motor claim. This can be written briefly as up on receiving an accident notification the company will assign the surveyor to identify the parts of the vehicle that is to be replaced or repaired. Based on survey report the company float a bid and issue the work order to the garage that offer the list price for labor and spare parts cost after far survey taken, an excess collection / initial cost which are going to be covered by customer/ and getting signed satisfactory note from the customer about maintenance work, the release form will be issued to the garage to work over the vehicle to the customer. Based on the payment will be effected to the garage after collection of salvage item.

According to survey made there are different factor that break a control system over cash in relation to claim process for which improper payments are made.

1. An individual company surveyor has the right to make a decision on the following motor claim processing activity;

- > To decide which part are going to be repaired and replaced.
- > To decide the amount to what extent of bid result is acceptable.
- > To give a contribution that is going to be pay by the customer for old parts.
- > To give an approval for the invoice which are presented by the garage?
- > To give an approval for release of a vehicle after maintenance.

2. No independent verification is made for estimated cost relatively for market.

3. No technical verification is made by person who is independent from survey activity.

4. The company always depends on traffic and police report as to reliability of claim.

5. No inspector goes to the accident site at spot unless serious damage happened.

As a result of the above factors an improper payment may process for instance;

- A payment can be made for replaced parts through it can be repaired.
- A payment can be made for the damage which may not be related with the accident and covered by the policy.
- A payment can be made for facetious maintenance and repair work unreasonable (may be less or more) contribution has been given to the customer.
- An exaggerated invoice is presented for payments may get an approval through its not comparable with the actual market.

Payment process

The company internal control over cheque preparation and payment is as follows

- > New cheque books received from the bank must be checked for completeness, kept in safe custody of the Accounts Head or Branch Head and the serial numbers recorded in a register of unused cheque books to be maintained by the Accounts Head or Branch Head.
- > Only one cheque book at a time shall be issued to a designed staff responsible for cheque preparation.
- > Completed cheque book stubs should be reviewed by the Accounts Head or Branch Head for completeness. The designated staff should sign in the register for receipt of a new cheque book and the Accounts/Branch Head should sign for returned cheque stub.
- > Used cheque stubs should be filled in date order by the Accounts/Branch Management.
- > Spoiled and cancelled cheque should be voided by writing "Cancelled" diagonally across its face and the signature portion destroyed. The cancelled cheque should be retained in the cheque book.
- > Cheque must be signed by two signatories subject to prescribed limit of authority.
- > Cheque should never be signed in blank by neither of the signatures.
- > Cheque should never be made to SELF or CASH. (Nyala Insurance, 1996)

Cheque preparation and payment

- > Cheque may only be prepared against documents approved for payment by or on the written instruction of the General Manager or an authorized official.
- > Cheque payments will be effected against printed and pre-numbered check payment or claims payment voucher prepared by an accountant/staff in charge.
- > The cheque payment or claims payment voucher dully approved and accompanied by relevant supporting documents, purchase order, vendor's involves, etc... shall be passed to the cashier or staff in charge, who, after ascertaining that everything is in order, will prepare a cheque in the name of the payee, get it signed by the authorized signature on the payment voucher.

- > Cheque shall always be crossed or stamped “payee Only”, except for petty cash replenishment, travel advance, salary advance, payroll, refunds of out of pocket expenses, personal allowances and other.
- > When a payment is to be effected in advance or on account, the person authorized to approve the expense shall request in writing, the written memo being considered as adequate supporting document for the payment voucher. The accounts or branch management as the case may be shall maintain a register of such payments to follow-up the collection of the necessary documents.
- > At the time of payment approval all supporting documents to the payment voucher shall be stamped “paid” and cross referenced with the number of the check and the payment voucher.
- > Cheque stubs should be completed with date, payee’s name, amount and running bank balance.
- > If a cheque is not collected by the payee within three days, the cashier or staff in charge will contact the payee by telephone. If the cheque is still not collected within three days, the cashier or staff in charge will contact the payee by telephone. If the cheque is still not collected within one month, it shall be cancelled and replace later when the payee appears. (Nyala Insurance, 1996)

Accounts Recording

In order to provide an up to date record of bank transactions with a daily balance, a Bank Book shall be maintained. Where cheque payment voucher should be recorded immediately, bank deposits being recorded individually each day from form the Receipt Cash Book, and bank advices as received from the bank.

Cheque payments will be recorded in numerical sequence in a cheque payment register and then posted to the subsidiary ledger accounts.

At the month end the Cheque Payment Register will be totaled and the register totals journalized for posting to the general ledger accounts.

Like cash receipt process and document compilation branch account will prepare cheque and effect a payment, after getting necessary supporting document payment voucher like claim payment voucher that concerns only for claim payment will also be prepared. It has three

copies original one for finance one copy for claim file and the last one rest with pad. The other one is ordinary payment voucher that concerns for payments other than claim payments it has two copies the original one for finance and the last rests with pad. Both vouchers designed with relevant information and responsibility assignment to whom the person who prepare cheque payment responsible for checking payment and making an approval.

As far as the financial manual set by the company and control system implementation and using it practically is concerned, the control system over cash is found that highly dependable and reliable to achieve the control objectives.

But According to survey, made this research found some factors which may open the system for cash fraud, embezzlement and misappropriation these can be described as follows in accordance with the general payment process and claim payment process specifically;

- > The payment process lacks segregation of duties like a person who prepare cheque is also responsible for recoding the transaction and posting to update the accounts.
- > No cashier has assigned for payment process that is independent from related works.
- > An individual who are authorized to approve payment also has the access for cheque preparation and updating accounts.
- > No internal verification and confirmation (internal audit) is made as to the completeness and corrective of the payment so that improper payments can be made if an individual who authorize payments oversight the wrong action or fraud that has been committed by others.

Purchasing

Purchases are transactions involving receipt of goods such as furniture and equipment, stationary and other supplies which are essentially purchased for immediate consumption even though quantities not immediately used are kept in a store. Purchases of goods for

immediate use are expensed upon purchase and only memorandum stock cards in quantity are maintained to control physical quantities.

In principle purchase process should be initiated by preparation of purchase requisition of paper from different departments and units and send to the concerned party budget main division then after checking whether they have allocated budget to each of those department and other unit approve the material to be purchased in case, if there is inappropriate purchase requisition the division can reject it.

In Nyala insurance S.C. purchase process is good except dalliance of purchase and deliver the item to the concerned department or. the accusation of inventories office furniture and equipment cargo and the like things are purchased in some procedure NISCO uses for such a kind of accusation budgetary formalities this means the company requires every section or department to deep budget for the next year.

After the requisitioning are recognized and identified then the accusation process will start the approval of accusation should be authorized.

Purchase decision of how where and when to acquire a resource leads to a placement of all order with an appropriate suppliers which is selected among three different supplies with low price to supply the purchase can be for cash or credit.

According to survey made, this research found Nyala insurance s.c fulfills the purchasing process principles.

Payroll

Payroll is an item of particular importance because in most enterprises salaries and wages constitute a significant portion of expenses. Also, as salaries and wages are usually paid in cash, they present one of the prime opportunities for fraudulent misappropriation and thus strong internal control over payroll preparation, payment and recording is imperative.

Salary payment for employee should be made on periodic basis. Therefore NISCO did similar to other companies in our country that is salary payment in the company is made on monthly basis.

The company prepare payroll on the base of personnel (human resource department) Records including basic salary deduction and employment tax. Then after the payment is made this procedure protect the companies cash payment from not to understate or overstate the employee salary.

The total of net salaries paid to each employee is transfer to the DASHIN bank by letter instruction.

Here the system is strong because salary always transfers by letter as result no one has an access to the salary and it has to be encouraged.

Petty cash management

The general disbursement policy of the company is to issue cheque for goods purchased and service received, however drawing a cheque is not practical for minor expenditures or where a circumstance demand cash payment, it thus becomes necessary to maintain an amount of actual cash under an impress system.

The company uses two kinds of payments that is petty cash or on cheque. In the case of petty cash managements this research tries to touch component related to petty cash. NISCO use petty cash fund for minor expenditure in case of emergency or where circumstances need cash payment, a petty cash fund of birr 5,000 has been established for head office up on the authorization of the general manger.

A petty cash fund of birr 500 established for branch offices, the petty cash fund established when its needed the amount of the fund is authorized and the cheque shall be issued in the name of cashier, who is acknowledging receipt of the cheque on the cheque payment voucher.

The fund custodian will record payment daily on a petty cash book in two copies, the copy with supporting document to be sent to the accounts the other company remaining with the custodian.

The other payment made on petty cash fund the account balance should be replenished with the amount where established and it is one period of petty cash fund from establishment to replenishment.

Payment out of petty cash fund includes car fuel, car wash travel advice, small purchase of office supplies and item minor office expenses.

Regard to the petty cash from, the company has a form which says petty cash expense payment for which official receipt cannot be produced and any payment which official receipt can produce has accepted by the company and refund to the concerned person or body after replenishment, All paid receipt stamped “replenished “, coded and a petty cash posting summary prepared to be attached to the replenishment check voucher.

According to survey made regarding to petty cash control the company use a good method. That is they use a surprise checking system and they evaluate each branch and they take an appropriate measure.

3.2.1.5 Bank account

Opening of Bank Accounts

The opening of bank accounts in the name of the company with any bank locally is the sole authority of the General Manager.

The appointment of signatories to the company’s bank accounts, the removal and/or replacement of signatories is also the sole authority of the General Manager.

The company shall maintain two different current accounts at each of its operating points, one for depositing premium income and another for cheque disbursements. The company may also maintain saving deposit accounts. When the liquidity position warrants, excess cash may be transferred from current accounts to the saving deposit accounts upon the authorization of the General Manager. Interest earned on saving account shall be created as investments income.

Bank reconciliation

All bank accounts shall be reconciled monthly by an accountant not involved in the preparation and issue of Cheque, or recording in cheque payments register or in cash receipts register or in bank book. Reconciliation should be done as soon as the statements are received from the bank.

As bank do not issue debt advice for cost of cheque books and interest charges they should be journalized from the bank statement and presented check outstanding for more than six months should be revised.

Close follow up is made with banks regarding missing bank advises or deposit not cleared within a reasonable time.

Every branch has its own accounts one for income for which any cash collected will be deposited and one for disbursement for which all payment will be disbursed. The disbursement account will be replenished by the requesting cash transfer supporting with report for significant payment made at the past and future payment if any.

This system is a very good and appreciated as to cash control through bank system.

But, in case of requesting to replenish the disbursement account there is a dalliance on replenishment process as result sometimes payments rejected by banks by saying that insufficient fund.

3.2.2 ANALYSIS OF QUESTIONNAIRE

3.2.2.1 Respondents' Personal Information

In this point of the study the data gathered from questionnaire are analysis and interpret. A total of 15 questions were distributed to the employee of NISCO and all respondents are returned.

Respondents' Sex distribution and educational level

Table 3.2.1: Respondents' educational level and sex distribution

No	Item	Respondents	Number	percentage
1	sex	Male	24	60%
		Female	16	40%
2	Educational background	Degree	24	60%
		Diploma	4	10%
		Master	12	30%
		Other	0	0%

Source: primary source

As it can be seen form table 3.2.1 60% of the respondents were male and 40% are females. From this table the researcher gets most of the employees are males.

As it can be seen from the above table 3.2.1, 60% of the respondents have degree, 10% diploma and 30% Masters. From this information, the researcher gets the organization more employees by they have degree and above. Hence, most of the employees are educated. So that the company's internal control over cash is strong.

3.2.2.2 General question related to internal control over cash

Table 3.2.2 general internal control over cash question

	Response	No.	Percentage
How strong is the company policy and procedure that forces the control system to be implemented regarding to cash?	Good	36	90%
	Moderate	4	10%
	Low	0	0%
	Total	40	100%

Source: primary source

Show in table 3.2.2. 90% of the respondents, response good, 10% respondent's response moderate and 0% respondents respond low. From this information, the researcher conclude that the company policy and procedure force the control system to be implemented regarding to cash.

Table 3.2.3: general internal control over cash

	Response	No	Percentage
How is management over sight and control culture over cash in NISCO?	Good	16	40%
	Moderate	20	50%
	Low	4	10%
	Total	40	100%

Source: primary source

From the table 3.2.3, 50%.40% and 10% respondent response that NISCO management oversight is Moderate, Good and Low respectively. Hence, the researcher concludes that managements over sight and control culture over cash in NISCO are moderate.

Table 3.2.4: general internal control over cash question

Do you think cash is carefully controlled?	Response	No	Percentage
	Yes	38	95%
	No	2	5%
	Total	40	100%

Source: primary source

From the above table 3.2.4, 95% of the respondent response that cash is carefully controlled in NISCO, 5% response cash is not carefully controlled. From collected survey the researcher conclude that internal control over cash of the company is good.

Table 3.2.5: general internal control over cash question

Is cash adequately safeguarded?	Response	No	Percentage
	Yes	40	100%
	No	0	0%
	Total	40	100%

Source: primary source

As shown from the table 3.2.5, all (100%) of the respondent of NISCO employees respond that cash is adequately safeguarded. From the given information the researcher concludes that cash is adequately safeguarded in NISCO.

Table 3.2.6: general internal control over cash question

Is separation of duties adequate?	Response	No	Percentage
	Yes	8	20%
	No	38	80%
	Total	40	100%

Source: primary source

From the table 3.2.6, 80% of the respondent responds there is NO adequate separation of duties in NISCO 20%, of the respondent's response that separation of duties in NISCO is adequate. Hence, the researcher concludes that there is lack of segregation of duties in NISCO.

3.2.2.3 Questions related to account recording

Table 3.2.7: account recording question

How often does the company record the transaction on timely basis?	Response	No	Percentage
	Always	22	30%
	Sometimes	18	70%
	Never	0	0%
	Total	40	100%

Source: primary source

From the table 3.2.7, 22%, 18% and 0% respond always, sometimes and never respectively. From the information given the researcher concludes that only sometimes does the company records the transactions on timely basis.

Table 3.2.8: account recording question

	Response	No.	Percentage
How and to what extent does the company use pre numbered and orderly identified cash related documents?	Good	25	62.5%
	Moderate	15	37.5%
	Low	0	0%
	Total	40	100%

Source: primary question

As shown table 3.2.8, 25 out of 40 or 62.5% respondents, response that the company use of pre numbered and orderly identified cash related documents is good; the rest 37.5% of the employee of NISCO response that the company use of pre numbered and orderly identified cash related documents is moderate. From this the researcher concludes that the company use of pre numbered and orderly identified cash related documents are good.

3.2.2.4 Questions on cash receipt /collections/

Table 3.2.9: question on cash receipt

Are receipt	Response	No	Percentage
> Given for all cash received?	Yes	40	100%
	No	0	0%
	Total	40	100%
> Pre numbered and controlled?	Yes	34	85%
	No	6	15%
	Total	40	100%
> Reported and recorded daily?	Yes	10	25%
	No	30	75%
	Total	100	100%

Source: primary source

As can be observed from table 3.2.9, 100% of the respondent's response that all receipts given for all cash are receive, most of the respondents (85%) response that receipts are pre numbered and controlled and the rest 15% responds that receipts are not pre numbered and controlled, 75% of the respondent response receipts are not reported and recorded daily and 25% response receipts are reported and recorded daily. From this information the researcher conclude that receipts given for all cash received, pre numbered and controlled in NISCO but there is a dalliance on record and report.

Table 3.2.10: question on cash receipts

Are cash collection banked entirely?	Response	No	Percentage
	Yes	33	82.5%
	No	7	17.5%
	Total	40	100%

Source: primary source

From the table 3.2.10 it can be seen 82.5% of the respondent response that cash collected are banked entirely 17.5% respond collections are not banked entirely. Hence, the researcher concludes that all cash receipts from all sources of NISCO are deposited in bank.

Table 3.2.11: question on cash receipts

Is there a cashier assigned for cash collections that are separated from other functions?	Response	No	Percentage
	Yes	0	0%
	No	40	100%
	Total	40	100%

Source: primary source

From table all 3.2.11, 100% of the respondent responds that there is no cashier assigned for cash collection that is separated from other function. There for the researcher conclude that there is no cashier assigned in NISCO that is separated from other function.

3.2.2.5 Questions on cash payment /disbursement/

Table 3.2.12: cash payment/disbursement/ question

Are cash payment supported by authorized documents?	Response	No	Percentage
	Yes	35	87.5%
	No	5	12.5%
	Total	40	100%

Source: primary source

Shown in table 3.2.12, 35 out of 40 or 87.5% respondents' response that cash payments in NISCO are supported by authorized documents, And 5 out of 40 or 12.5% of the company employees responds that NISCO doesn't use authorized document for its cash payments .Hence, the researcher conclude that payments in NISCO are supported by authorized documents.

Table 3.2.13: cash payment/disbursement/ question

	Response	No	Percentage
Does an invoice match with purchase order and receive report?	Yes	37	92.5%
	No	3	7.5%
	Total	40	100%

Source: primary source

Shown in table 3.2.13, 37 out of 40 or 92.5% respondents response that in NISCO invoices are match with purchase order and receive report, 7.5% of the respondent respond that invoices are not match with purchase order and receive report . Hence, the researcher understands that in NISCO invoices are match with purchase order and receive report.

3.2.2.6 Question regarding bank reconciliation

Table 3.2.14: question on bank reconciliation

	Response	No	Percentage
Is bank reconciliation performed by an appropriate person?	Yes	28	70%
	No	12	30%
	Total	40	100%

Source: primary source

As shown in table 3.2.14, 28 out of 40 or 70% respondents response that the company bank reconciliation is performed by an appropriate person, but the rest 30% of the respondent response that bank reconciliation is not performed by an appropriate person. From this the researcher concludes that most of the time bank reconciliation in NISCO is performed by appropriate person.

Table 3.2.15: question on bank reconciliation

Is there an adequate audit trial and reconciliation procedure for timely detection of shortages?	Response	No	Percentage
	Yes	18	45%
	No	22	55%
	Total	40	100%

Source: primary source

According from the table 3.2.15, 45% of the respondent response that there is audit trial and reconciliation procedure in NISCO for timely detection of shortages 55% of the respondent responds that there is no audit trial and reconciliation. Hence, the researcher concludes that there exists a problem in audit trial and reconciliation procedure in NISCO.

Table 3.2.16: question on bank reconciliation

Are deposit slip presented at least in a duplicate form?	Response	No	Percentage
	Yes	27	67.5%
	No	13	32.5%
	Total	40	100%

Source: primary source

According from the table 3.2.16 67.5% of the respondent response that deposit slips in NISCO are presented in a duplicate form and the rest 32.5% of the employees of NISCO responds that deposit slip are not presented in at least in duplicate form. Therefore the researcher concludes that most of the time in NISCO deposit slip presented at least in a duplicate form.

CHAPTER FOUR

SUMMARY, CONCLUSION AND RECOMMENDATION

4.1 Summary

Internal control system over cash is going through lots of development in its approach and widening its scope of activities. Recent corporate scandal in developed nations are making boards and managements turn their face to internal control system, in general and cash control specially to assure them of safeguarding organization asset from misuse and management.

In developing countries like Ethiopia, where resources are very limited and ethical behavior is not well developed internal control system over cash helps in assuring whether the most valuable asset of organization like cash and other asset equivalent are kept in high level and properly employed towards company benefits with all this benefits, NISCO has also taken these benefits from internal control over cash.

4.2 Conclusion

Based on analysis which has undertaken this research can provide a conclusion that NISCOs internal control system over cash is generally good with respect to overall system implementation, flow of data and information and assignment of duty and responsibility. Regarding cash control an external auditor has no comment given for the past audit practice while testing internal control system over cash. However these facts this research has found a weakness and an overriding practice on the basic cash control principles.

As indicated in the finding the company has no segregation of duties and responsibilities and internal verification to the procedure of cash collection and payment process in branches, all those activities has been handled by an individual branch accountant this means that he is accountable for all cash receipt starting from cash collection up to cash deposit process at bank, in addition to updating accounts and record coding of cash transaction, preparation of bank reconciliation and documents compilation to sent it to the head offices. The same is true for payment process it doesn't mean that he is free from any accountability for irregularities and discrepancies, while the compiled documents send to head office an individual makes detail verification process and prepare bank reconciliation independently then communicate the branch for further classification if any. But the fault may identify offer the fraud or effort committed by someone.

These are happened not only on payment and receipt process but also on claim process, company surveyor or has an overlapping decision right as to vehicle repair process they make subjective decision rather than objectively and the process lack an independent verification against their decision and estimates.

4.3 Recommendation

The company should give due consideration as to the practical implementation for basic principles of internal control over cash that are stated in procedural manual. There is no doubt on the designing and implementation process of cash control system should encompass the duties and responsibilities be segregated in accordance with the character and relation among the activities that are performed. Therefore

- > The company should segregate duties of individual accountants in branch between the process of cash collection, cash payment, updating accounts, the access between the process for data processing in coding and posting transaction by hiring cashiers for cash collection and payment process.
- > They should also be responsible for daily cash deposit and any dalliances of cash deposit should not be tolerable the company should also give protection for which an individual who deposit cash at bank against transit risks.

- > An internal verification should also be implemented by assessing an auditor for all branches who give verification about daily activity not only for cash transactions, but for other operation especially on claim process because significant amount of cash passed away through claim process.
- > The company should take an action on segregation of duties, as to the overlapping authorities given to surveyor, for instance of one make an initial survey the other one can make estimation for bid amount and contribute then the other one can give confirmation to repair work and approval of invoices that are presented by the garage for payment the company should also assign independent technical expertise who give an approval for technical work.

Finally, the internal control system over cash should implemented not to accuse an individual's but for the achievement of its organizational objectives, it is not to reveal things after problem occurred so that it should protect it rests mostly to prove delivering highest quality service and implementing appropriated ways of communicating organizational goal to client.

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Appendix

Appendix A

Questionnaire

Objective

Dear respondents, we are currently carrying out a study on ‘the assessment of internal control over cash in the case of NISCO.’ for the purpose of completion our senior essay as a requirement to complete our BA degree from St. Mary University. You have been selected to participate in this study due to the importance of your position in the company. The information you provide will only be used for the purpose of the study and will be treated at most confidentially.

Sex Male

Female

Educational back ground

Degree

Masters

Diploma

other

1. How strong is the company policies and procedures that forces the control system to be implemented regarding to cash?

Good n Moderate n Low

2. How often does the company record the transaction on timely basis?

Always

Sometimes

Never

3. How and to what extent does the company use pre numbered and orderly identified cash related documents?

Good

Moderate

Low

4. How are management's oversight and the control culture in NISCO?

Good

Moderate

Low

5. Is bank reconciliation timely performed by an appropriate person?

Yes

No

6. Is separation of duties adequate?

Yes

No

7. Is cash adequately safeguarded?

Yes

No

8. Is there a cashier assigned for cash collections that are separate from other functions?

Yes

No

14. Are deposit slip presented at least in a duplicate form

Yes

No

15. Does invoice match with purchase order and receive report?

Yes

No

'WE THANK YOU FOR YOUR COOPERATION ON BEHALF OF ST. MARY UNIVERSITY

Appendix B

Interview Questions

1. What goals and objectives have the company established for internal control over cash?
2. Who is responsible for ensuring that those controls are adhering to?
3. What accounting and information system are in place to account for transaction?
4. How do you define the internal control system over cash in NISCO?
5. How is management oversight and the control culture in NISCO?
6. Was any fraud or misuse reported to management? What action has been taken?
7. What are the rules, regulations and policies of cash receipt, disbursement and management?
8. Does the unit have procedure which accurately record revenue from all sources cash
check, credit card charge and internal charge etc. what are the procedures?
9. How is management's oversight and the control culture in NISCO?
10. How is the insurance policy issued in NISCO?
11. How is the company claim payment procedure?



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