EFFECT OF INTERNAL CONTROLS OVER CASH MANAGEMENT IN LOCAL GOVERNMENT AUTHORITIES: THE CASE OF KINONDONI MUNICIPAL COUNCIL

JESCA FRANCIS MPANJU

A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA)

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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by The Open University of Tanzania a dissertation titled: ***Effect Of Internal Controls Over Cash Management In Local Government Authorities: The Case Of Kinondoni Municipal Council,*** in fulfilment of the requirements for the Degree of **Master of Finance and Management** of the Open University of Tanzania.

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Dr. Salvio Macha

(Supervisor)

……

Date

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DECLARATION

I, **Jesca Francis Mpanju**, do hereby declare that, the work presented in this dissertation is original. It has never been presented to any other University or Institution. Where other people's works have been used, references have been provided. It is in this regard that I declare this work as originally mine. It is hereby presented in partial fulfilment of the requirement for the Finance and Management.

……

Signature

…….…….

Date

DEDICATION

I dedicate this Dissertation to my beloved late parents Mr. Francis Emmanuel Mpanju and Ms. Yustina Kaikuye. Their entire love and guidance throughout my up growing made it possible. May their soul rest in peace.

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ABSTRACT

The study assessed the effect of internal controls over cash management on local government authorities in Kinondoni Municipal Council. The study used internal controls such as the control environment, control activities, risk assessment, information and communication, and monitoring activities to study cash management. Also, the study used a positivist research paradigm and a correlational research design. The study used simple random sampling to select a sample size of 61 employees from a population of 72 employees. This research used a questionnaire with closed-ended questions to gather primary data. Descriptive and multiple regression analyses were used. Results showed that control environment, control activities, risk assessment, information and communication, and monitoring activities are statistically significant at (t=4.046, p(0.000)<0.05, n=61), (t=2.636, p(0.011)<0.05, n=61), (t=0.481, p(0.033)<0.05, n=61), p(t=1.366, p(0.047)<0.05, n=61), and p(t=0.631, p(0.031)<0.05, n=61), respectively. Therefore, the study concludes that the control environment, control activities, risk assessment, information and communication, and monitoring activities have a significant effect on cash management. The study suggests that to ensure effective cash management, local government should strengthen the control environment, control activities, risk assessment, information and communication, and monitoring activities by ensuring accurate and timely financial reporting, effective identification and mitigation of cash-related risks, and efficient management of cash inflows and outflows.

Keywords: *Effect of Internal Controls, Cash Management.*

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ABBREVIATIONS AND ACRONYMS

BOA	Bank of Africa
CAG	Controller and Auditor General
ICWs	Internal Control Weaknesses
LGAs	Local Government Authority
OUT	Open University of Tanzania
SPSS	Statistical Package for Social Science
SUA	Sokoine University of Agriculture
WIPA	Wajibu - Institute of Public Accountability

CHAPTER ONE

BACKGROUND TO THE STUDY

1.1 Introduction

Effective cash management is crucial for local government authorities to ensure financial stability, transparency, and accountability (Odewole, 2016). Local government authorities, such as the Kinondoni Municipal Council, handle significant amounts of cash through various revenue sources, including taxes, fees, and grants. Hence, it is imperative to establish robust internal controls to safeguard these funds, prevent fraud, and ensure efficient cash management practices (Ibrahim, 2024). Therefore, this study is going to study the effect of internal controls over cash management in local government authorities: The case of Kinondoni Municipal Council. This chapter sets the foundation for the study. It presents the background information of the study, the statement of the problem, the objectives of the study, and the research questions. Also, it shows the theoretical and practical significance of the study as well as the scope of the study.

1.2 Background Information of the Study

Cash management plays a crucial role in the financial stability and success of local governments (Fahlevi, 2018). Cash management involves the efficient and effective management of cash flows within an organization (Amos, 2023). It includes activities such as cash collection, disbursement, and investment, as well as the monitoring and forecasting of cash flows. Cash management ensures that public funds are utilized efficiently, promotes transparency, and enables local governments to meet their financial obligations (Cangoz & Secunho, 2021).

To achieve proper utilization of cash assets, and preventing fraud, local governments require effective internal controls (Wangombe, 2017). Effective internal controls are essential for ensuring that cash is managed properly and that the risk of fraud and mismanagement is minimized (Ross, 2016). Internal controls refer to the policies, procedures, and systems that are put in place to ensure that financial transactions are recorded accurately, assets are safeguarded, financial reporting is reliable, and prevent fraud. Internal controls have several important components (Brennan, 2020). Mahadeen et al. (2016), Umar and Dikko (2018), and VU et al. (2020) showed five components of internal control namely control activities, control environment, risk assessment, monitoring, and information and communication. So, when these components are internally controlled and audited regularly, there is a relatively high probability for any organization to thrive regardless of sector (Masanja & Masimba, 2020).

The efficiency of internal controls over cash management is essential to ensure that cash is managed in a way that is consistent with the goals and objectives of the local governments (Oyeranmi, 2020). The importance of effective internal controls over cash management in local governments has been highlighted by several high-profile cases of financial mismanagement and fraud. For example, in 2016 in united states, the city of Flint, Michigan, was found to have mismanaged its finances, resulting in a water crisis that affected thousands of residents (Murphy, 2019).

In African perspective, internal control systems are crucial to ensuring the security and effectiveness of financial management in the public sectors. Many African

governments are putting in place stronger internal control systems as a means of addressing widespread corruption and systemic financial deficiencies as a result of high levels of corruption and systemic issues that cause significant losses in financial resources (Masanja & Masimba, 2020). For instances, in Nigeria the country has faced several instances of financial mismanagement and fraud. One notable case is the "missing" $20 billion oil revenue scandal in 2014, where the former Central Bank Governor alleged that the Nigerian National Petroleum Corporation failed to remit the funds to the government. These financial mismanagement and fraud in these countries as an example was attributed to a lack of effective internal controls over cash management (Oyeranmi, 2020). This has forced African governments to put in place suitable internal control systems in order to improve the efficiency of financial management in both publicly traded corporations and the government (Oyetunji et al., 2021).

Tanzania has also been struggling with internal control problems. In adequate internal control system has led to looting of public funds for a very long time. Although the government is trying to implement strict internal control system, it is still a serious epidemic plaguing the financial management in the public sector (Masanja & Masimba, 2020). For instances, CAG report of 2020/2021 showed that 24 councils made purchases worth TZS 3.84 billion without permits of the Tender Boards contrary to Rule 57 (3) (a) of the Procurement Code Public in 2013. Also, 39 Local Government Authorities made purchases worth 5.37 shillings billion without

calling for competitive price quotations, where the District Council of Chalinze led by making purchases of 1.73 billion shillings.

Deficiencies in the management of public resources have led the authority to local governments being ineffective in controlling TZS income. This case highlighted financial mismanagement at the local government level (WIPA, 2022).

The Kinondoni Municipal Council is one of the local government authorities in Tanzania responsible for providing essential services to its residents, including infrastructure development, waste management, and social services. As a public entity, the council receives and disburses significant amounts of cash on a daily basis (Mrema, 2020). Thus, it is crucial to have robust internal controls in place to ensure the proper management and accountability of these funds. Therefore, this study investigated the effect of internal controls over cash management in the Kinondoni Municipal Council.

1.3 Problem Statement

Local government authorities are responsible for providing essential services to their communities, such as water supply, waste management, and road maintenance (Azzahra, 2023). These services require significant financial resources, and local government authorities rely on cash management to ensure that they have enough funds to meet their obligations (Armstrong & Li, 2022). However, there have been concerns about the efficiency of internal controls over cash management in local government authorities.

For instance, The CAG report of Council accounts ending in June, 2022 has reported an amount of 3,153,314,281 Shillings spent by 31 Councils for unplanned expenditure. Similarly, 27 councils made payments from the deposit account amounting to 3,268,872,285 shillings without receiving confirmation of the deposits (LAAC, 2023). According to LAAC (2023), in a quick interpretation, the Directors of the Councils decided to prevent the implementation of the activities planned to be done by using the money for a use that did not exist despite the fact that there was no need to make the payment. Also, a special audit of Standing Committee on Public Accounts of financial year ended June 30, 2022, revealed that five (5) Councils purchased equipment worth 517.58 million shillings from individuals who were employees or family members of Council employees, contrary to Rule 7 (4) of the Annual Public Procurement Rules 2013.

Therefore, these examples highlight financial mismanagement at the local government level as a result of ineffectiveness of internal controls over cash management in local government authorities. Without effective internal controls, there is a higher risk of fraud and embezzlement of funds. This can lead to significant financial losses for the local government authority and erode public trust in the organization (Maeda, 2023).

While there are some reviews (such as Masanja & Masimba, 2020; Biseko, 2023) on internal controls in general, there is a lack of research specifically focused on the effect of internal controls over cash management in local government authorities. Also, some few studies have shown that internal controls are effective in managing cash in local government authorities, while others have shown that they are not

effective. One possible reason for this mixed result is the lack of standardization in the implementation of internal controls in local government authorities. Therefore, to cover those gaps, this study assessed the effect of internal controls over cash management in local government authorities by including five components of internal control namely control activities, control environment, risk assessment, monitoring, and information and communication in Kinondoni Municipal Council.

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study is to assess the effect of internal controls over cash management in local government authorities.

1.4.2 Specific Objective

(i) To determine the effect of control environment on cash management in Kinondoni Municipal Council,

(ii) To examine the effect of control activities on cash management in Kinondoni Municipal Council,

(iii) To analyses the effect of risk assessment on cash management in Kinondoni Municipal Council,

(iv) To determine the effect of information and communication on cash management in Kinondoni Municipal Council,

(v) To examine the effect of monitoring on cash management in Kinondoni Municipal Council.

1.5 Research Hypotheses

(i) Control environment has an effect on cash management in Kinondoni Municipal Council,

(ii) Control activities have an effect of on cash management in Kinondoni Municipal Council,

(iii) Risk assessment has an effect on cash management in Kinondoni Municipal Council,

(iv) Information and communication have an effect on cash management in Kinondoni Municipal Council,

(v) Monitoring activities has an effect on cash management in Kinondoni Municipal Council.

1.6 Significance of the Study

To the central government: The study's findings can help identify areas where additional resources or support may be needed to strengthen internal controls and ensure efficient cash management.

To the local government authorities: The study's findings can help local government authorities enhance their financial accountability by identifying weaknesses in their internal control systems.

To the policymakers: Study’s findings can help policymakers identify specific weaknesses or gaps in the existing internal control systems related to cash management in local government authorities. This information can be used to

develop targeted policies and strategies to address these issues and enhance the overall efficiency of internal controls.

To the researchers: Researchers can generate a research gap, by going deeper into understanding the specific aspects of internal controls that contribute to effective cash management and identify best practices that can be adopted by local government authorities.

1.7 Scope of the Study

The research was narrowed down to Kinondoni Municipal Council. The study used five components of internal controls including control activities, control environment, risk assessment, monitoring, and information and communication to study their effect on cash management.

1.8 Limitations of the Study

Some participants in some firms during the data gathering refused to respond to the questionnaires, arguing that they were busy and could not gain anything from this research. To tackle this barrier, the researcher explained to the participants that the study was for academic purposes and not otherwise.

Moreover, some appointments with the firms' employees interacted with the working activities. To solve this problem, the researcher spent some time waiting for their spare time to get the information needed.

1.9 Organization of the Study

This study is organized in six chapter. The first chapter provides introduction of the study in which the background of the problem, statement of the problem, research objectives, hypothesis statements, significance of the study and scope are covered. The second chapter provides literature review in which definition of the key terms, theoretical review, empirical review, research gap and conceptual framework are covered. The third chapter provides research methodology which cover the study area, research design, research approach, target population, sample size and sampling technique, data collection methods, measurement of the variables, data analysis techniques and ethical consideration. Moreover, chapter four includes data analysis, and findings presentation, while chapter five is the finding's discussion, and chapter six includes a summary, conclusion, recommendations, and areas for further study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives reviews of the literature. It further defines key concepts, theoretical review, empirical review, and study conceptual framework.

2.2 Definition of Key Concepts

This part defines key terms that are used in the study including internal controls, and cash management.

2.2.1 Internal Controls

Internal controls refer to the policies, procedures, and systems that are put in place to ensure that financial transactions are recorded accurately, assets are safeguarded, financial reporting is reliable, and prevent fraud. Internal controls have several important components (Brennan, 2020). Mahadeen et al. (2016), Umar and Dikko (2018), and VU et al. (2020) showed five components of internal control namely control activities, control environment, risk assessment, monitoring, and information and communication. So, when these components are internally controlled and audited regularly, there is a relatively high probability for any organization to thrive regardless of sector (Masanja & Masimba, 2020). The internal controls in this study include control environment, control activities, information and communication, risk assessment, and monitoring activities.

2.2.2 Cash Management

Cash management refers to the process of managing and controlling the cash flow of a business or organization. It involves monitoring and analyzing the inflow and outflow of cash, ensuring that there is enough cash on hand to meet financial obligations, and optimizing the use of cash resources (Tennent, 2012). Cash management also includes activities such as cash collection, disbursement, and investment, as well as the monitoring and forecasting of cash flows (Cangoz & Secunho, 2021). Cash management in this study include budgeting and forecasting, debt management, and cash handling and control.

2.3 Theoretical Review

2.3.1 Agency Theory

The theory of agency which was proposed by Stephen Ross and Barry Mitnick is about the relationship between agents or principals and the control of delegation (Mitnick, 2019). This theory focuses on the relationship between the principal (local government authority) and the agent (employees responsible for cash management). It suggests that effective internal control mechanisms should align the interests of the principal and the agent, ensuring that the agent acts in the best interest of the principal. This can be achieved through clear guidelines, performance measures, and accountability mechanisms (Baker, 2019).

The theory is relevant to the study as it suggests that there may be a conflict of interest between the principal and the agent (Moloi et al., 2020). The principal wants to ensure that the cash is managed efficiently and effectively, while the agent may have their own interests, such as personal gain or job security (Zogning, 2017).

In the context of internal controls—comprising the control environment, control activities, information and communication, risk assessment, and monitoring activities, Agency Theory underscores the necessity to implement robust structures that align the objectives of agents (such as management or employees) with those of the principals (such as investors or stakeholders) (Panda & Leepsa, 2017). Effective internal controls provide a framework that enhances transparency and accountability in cash management practices, which include budgeting and forecasting, debt management, and cash handling and control (Ssekandi, 2018).

For instance, a strong control environment fosters a culture of ethical behavior and compliance, while rigorous control activities ensure that cash transactions are appropriately authorized and recorded, thus reducing the opportunity for misappropriation (Tang et al., 2020). Additionally, comprehensive Risk Assessment processes identify potential financial risks, which can be critical in budgeting and forecasting, ensuring that agents remain focused on the long-term financial health of the organization (Stoessel, 2021). By promoting effective information and communication systems, organizations can ensure that relevant financial data is disseminated timely, enabling informed decision-making (Arjang et al., 2023). Lastly, ongoing monitoring activities allow for the evaluation of performance against established cash management objectives, providing feedback to mitigate agency problems and steering behavior toward the shared goals of both principals and agents (Ssekandi, 2018). In essence, the integration of Agency Theory with internal controls serves not only to protect financial assets but also to enhance organizational effectiveness and sustainability in cash management practices.

2.3.2 Institutional Theory

The author of institutional theory is widely considered to be sociologist Meyer and Rowan. They first introduced the theory in their 1977 paper titled "Institutionalized Organizations: Formal Structure as Myth and Ceremony (Meyer & Rowan, 1977)." Institutional theory is a sociological perspective that focuses on the role of institutions in shaping behavior and social interactions. It suggests that institutions, such as organizations, laws, and norms, have a significant influence on individuals and society as a whole (Peters, 2022). According to institutional theory, institutions provide a framework for social order and stability by establishing rules, norms, and routines that guide behavior. These institutions are seen as powerful forces that shape individuals' actions and choices, as well as the overall structure and functioning of society (Börner & Verstegen, 2013).

The theory is relevant to this study as it highlights the role of formal rules and regulations in shaping internal controls. Local government authorities are subject to various legal and regulatory requirements regarding cash management, including risk assessment and monitoring. These requirements are often designed to promote transparency, accountability, and the prevention of fraud and mismanagement. Institutional theory suggests that local government authorities are likely to adopt and implement internal controls that align with these formal rules and regulations to avoid legal and reputational risks.

Institutional Theory provides a framework for understanding how organizational practices, including internal controls and cash management, are shaped by the expectations and norms of the broader environment in which institutions operate.

Within this theory, organizations are often influenced by external pressures such as regulatory frameworks, industry standards, and cultural expectations (Zakirova et al., 2021). This external influence underscores the necessity for robust internal controls, which consist of the control environment, control activities, information and communication, risk assessment, and monitoring activities. As organizations seek legitimacy and compliance with these external pressures, they tend to adopt structured internal control systems that align with best practices and regulatory requirements, ultimately fostering accountability and transparency in their financial dealings (Chen et al., 2020).

2.4 Empirical Reviews

2.4.1 Empirical Reviews in Tanzania

Masanja and Masimba (2020) in Arusha, examined the effectiveness of internal control system on the efficiency of financial management in selected training institutions. The study applied quantitative research approach and the research design was descriptive and correlation in nature. All of the research participants were staff members of the organizations whose internal control policies and practices are impacted. The results show that the study's participants are in agreement that the organization had internal control system components implemented. Respondents also concurred, either strongly or moderately, that effective internal control systems contribute to the effectiveness of financial management. while the research affirmed the participants' belief in the existence and effectiveness of internal control components such as Control Environment, Control Activities, Information and Communication, Risk Assessment, and Monitoring Activities, it lacked a detailed

analysis of how these components specifically influence key aspects of cash management, including budgeting and forecasting, debt management, and cash handling and control.

Mfuse (2022) in Morogoro District Council, examined the effectiveness of the internal control system over cash in LGAs. The study concluded that information and communication and risk assessment and have a statistically significant relationship with the cash. On the other hand, control activities, control environment, and monitoring activities lack such significance, signifying that variations in these variables are less likely to affect the cash significantly. The study's conclusion that these latter variables lack a significant relationship raises questions about their roles and potential indirect influences on cash management practices despite their systemic importance. This oversight indicates a need for further research to more comprehensively understand how all facets of internal controls may collectively impact the efficacy of cash management in LGAs, thus ensuring a more robust financial governance framework.

Al-Beity (2022) examined the relationship between internal control weaknesses (ICWs), independence, and size on the quality of financial statements of local government authorities (LGAs). Data from a sizable sample of LGAs' financial statements covering the four years from FY 2010/11 to FY 2013/14 served as the basis for the analysis. The study used logistic regression to investigate the relationship between financial statement errors/restatements in the LGAs and ICWs (fraud prevention plan, risk management, accounting system, and IT controls), financial independence, and size of LGAs. The study demonstrated that there is a

greater likelihood of lower financial statement quality in large, financially dependent LGAs with accounting system ICWs. The outcomes of the other ICWs, which include risk management, fraud prevention, and IT controls, were negligible. The study's dependent variable, which emphasizes financial statement quality through errors and restatements, does not encompass critical areas like Cash Management, which includes budgeting and forecasting, debt management, and cash handling and control. This omission suggests a gap in understanding how these broader internal control frameworks may influence not only the integrity of financial reporting but also the operational efficiencies related to cash management, potentially impacting financial sustainability within LGAs.

Lema and Mbuti (2023) in Arusha City studied the effect of internal control on private higher learning institutions' financial performance. The study came to the conclusion that internal control works extremely well in private higher education institutions because these institutions have policies and procedures for authorization, task segregation, members who understand their roles and responsibilities, monthly account reconciliation, accurate recording of financial transactions, authorized payments, and training opportunities for better performance. Universities that adhere to set policies and procedures to mitigate risks, provide compensation in the event of a risk, train staff and students on what to do in an emergency, and maintain open lines of communication are all factors that contribute to effective risk management.

In terms of monitoring, project units deliver reports on schedule, each production unit is aware of the boundaries of its performance, and transactions are guaranteed to be verified and authorized before they occur. The institutions have strong financial

performance because they turn a profit on their projects, have enough cash on hand to cover urgent needs, and have enough funding to operate the institutions. Based on the results of the multiple correlation coefficient, financial performance can be significantly predicted by risk management and monitoring.

Biseko (2023) at Sokoine University of Agriculture (SUA), studied the effectiveness of internal control mechanisms, their impact on organizational performance, and the level of compliance with legal and regulatory frameworks within and other public universities in Tanzania. According to the study, internal control procedures at SUA and Tanzania's public universities are viewed favorably overall. According to the respondents, efficient internal controls have a big impact on how well an organization performs. Concerns have been expressed regarding the potentially serious effects of non-compliance on financial stability, despite the perception that compliance levels with legal and regulatory frameworks are high. There is a lack of empirical evidence specifically linking the efficacy of these internal control components to the outcomes in cash management practices. While the respondents indicated a favorable view of internal controls and their impact on organizational performance, the study does not explicitly address how these controls affect the distinct aspects of cash management, leaving a critical area unexamined. Furthermore, the mention of concerns regarding non-compliance's adverse effects on financial stability underscores the necessity to explore the relationship between robust internal control frameworks and effective cash management practices to ensure holistic financial governance within public universities.

2.4.2 Empirical Reviews in the World

Onsindu et al. (2022) examined the effect of internal control systems on the management of local revenues by the county governments of Kenya. Control environment, risk assessment and monitoring activities were found to have a significant positive relationship with the management of local revenue. The analysis lacks an examination of how these internal control dimensions specifically relate to critical cash management aspects such as budgeting and forecasting, debt management, and cash handling and control. This gap limits the practical applicability of the findings in establishing a more complete strategy for enhancing cash management practices within local governments.

Peringa (2017) studied about internal control systems and cash management policies in Non-Governmental Organizations. The research designs employed were descriptive and analytical research designs. The study's results showed that the organization lacks internal auditors who regularly update training curricula to reflect evolving operational and risk management practices. Also, there was a deficiency in effective channels of communication between supervisory authorities and entities running payment systems. Moreover, money handlers band together to get around regulations and steal money. Furthermore, research indicated a strong positive correlation between cash management policies and internal control systems. The absence of strong internal controls may lead to poor cash management outcomes, as evidenced by the collaborative actions of money handlers to circumvent regulations and misappropriate funds, indicating a strong positive correlation between effective internal control systems and the integrity of cash management practices. Therefore,

the missing link lies in the underdeveloped internal control mechanisms that fail to support and enhance the dependent variables related to efficient cash management, ultimately undermining organizational financial stability and accountability.

Yunisa and Harahap (2023) analyzed the internal control implemented in the cash management system at the Medan Mayor's Office. The study's findings highlight a number of issues with the cash management system's internal control. First, there was a chance for mistakes and misuse when tasks and responsibilities are not properly separated. Second, the effectiveness and transparency of cash management may be hampered by ambiguous and non-standard policies and procedures. Third, there was a greater chance of errors and financial losses when there is inadequate supervision and monitoring. Fourth, poorly integrated information systems make financial data less reliable and accessible. The findings regarding inadequate supervision hint at potential weaknesses in Monitoring Activities and Risk Assessment processes, yet there is no explicit discussion on how these gaps might contribute to vulnerabilities in Cash Management aspects such as Budgeting and Forecasting, Debt Management, and Cash Handling and Control.

Fred (2015) in Somali flight service companies studied internal control system and cash management procedure. The investigation discovered that there is effective internal control in place and that there was a connection between internal control and cash management for the purpose of identifying fraud errors and cash misappropriation that can cause issues and cause the business to fail. This gap underscores the need for a more nuanced understanding of the interplay between

internal controls and cash management practices in the operational context of Somali flight service companies.

Bayissa (2017) assessed an internal control system over cash operations in the Bank of Abyssinia and reviewing its current status. The study employed the descriptive research methods in order to describe internal control system in BOA. Results showed that internal control has significant influence on cash operations. However, the study recommended that other studies should take in to account controlling environment, controlling activity, risk assessment, communication and monitoring. A more nuanced investigation into these relationships could provide deeper insights into which elements of the internal control system have the most substantial impact on effective cash management practices, thereby bridging the gap between internal controls and specific cash management outcomes.

2.5 Research Gap

Empirical reviews show that some reviews (such as Masanja & Masimba, 2020; Biseko, 2023) focused on internal controls in general, there is a lack of research specifically focused on the effect of internal controls over cash management in local government authorities. Also, most of the studies (such as Masanja and Masimba, 2020; Lema and Mbuti, 2023; Biseko, 2023) based on other institutions such as learning institutions, and banks rather than local authorities which is different in the context of this study. Moreover, some studies (such as Mfuse, 2022) have shown that internal controls have an effect on managing cash in local government authorities, while others (such as Onsindu et al., 2022) have shown that they have no effect. One possible reason for this mixed result is the lack of standardization in the

implementation of internal controls in local government authorities. Therefore, this study assessed the effect of internal controls over cash management in local government authorities: A case of Kinondoni Municipal Council.

2.6 Conceptual framework

Figure 2.1 indicates the graphical relationship between internal controls over cash management. In this research, the cash management is the dependent variable, whereas internal controls are the independent variable. Therefore, Figure 2.1 shows how internal controls such as control environment, control activities, risk assessment, information and communication, and monitoring activities influence the cash management such as budgeting and forecasting, debt management, and cash handling and control.

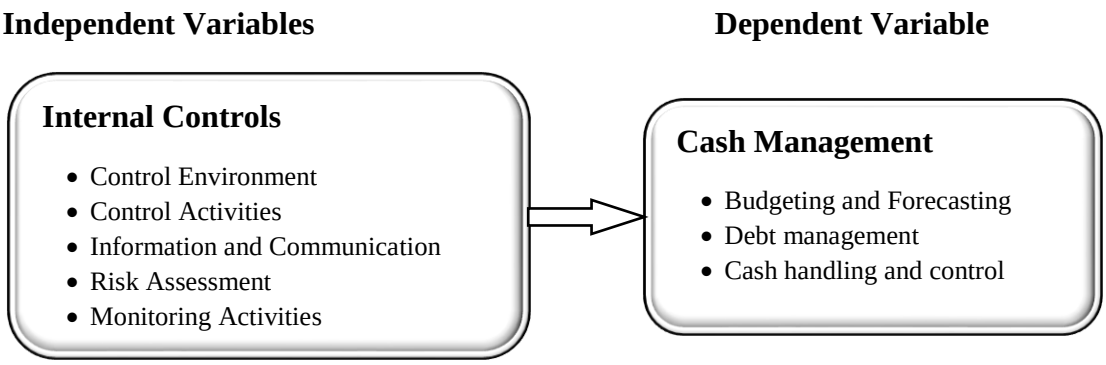


Figure 2.1: Conceptual Framework

Source: Researcher's Conceptualization (2024)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the conceptual framework and methodology that will be used while conducting this research. It includes the research paradigms, research design, study area, population, sampling techniques, sample size, types and sources of data, methods of data collection, data analysis methods, reliability and validity of data, and ethical considerations.

3.2 Research Paradigms

The study used a positivist research paradigm. Positivist research paradigm relies on quantitative data collection and analysis methods, such as surveys and statistical analysis (Park et al., 2020). Positivist research paradigm was selected because it relies on quantitative data and allows for the measurement and comparison of variables, enabling researchers to identify patterns and relationships between internal controls and cash management (Maretha, 2023).

3.3 Research Design

The study used a correlational research design. Correlation research design was selected because it allows a researcher to examine the relationship between two or more variables (Seeram, 2019). In this case, the design can help determine the relationship between the effect of internal controls and cash management in local government authorities.

3.4 Research Approach

The study used a quantitative approach. The quantitative approach was selected because it allows for the use of statistical analysis techniques to examine the relationships between variables (Apuke, 2017). This can help identify significant internal controls that contribute to effective cash management.

3.5 Study Area

The study used Kinondoni Municipal Council as a study area. Kinondoni Municipal Council is one of the five (5) Councils that make up the Dar es Salaam Region. The Kinondoni Municipal Council was established by the Government Law (Town Authorities) Chapter 288 through Government Notice No. 4 of 2000 to increase the quality of service delivery to its citizens (Kinondon Municipal Council, 2024). The study area of Kinondoni Municipal Council was selected because it operates within a specific local context, which may have unique challenges and opportunities related to cash management. Therefore, studying the effect of internal controls in this specific context can provide insights that are relevant and applicable to other local government entities facing similar challenges.

3.6 Study Population

The population of the study included employees from finance and accounting units (66 employees) and internal audit unit (6 employees) in Kinondoni Municipal. Therefore, the population size included 72 employees.

3.7 Sample Size and Sampling Design

3.7.1 Sample Size

The study used Slovin's formula to obtain an optimal sample size. The Slovin's formula is given by;

n = $\frac{N}{(1+Ne^2)}$, Where: n = sample size, N = population size = 72, e = margin of error = 5%

Then, n = $\frac{72}{(1+72\times0.05^2)}$ = 61.016949 ≈ 61

Therefore, the study used a sample size of 61 employees.

3.7.2 Sampling Design

The study applied simple random sampling to choose respondents to be included in a sample for the study. Simple random sampling was used to select employees from the sampling frames (a list of all employees). The simple random sampling technique was applied since it gives an equal chance for employees to be selected or included in a sample (Noor et al., 2022). To select a sample using simple random sampling for a study, the researcher first defined the population (the population includes employees). Then, the researcher prepared a sampling frame (a list of all employees). Finally, the researcher used a random number table to select respondents to get the desired sample size of 61 employees.

3.8 Variables and Measurement of Variables

The dependent variable of this study is the cash management, while the independent

variable are the internal controls. The variables and their measurements are indicated in Table 3.1.

Table 3.1: Variables and Measurement of Variables

Variable		Sub Variables	Measurement of Variables
Independent Variable	Internal Controls	• Control Environment	Five-Likert Scale 1-Strongly Disagree; 2-Disagree; 3-Neutral; 4-Agree; and 5-Strongly Agree
		• Control Activities	
		• Risk Assessment	
		• Information and communication	
		• Monitoring activities	
Dependent Variable	Cash Management	• Budgeting and Forecasting • Debt management • Cash handling and control	Five-Likert Scale 1-Strongly Disagree; 2-Disagree; 3-Neutral; 4-Agree; and 5-Strongly Agree

Source: Researcher, 2024

3.9 Data Collection Methods

This research used a questionnaire with closed-ended questions to gather primary data. Likert-scale questions was used in the questionnaire to get responses from the participants. The questionnaires that were used to collect data for this study wre divided into two sections. Section A included questions that were used to collect the respondent's demographic information such as age, gender, and education level, and working experience. Section B included Likert scale questions about the research objectives. The Likert Scale contained five points: 1-Strongly Disagree; 2-Disagree; 3-Neutral; 4-Agree; and 5-Strongly Agree. The 61 questionnaires were administered directly to employees. The researcher decided to use the questionnaire as one of the tools for data collection simply because it enables the collection of data in a

relatively short period of time and gives participants enough time to think and fill in the gaps in the questionnaire (Krosnick, 2018).

3.10 Reliability and Validity of Data

3.10.1 Reliability

Cronbach's alpha coefficient was used in the study to examine whether the study instrument produces the expected results. An alpha coefficient of 0.70 or higher indicates that the data collected is reliable because it has a relatively high level of internal consistency and can be generalized to reflect the opinions of all respondents in the target population (Bujang et al., 2018). Table 3.2 shows that Cronbach's Alpha for control environment, control activities, risk assessment, information and communication, monitoring activities, and cash Management are 0.805, 0.701, 0.723, 0.813, 0.815, and 0.719 respectively. Therefore, items for these variables are considered reliable because Cronbach's Alpha Coefficient is greater than 0.7.

Table 3.2: Reliability

Variables	**Cronbach's Alpha**	**Cronbach's Alpha Based on Standardized Items**	**Items**
Control Environment	0.805	0.806	3
Control Activities	0.701	0.091	3
Risk Assessment	0.723	0.801	3
Information and Communication	0.813	0.903	3
Monitoring Activities	0.815	0.890	3
Cash Management	0.719	0.840	3

Source: Field Data, 2024

3.10.2 Validity of Data

To ensure the validity of the instruments for data collection, the study employed a pilot study before data collection. A pilot study enabled the study to collect errors or omissions that were noted before the process of data collection starts. On top of that, the instruments of data collection were presented to the supervisor for approval before the process of data collection starts.

3.11 Data Analysis Methods

The study included quantitative analysis whereby both descriptive and inferential analyses were used.

3.11.1 Descriptive Analysis

In quantitative analysis the study used descriptive analysis and inferential analysis. The descriptive analysis included analysis of quantitative data from the questionnaires which was edited, coded, and analyzed using statistical package for social science (SPSS) Version 20. The study analysed data according to the specific objectives of the study, and the results were presented in tables and charts in forms of frequencies and percentages. The study also analysed the demographic information of the respondents such as age, gender, education level, and working experience.

3.11.2 Inferential Analysis

In inferential analysis, the study used multiple regression analysis. The multiple regression analysis was use to analyse the internal controls that influence cash management in local government authorities. A multiple regression model as adopted from Searle and Gruber (2016) includes;

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$

Where; Y = Dependent variable, β_0 = Constant, β_1,β_2, β_3, β_4, β_5= Coefficients of independent variables; X_1, X_2, X_3, X_4, X_5 = Independent variables, and e = Error term

Therefore, the multiple regression model of this study is given by;

Cash management = Constant + β_1(Control Environment) + β_2 (Control Activities) + β_3 (Risk Assessment) + β_4 (Information and Communication) +β_5 (Monitoring Activities) + Error term

Where; β_1,β_2, β_3, β_4, β_5 = Control Environment, Control Activities, Risk Assessment, Information and Communication, and Monitoring respectively.

Moreover, the study applied diagnostic test such as normality test by using Q-Q plot, autocorrelation by Durbin-Watson test, and multi-collinearity test by Variance Inflation Factor (VIF) to cross check the fitness of data in the study.

3.12 Ethical Consideration

Ethical consideration was granted during the study period, and the researcher maintained a high degree of ethical behavior. Permission was requested from the OUT to carry out the research. The request showed an approval from OUT, along with relevant letters that introduced the researcher and sites of interest in the study. During the study and after the study, high ethical behavior was observed, such as confidentiality, anonymity, and privacy issues among respondents. This study generally ensured that all needed information is treated confidentially and cannot be divulged to any third party.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter presents the results for each objective. The study analysed the data by using descriptive and inferential analysis. In descriptive analysis, the study used tables and charts to present results, while in inferential analysis, multiple regression analysis was used to show the effect of internal controls over cash management.

4.2 Demographic Information of the Respondents

This part indicates the demographic characteristics of the respondents. The researcher asked the respondents to respond to their personal information, such as gender, education level, and working experience of employees. The results are shown in Table 4.1.

Table 4.1: Demographic Information of the Respondents (n=61)

Demographic	Category	Frequency	Percentages (%)
Gender	Male	37	60.7
	Female	24	39.3
	Total	**61**	**100**
Education Level	Certificate	-	-
	Diploma	-	-
	Bachelor	41	67.2
	Masters	20	32.8
	PhD		
	Total	**61**	**100**
Working Experience	< 5 years	11	18
	5-10 years	17	27.9
	More than 10 years	33	54.1
	Total	**61**	**100**

Source: Field Data, 2024

The study examined the respondents' gender. The gender attribute aided in the understanding of the gender distribution in the target population. Results in Table 4.1 show that most of the respondents 60.7% were males and 39.3% were females. Results showed that males were more prevalent than females. These findings imply that both males and females were included in the study. Also, these results show that the study is dominated by more males than females.

Also, Table 4.1 shows the respondents' education level. Results revealed that 67.2% of the respondents attained a bachelor's degree education level, and 32.8% attained a master's degree education level. Therefore, findings reveal that respondents who attained the bachelor's and master's degree education levels extensively dominated the study. The level of education was an important attribute to ensure the study got accurate responses from the respondents.

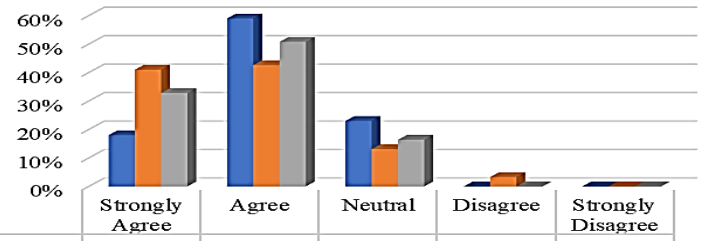
Moreover, the results in Table 4.1 show the working experience. Findings indicate that 54.1% of the respondents showed that they had working experience of more than 10 years, 27.9% of the respondents indicated that they had working experience between 5-10 years, and 18% of the respondents showed that they had working experience of less than 5 years. Results revealed that the majority of the respondents in the study had working experience spanning more than 10 years. The findings suggest that a significant portion of the respondents in the study have extensive working experience, with more than half of them having more than 10 years of experience. This indicates that the respondents likely have a wealth of knowledge and expertise in their respective fields, which may have influenced their responses to the study. Additionally, the fact that the majority of respondents had some level of

working experience suggests that they were able to provide valuable insights and perspectives based on their professional background.

4.3 Control Environment and Cash Management

The first objective of the study is to determine the effect of the control environment on cash management in Kinondoni Municipal Council. The respondents were asked questions, and their responses are indicated in Figure 4.1.

Figure 4.1: Control Environment



	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Segregation of Duties: Responsibilities for cash management are appropriately segregated among different individuals or departments in our council.	18	59	23	0	0
Policies and Procedures: Our council's policies and procedures for cash management are communicated and understood by employees.	41	42.6	13.1	3.3	0
Information Technology Controls: Information technology controls in place for cash management systems are sufficient to mitigate the risks of errors and fraud.	32.8	50.8	16.4	0	0

Source: Field Data (2024)

The study aimed to find out whether responsibilities for cash management are appropriately segregated among different individuals or departments in the council. Findings in Figure 4.1 show that 59% of the respondents agreed, 23% neither agreed nor disagreed, and 18% strongly agreed that responsibilities for cash management are appropriately segregated among different individuals or departments in the council.

Therefore, the majority of the respondents showed that responsibilities for cash management are appropriately segregated among different individuals or departments in the council. This suggests that there is a level of confidence among the respondents that appropriate measures are in place to ensure that different individuals or departments are responsible for different aspects of cash management.

Also, the study aimed to find out whether the council's policies and procedures for cash management are communicated and understood by employees. Findings show that 42.6% of the respondents agreed, 41% strongly agreed, 13.1% neither agreed nor disagreed, and 3.3% disagreed that the council's policies and procedures for cash management are communicated and understood by employees. Therefore, the majority of the respondents showed that the council's policies and procedures for cash management are communicated and understood by employees. This statement suggests that the respondents believe that the council has effectively communicated and ensured understanding of their policies and procedures for cash management among their employees. This demonstrates that the council places importance on transparency and accountability in their financial practices and that employees are likely aware of the protocols they need to follow when handling cash. Overall, this indicates a strong foundation for financial management within the council and a commitment to ensuring that all staff are informed and compliant with their cash management guidelines.

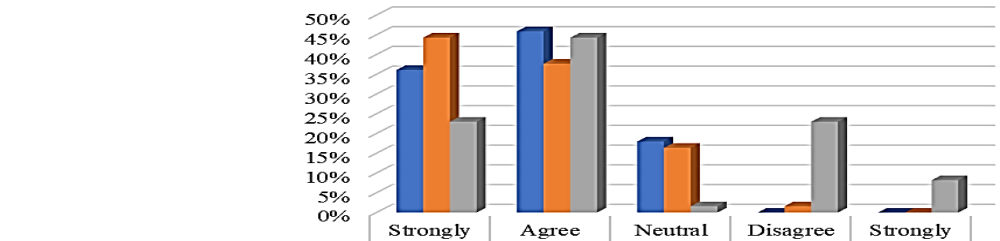
Moreover, the study aimed to find out whether the information technology controls in place for cash management systems are sufficient to mitigate the risks of errors and fraud. Findings show that 50.8% of the respondents agreed, 32.8% strongly

agreed, and 16.4% neither agreed nor disagreed that the information technology controls in place for cash management systems are sufficient to mitigate the risks of errors and fraud. Therefore, the majority of the respondents showed that the information technology controls in place for cash management systems are sufficient to mitigate the risks of errors and fraud. This result suggests that the respondents believe that the current controls and measures in place for cash management systems are adequate to prevent and address errors and fraudulent activities. It implies a level of confidence in the effectiveness of information technology controls in ensuring the security and accuracy of cash management processes.

4.4 Control Activities and Cash Management

The second objective of the study is to examine the effect of control activities on cash management in Kinondoni Municipal Council. The respondents were asked questions, and their responses are indicated in Figure 4.2.

Figure 4.2: Control Activities



	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Dual Authorization: The dual authorization requirement for cash transactions helps prevent fraud and errors in our council.	36.1	45.9	18	0	0
Regular Audits: Our council's cash management practices are audited regularly to ensure compliance and effectiveness.	44.3	37.7	16.4	1.6	0
Cash Management Systems and Software: The use of cash management systems and software tools has improved the efficiency of our cash management processes.	23	44.3	1.6	23	8.2

Source: Field Data (2024)

The study aimed to find out whether the dual authorization requirement for cash transactions helps prevent fraud and errors in a council. Findings in Figure 4.2 show that 45.9% of the respondents agreed, 36.1% strongly agreed, and 18% neither agreed nor disagreed that the dual authorization requirement for cash transactions helps prevent fraud and errors in the council. Therefore, the majority of the respondents showed that the dual authorization requirement for cash transactions helps prevent fraud and errors in the council. This result suggests that the dual authorization requirement for cash transactions is an effective way to prevent fraud and errors within the council. By requiring multiple individuals to approve cash transactions, it ensures that there are checks and balances in place to confirm the legitimacy of the transaction. The fact that the majority of respondents agree with this requirement indicates that it is seen as a valuable tool for maintaining the integrity of financial transactions within the council.

Also, the study aimed to find out whether the council's cash management practices are audited regularly to ensure compliance and effectiveness. Findings show that 44.3% of the respondents strongly agreed, 37.7% agreed, 16.4% neither agreed nor disagreed, and 1.6% disagreed that the council's cash management practices are audited regularly to ensure compliance and effectiveness. Therefore, the majority of the respondents showed that the council's cash management practices are audited regularly to ensure compliance and effectiveness. This indicates a level of accountability and transparency in how the council handles its finances. Moreover, the mention of ensuring compliance and effectiveness implies that the council takes steps to ensure that their cash management practices are in line with regulations and

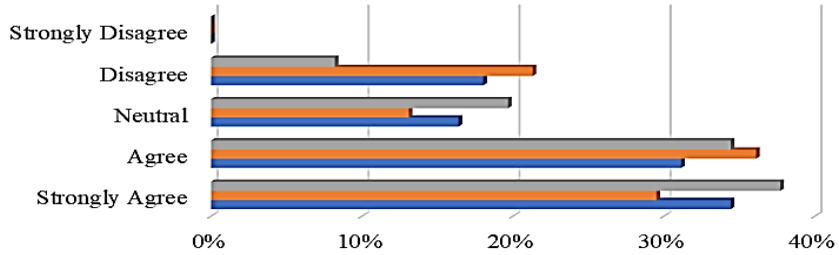
are serving their intended purpose efficiently. Overall, this result shows that the council values responsible financial management and is proactive in maintaining good practices.

Moreover, the study aimed to find out whether the use of cash management systems and software tools has improved the efficiency of cash management processes. Findings in Figure 4.1 show that 44.3% of the respondents agreed, 23% strongly agreed, 23% disagreed, 8.2% strongly disagreed, and 1.6% neither agreed nor disagreed that the use of cash management systems and software tools has improved the efficiency of municipalities' cash management processes. The majority of the respondents showed that the use of cash management systems and software tools has improved the efficiency of municipalities' cash management processes. This result implies that these systems have helped streamline tasks, increase accuracy, reduce errors, and potentially save time and resources. Overall, this finding highlights the significance of utilizing technology in cash management to optimize operations and enhance overall effectiveness.

4.5 Risk Assessment and Cash Management

The third objective of the study is to analyse the effect of risk assessment on cash management in Kinondoni Municipal Council. The respondents were asked questions, and their responses are indicated in Figure 4.3.

Figure 4.3: Risk Assessment



	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Risk Mitigation Strategies: The council's risk mitigation strategies are effective in managing potential risks in cash management.	37.7	34.4	19.7	8.2	0
Risk Measurement: Methods that are used to measure and quantify risks associated with cash management activities are effective.	29.5	36.1	13.1	21.3	0
Risk Identification: The council has the ability to identify the potential risks that could impact cash management operations.	34.4	31.1	16.4	18.0	0

Source: Field Data (2024)

The study aimed to find out whether the council has the ability to identify the potential risks that could impact cash management operations. Findings in Figure 4.3 show that 34.4% of the respondents strongly agreed, 31.1% agreed, 18% disagreed, and 16.4% neither agreed nor disagreed that the council has the ability to identify the potential risks that could impact cash management operations. Therefore, the majority of the respondents showed that the council has the ability to identify the potential risks that could impact cash management operations. This statement suggests that the respondents believe that the council is competent in recognizing and addressing potential risks that could affect the management of cash flow within the council. This means that the council is seen as proactive and diligent in their approach to ensuring financial stability and security. It also indicates a level of trust and confidence in the council's decision-making and risk management abilities.

The study aimed to find out whether methods that are used to measure and quantify risks associated with cash management activities are effective. Findings show that 36.1% of the respondents agreed, 29.5% strongly agreed, 23.1% disagreed, and 13.1% neither agreed nor disagreed that methods that are used to measure and quantify risks associated with cash management activities are effective. Therefore, the majority of the respondents showed that methods that are used to measure and quantify risks associated with cash management activities are effective. This statement suggests that a majority of respondents believe that the methods used to measure and quantify risks related to cash management activities are successful in accurately assessing and managing those risks. It implies that these methods are reliable and provide valuable insights into potential risks, allowing for informed decision-making and risk mitigation strategies within cash management practices. The positive feedback from the respondents indicates that these methods are considered effective tools for ensuring the financial stability and security of a municipality's cash management activities.

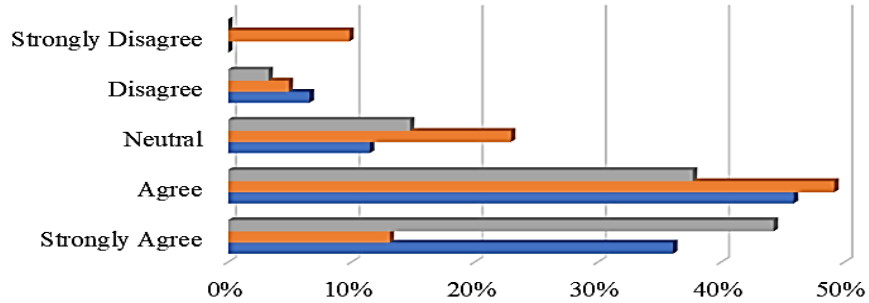
The study aimed to find out whether the council's risk mitigation strategies are effective in managing potential risks in cash management. Findings show that 37.7% of the respondents strongly agreed, 34.4% agreed, 19.7% neither agreed nor disagreed, and 8.2% disagreed that the council's risk mitigation strategies are effective in managing potential risks in cash management. Therefore, the majority of the respondents showed that the council's risk mitigation strategies are effective in managing potential risks in cash management. This statement suggests that the respondents believe that the council's efforts to mitigate risks in cash management

are successful. It implies that the majority of respondents believe that the strategies put in place by the council are effective in addressing and minimizing potential risks. This could indicate a level of confidence in the council's ability to handle financial matters responsibly and protect assets from potential harm. It also suggests that the council's approach to risk management is seen as thorough and well-executed by those surveyed.

4.6 Information and Communication and Cash Management

The fourth objective of the study is to determine the effect of information and communication on cash management in Kinondoni Municipal Council. The respondents were asked questions, and their responses are indicated in Figure 4.4.

Figure 4.4: Information and Communication



	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Efficiency of communication: Communication channels for cash management information is efficient and effective	44.3	37.7	14.8	3.3	0
Accuracy of information: Information on cash management is accurate and reliable to guide financial decision-making.	13.1	49.2	23.0	4.9	9.8
Information Sharing: The council has a high level and quality of information sharing in cash management among different departments.	36.1	45.9	11.5	6.6	0

Source: Field Data (2024)

The study aimed to find out whether the council has a high level and quality of information sharing in cash management among different departments. Findings in Figure 4.4 show that 44.3% of the respondents strongly agreed, 37.7% agreed, 14.8% neither agreed nor disagreed, and 3.3% disagreed that the council has a high level and quality of information sharing in cash management among different departments. Therefore, the majority of the respondents showed that the council has a high level and quality of information sharing in cash management among different departments. The phrase "high level and quality of information sharing" implies that the council not only shares information among departments but does so in a thorough and accurate manner. This suggests that employees have access to the necessary information to make informed decisions related to cash management.

Also, the study aimed to find out whether the information on cash management is accurate and reliable to guide financial decision-making. Findings in Figure 4.4 show that 49.2% of the respondents agreed, 23% neither agreed nor disagreed, 13.1% strongly agreed, 9.8% strongly disagreed, and 4.9% disagreed that the information on cash management is accurate and reliable to guide financial decision-making. Therefore, the majority of the respondents showed that the information on cash management is accurate and reliable to guide financial decision-making. This result suggests that the respondents have found the information on cash management to be trustworthy and helpful in making decisions related to their finances. It implies that the majority of individuals surveyed have confidence in the accuracy and reliability of the information they have received and are therefore likely to use it as a guide in their financial decision-making processes. This indicates that the respondents view

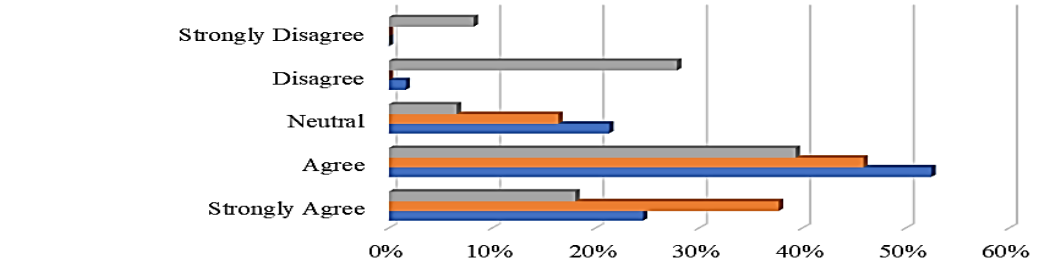
cash management as a valuable tool for managing their money effectively and strategically.

Moreover, the study aimed to find out whether the communication channels for cash management information are efficient and effective. Findings in Figure 4.4 show that 45.9% of the respondents agreed, 36.1% strongly agreed, 11.5% neither agreed nor disagreed, and 6.6% disagreed that communication channels for cash management information are efficient and effective. Therefore, the majority of the respondents showed that the communication channels for cash management information are efficient and effective. This indicates that the communication channels being used are likely clear, easily accessible, and provide the necessary information in a timely manner. Overall, this finding suggests that the current communication processes in place for cash management are meeting the needs and expectations of the majority of respondents.

4.7 Monitoring Activities on Cash Management and Cash Management

The fifth objective of the study is to examine the effect of monitoring activities on cash management in Kinondoni Municipal Council. The respondents were asked questions, and their responses are indicated in Figure 4.5.

Figure 4.5: Monitoring Activities



	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Cash Management: Monitoring activities are effective in detecting and preventing instances of fraud or mismanagement of cash.	18.0	39.3	6.6	27.9	8.2
Compliance with Budgetary Limits: Monitoring activities are ensuring compliance with budgetary limits in cash management.	37.7	45.9	16.4	0	0
Cash Flow Disruptions: Monitoring activities have helped reduce cash flow disruptions within the council.	24.6	52.5	21.3	1.6	0

Source: Field Data (2024)

The study aimed to find out whether the monitoring activities have helped reduce cash flow disruptions within the council. Findings in Figure 4.5 show that 52.5% of the respondents agreed, 24.6% strongly agreed, 21.3% neither agreed nor disagreed, and 1.6 disagreed that monitoring activities have helped reduce cash flow disruptions within the council. Therefore, the majority of the respondents showed that monitoring activities have helped reduce cash flow disruptions within the council. This suggests that the respondents see monitoring as a valuable tool for maintaining financial stability and possibly preventing financial crises within the council. The use of monitoring activities may have contributed to improved financial management, allowing for better control and forecasting of cash flow and expenditure. Overall, this implies that the council's efforts in monitoring activities have been successful in mitigating cash flow disruptions and ensuring financial sustainability.

Moreover, the study aimed to find out whether the monitoring activities are ensuring compliance with budgetary limits in cash management. Findings show that 45.9% of the respondents agreed, 37.7% strongly disagreed, and 16.4% neither agreed nor disagreed that monitoring activities are ensuring compliance with budgetary limits in cash management. Therefore, the majority of the respondents showed that monitoring activities are ensuring compliance with budgetary limits in cash management. This statement suggests that the respondents have indicated that monitoring activities play a crucial role in ensuring that budgetary limits are adhered to in cash management. It implies that overseeing and tracking financial activities are effective in maintaining compliance with set budget constraints. Monitoring activities likely involve regular checks, evaluations, and analysis of financial transactions and expenditures to prevent overspending or deviations from the budget. This interpretation highlights the importance of active supervision and control in managing financial resources effectively within the established budgetary framework.

Furthermore, the study aimed to find out whether the monitoring activities are effective in detecting and preventing instances of fraud or mismanagement of cash. Findings show that 39.3% of the respondents agreed, 27.9% disagreed, 18% strongly agreed, 8.2% strongly disagreed, and 6.6% neither agreed nor disagreed that the monitoring activities are effective in detecting and preventing instances of fraud or mismanagement of cash. Therefore, the majority of the respondents showed that monitoring activities are effective in detecting and preventing instances of fraud or mismanagement of cash. This statement suggests that a significant number of the

respondents believe that monitoring activities are a successful method for identifying and stopping fraud or mishandling of funds. It implies that these individuals perceive monitoring as an essential tool in maintaining financial integrity and safeguarding against unethical or illicit behaviors. The emphasis on the effectiveness of monitoring activities indicates a common belief among the respondents that proactive surveillance and oversight play a crucial role in detecting and curbing financial misconduct within the municipality. It underscores the importance of vigilance and oversight in promoting transparency, accountability, and compliance with ethical standards in financial management.

4.7 Inferential Analysis

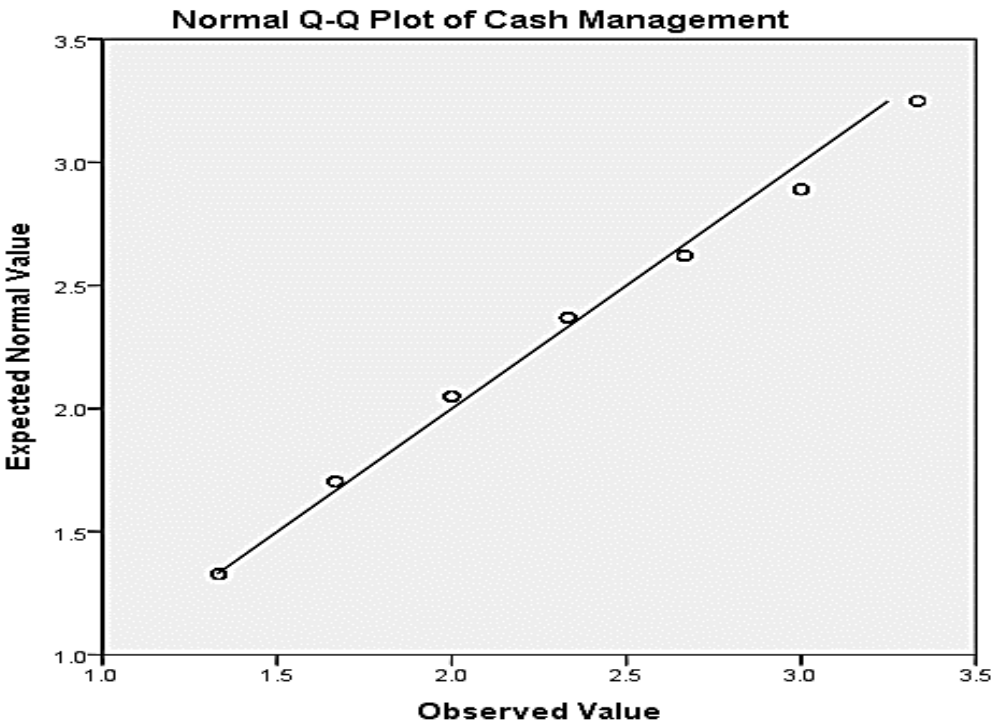
The study performed multiple regression analysis to study relationship between variables. Before doing the multiple regression analysis, the researchers ran basic diagnostic tests such as normality, multi-collinearity, and autocorrelation to ensure that the data was fit. Furthermore, a Pearson correlation was used to identify the extent of the relationship between variables.

4.7.1 Diagnostic Test

4.7.1.1 Normality Test

A normality test was employed to determine whether the data distribution was normally distributed. Figure 4.6 shows that dots are located closer to the diagonal line. The closer the dots are to the diagonal line, the more regularly distributed the residuals are. As a result, the dotted line trend indicates that the data are regularly distributed, and the normality assumption is accepted.

Figure 4.6: Normal Q - Q plot of Regression Standardized Residual



Source: Field data, 2024

4.7.1.2 Multi-Collinearity Test

The problem of high multi-collinearity increases the variance of parameter estimation, and the estimation results are very sensitive to small changes in the model, that is, weak and difficult to explain. The high multicollinearity problem was diagnosed, and the results are shown in Table 4.2, which includes the Tolerance values (1/VIF) and Values of Inflation Factor (VIF). When 1/VIF is less than 0.10 and the VIF is greater than 10, there is a problem of multi-collinearity. The results in Table 4.2 shows that there is no significant correlation between the explanatory variables, that is, there is no multi-collinearity problem, because VIF is less than 10 and 1/VIF is higher than 0.10.

Table 4.2: Collinearity Diagnosis

Variables	Collinearity Statistics	
	Tolerance (1/VIF)	**VIF**
Control Environment	0.356	2.810
Control Activities	0.878	1.139
Risk Assessment	0.548	1.824
Information and Communication	0.612	1.633
Monitoring Activities	0.658	1.519

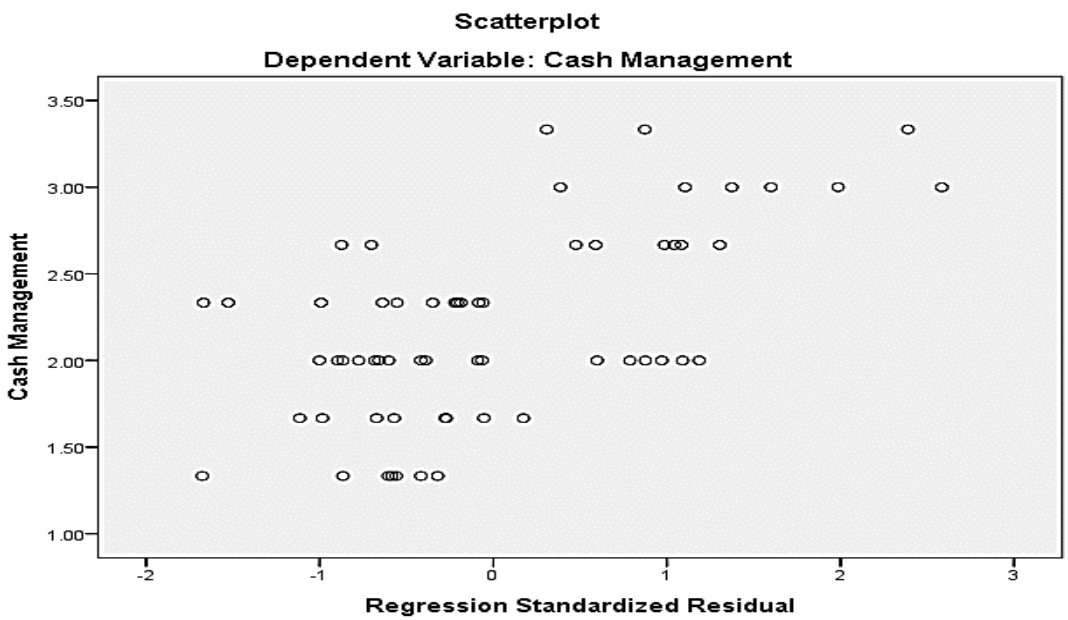
Dependent Variable: Financial Performance

Source: Field data, 2024

4.7.1.3 Homoscedasticity Test

The residuals should have a constant variance to meet the regression assumptions and be able to trust the results. Since, the points in Figure 4.7 are scattered, the data have a homoscedasticity condition.

Figure 4.7: Homoscedasticity Test



Source: Field data, 2024

4.8.2 Correlation Analysis

The correlation test was applied to determine the extent of the relationship and statistically significant between the independent and dependent variables. Results in Table 4.3 show that the control environment is statistically significant at p-value = 0.000 with R = 0.764; control activities are statistically significant at p-value = 0.001 with R = 0.419; risk assessment are statistically significant at p-value = 0.000 with R = 0.509; information and communication are statistically significant at p-value = 0.000 with R = 0.504; and monitoring activities are statistically significant at p-value = 0.000 with R = 0.439.

These results reveal that control environment has a strong correlation, while risk assessment, and information and communication have a moderately positive correlation with cash management. Also, these results reveal that control activities, and monitoring activities have a weak positive correlation with cash management.

Table 4.3: Correlation Matrix

Variables		Control Environment	Control Activities	Risk Assessment	Information and Communication	Monitoring Activities	Cash Management
Control Environment	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	61					
Control Activities	Pearson Correlation	.308*	1				
	Sig. (2-tailed)	.016					
	N	61	61				
Risk Assessment	Pearson Correlation	.613**	.126	1			
	Sig. (2-tailed)	.000	.335				
	N	61	61	61			
Information and Communication	Pearson Correlation	.556**	.065	.546**	1		
	Sig. (2-tailed)	.000	.621	.000			
	N	61	61	61	61		
Monitoring Activities	Pearson Correlation	.558**	.109	.228	.234	1	
	Sig. (2-tailed)	.000	.402	.077	.070		
	N	61	61	61	61	61	
Cash Management	Pearson Correlation	.764**	.419**	.509**	.504**	.439**	1
	Sig. (2-tailed)	.000	.001	.000	.000	.000	
	N	61	61	61	61	61	61
*. Correlation is significant at the 0.05 level (2-tailed).							
**. Correlation is significant at the 0.01 level (2-tailed).							

Source: Field data, 2024

4.8.3 Model Summary Results

Results in Table 4.4 indicate the overall Pearson correlation coefficient (R) of 0.8 for all independent variables. This level of R indicates that the independent variables and the dependent variable have a strong positive relationship.

Moreover, the results in Table 4.4 depict the R-square of 0.640. This coefficient of determination shows that internal controls explain about 64% of

the proportional change in the cash management. The rest of the variation 0.36 (36%) is explained by other factors not studied in this research. The R-squared percentage (64%) indicates that the model is effective in explaining fluctuations in the cash management caused by internal controls.

In addition, the Durbin-Watson test was used to see if there was any autocorrelation in Table 4.4. The observations (residuals) should be independent, which is one of the regression assumptions. When observations are made over a period of time, they are very likely connected. Durbin-Watson statistics should be between 1.5 and 2.5 when there is no autocorrelation (related to subsequent observations). Because the statistic value of the Durbin-Watson test (i.e. 1.864) from Table 4.4 is within the specified range, it indicates that there is no autocorrelation and so the data is fit.

Table 4.4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.800[a]	.640	.607	.34426	1.864

a. Predictors: (Constant), Monitoring Activities, Control Activities, Information and Communication, Risk Assessment, Control Environment
b. Dependent Variable: Cash Management
Source: Field data, 2024

4.8.4 ANOVA

Moreover, the goodness of the model was tested by using ANOVA as shown in the Table 4.5. Since p-value (0.000) is less than 0.05, then, the null hypothesis (There is no goodness of fit) is rejected. Hence, results reveal that the goodness of fit is significant at ($F= 19.572$, $P<0.05$, $n=61$). Statistically, the results reveal that the model is good to predict dependent variable.

Table 4.5: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.598	5	2.320	19.572	.000[b]
	Residual	6.518	55	.119		
	Total	18.117	60			
a. Dependent Variable: Cash Management						
b. Predictors: (Constant), Monitoring Activities, Control Activities, Information and Communication, Risk Assessment, Control Environment						

Source: Field data, 2024

4.8.5 Multiple Regression Results

Furthermore, results in Table 4.6 showed that control environment, control activities, risk assessment, information and communication, and monitoring activities are statistically significant at (t=4.046, p(0.000)<0.05, n=61), (t=2.636, p(0.011)<0.05, n=61), (t=0.481, p(0.033)<0.05, n=61), p(t=1.366, p(0.047)<0.05, n=61), and p(t=0.631, p(0.031)<0.05, n=61) respectively.

Moreover, results in Table 4.6 likewise express Unstandardized Coefficients whereby control environment show a higher positive effect on cash management at B = 0.499, followed by control activities at B = 0.203, information and communication at B = 0.155, and monitoring activities at B = 0.055, and risk assessment at B = 0.039. These results reveal that every change (increase) of one unit in control environment, control activities, information and communication, monitoring activities, and risk assessment results in a change (increase) in financial performance by 0.499, 0.203, 0.155, 0.055, and 0.039, respectively. By applying Unstandardized Coefficients from Table 4.6, the model becomes;

Cash management = 0.261 + 0.499 (control environment) + 0.203 (control activities) + 0.039 (risk assessment) + 0.155 (information and communication) +0.055 (monitoring activities)

Table 4.6: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.301	.265		1.136	.261
Control Environment	.499	.123	.549	4.046	.000
Control Activities	.203	.077	.228	2.636	.011
Risk Assessment	.039	.082	.052	.481	.033
Information and Communication	.155	.113	.141	1.366	.047
Monitoring Activities	.055	.087	.063	.631	.031

a. Dependent Variable: Cash Management

Source: Field data, 2024

4.8.4 Summary of the Findings

The study assessed the effect of internal controls over cash management in local government authorities base on the following hypotheses;

Table 4.7: Summary of findings of the Tested Hypotheses

Hypothesis	Comparison	Decision
H_0: Control environment has no effect on cash management in Kinondoni Municipal Council. H_1: Control environment has an effect on cash management in Kinondoni Municipal Council.	P-value (0.000) < 0.05	Null hypothesis is Rejected
H_0: Control activities have no effect of on cash management in Kinondoni Municipal Council. H_1: Control activities have an effect of on cash management in Kinondoni Municipal Council.	P-value (0.011) < 0.05	Null hypothesis is Rejected
$H_{0:}$ Risk assessment has no effect on cash management in Kinondoni Municipal Council. H_1: Risk assessment has an effect on cash management in Kinondoni Municipal Council.	P-value (0.033) < 0.05	Null hypothesis is Rejected
$H_{0:}$ Information and communication have no effect on cash management in Kinondoni Municipal Council. H_1 Information and communication have an effect on cash management in Kinondoni Municipal Council.	P-value (0.047) < 0.05	Null hypothesis is Rejected
$H_{0:}$ Monitoring activities has no effect on cash management in Kinondoni Municipal Council. H_1 Monitoring activities has an effect on cash management in Kinondoni Municipal Council.	P-value (0.031) < 0.05	Null hypothesis is Rejected

Source: Field data, 2024

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 Introduction

This section debates the findings of the study analysed in chapter four, and the discussion of the findings is based on specific objectives.

5.2 Control Environment and Cash Management

The study aimed to determine the effect of the control environment on cash management in Kinondoni Municipal Council. Findings show that the control environment is statistically significant. Also, the study found that the control environment has a higher positive effect on cash management compared to other variables. This implies that the control environment is a more important factor in determining cash management practices than other factors that were examined in the municipality. In other words, the findings suggest that a strong control environment is essential for effective cash management. This makes sense, as a strong control environment would provide a solid foundation for managing cash flows, monitoring financial transactions, and ensuring compliance with regulatory requirements.

These findings are consistent to those of Onsindu et al. (2022) who showed that control environment has a positive impact on cash management. The positive significance is due to the segregation of duties. These results, correlated with the majority of the respondents in the study, showed that responsibilities for cash management are appropriately segregated among different individuals or departments in the council. This suggests that there is a level of confidence among

the respondents that appropriate measures are in place to ensure that different individuals or departments are responsible for different aspects of cash management.

Also, a positive impact is a result of awareness of the council's policies and procedures, as the majority of the respondents showed that the council's policies and procedures for cash management are communicated and understood by employees. This shows that the council has communicated its cash management policies and procedures clearly to its employees, and the employees have a good understanding of these policies and procedures.

Likewise, a positive impact is a result of an effective use of information technology controls as the majority of the respondent showed that information technology controls in place for cash management systems are sufficient to mitigate the risks of errors and fraud. According to Atugasha (2019), cash management systems are critical to an organization's financial operations, as they involve managing cash inflows and outflows, tracking accounts, and ensuring compliance with financial regulations. Errors and fraud in these systems can have significant financial and reputational consequences.

The findings of the study are different from those of Mfuse (2022), who indicated that the control environment has no impact on cash management. These results show that the control environment of a municipality has no direct impact on cash management because it is a broader organizational framework that sets the tone for internal control. While a strong control environment is essential for ensuring that all internal controls are effective, it is not directly related to cash management, which is a specific function within the organization.

5.3 Control Activities

The study aimed to examine the effect of control activities on cash management in Kinondoni Municipal Council. Findings show that control activities are positive statistically significant. Therefore, findings show that control activities have a significant positive impact on cash management. Control activities have a positive and significant impact on cash management due to several key reasons. The study aimed to examine the effect of control activities on cash management in Kinondoni Municipal Council. Findings show that control activities are positive statistically significant. Therefore, findings show that control activities have a significant positive impact on cash management. Control activities have a positive and significant impact on cash management due to several key reasons. Firstly, according to Abiodun (2020), effective control activities ensure that all transactions are properly recorded and accounted for, thereby reducing the risk of errors, omissions, or fraudulent activities that can disrupt cash flows.

Secondly, according to Ejoh and Ejom (2014), control activities help to identify and address any potential cash flow problems early on, allowing organizations to take proactive measures to mitigate the impact of cash shortages or excesses. Thirdly, control activities enable organizations to optimize their cash conversion cycle by streamlining their accounts receivable and payable processes, thereby reducing the amount of time and resources required to manage cash flows.

Additionally, as indicated by VU et al. (2020), control activities provide a high level of transparency and accountability, allowing organizations to track and analyze their cash flows in real-time, making it easier to identify areas for improvement and make

data-driven decisions. Finally, control activities help to ensure compliance with regulatory requirements and industry standards, thereby reducing the risk of financial penalties or reputational damage.

The findings of this study are in line with Biseko (2023), who indicated that control activities have a significant positive impact on cash management. Control activities have a significant positive impact on cash management because they enable organizations to effectively monitor and regulate their cash inflows and outflows. By implementing strong control activities, such as regular cash reconciliations, cash forecasting, and transaction authorization, municipalities can ensure that their cash is being used efficiently and effectively. This leads to improved cash management, as organizations can identify and address any potential cash flow issues before they become major problems.

This is a fact, as the majority of the respondents during the study showed that the dual authorization requirement for cash transactions helps prevent fraud and errors in the council. For instance, according to Asiligwa and Rennox (2017), a robust system of internal controls prevents unauthorized transactions from being made, reducing the risk of cash loss or theft. Furthermore, control activities provide valuable insights into cash flow patterns, allowing corporations to make informed decisions about investments, funding, and other strategic initiatives.

Also, the positive impact of control activities on cash management is the result of the majority of the respondents' showing that the council's cash management practices are audited regularly to ensure compliance and effectiveness. Regular auditing ensures that the council's cash management practices are in compliance with relevant

laws, regulations, and standards. This reduces the risk of non-compliance, which can lead to financial losses, reputational damage, and even legal consequences.

According to Ernest and Nwinyokpugi (2023), regular auditing informs better decision-making by identifying areas where cash management practices can be improved, such as optimizing investment returns, reducing costs, or improving cash flow forecasting. Thus, when the council's cash management practices are audited regularly, it can increase confidence among stakeholders, including the public, investors, and creditors, in the council's ability to manage its finances effectively.

Moreover, the positive impact of control activities on cash management is the result of the majority of the respondents showing that the use of cash management systems and software tools has improved the efficiency of the municipality’s cash management processes. This result implies that these systems have helped streamline tasks, increase accuracy, reduce errors, and potentially save time and resources.

The findings of this study are different from those of Peringa (2017) and Mfuse (2022), who indicated that control activities have no significant impact on cash management. This occurs if the municipality’s cash flow forecasting is inaccurate; even the best control activities will not be able to mitigate the impact of poor cash management. Inaccurate forecasts lead to incorrect cash flow projections, which can result in insufficient or excessive liquidity. Also, if a municipality lacks financial discipline, even effective control activities cannot overcome the negative impact of poor financial decision-making on cash management. Lack of financial discipline leads to poor investment decisions, excessive spending, and inadequate planning for future cash needs.

5.4 Risk Assessment and Cash Management

The study aimed to analyze the effect of risk assessment on cash management at Kinondoni Municipal Council. Findings show that risk assessment is positive and statistically significant. Therefore, findings show that risk assessment has a significant positive impact on cash management. Risk assessment has a positive and significant impact on cash management because the council has the ability to identify the potential risks that could impact cash management operations. The council's ability to analyze financial data and identify trends enables it to proactively address potential risks before they materialize, thereby mitigating the impact of any disruptions on cash management operations.

Also, a positive and significant impact is a result of the majority of the respondents who showed that methods that are used to measure and quantify risks associated with cash management activities are effective in the municipality. For instance, according to Bondina et al. (2021), the use of cash flow forecasting tools enables the municipality to anticipate and prepare for potential cash shortfalls, thereby reducing the likelihood of delayed or missed payments. Additionally, the implementation of risk assessment and mitigation strategies, such as diversifying investments and monitoring market trends, helps to minimize the impact of market fluctuations on the municipality's cash reserves. The use of sensitivity analysis and stress testing also allows the municipality to identify potential vulnerabilities and develop contingency plans to address them.

The findings of this study are consistent with those Fred (2015), and Yunisa and Harahap (2023), who indicated that risk assessment has a significant positive impact

on cash management. Their findings are in line with the majority of the respondents during the study, who showed that the council's risk mitigation strategies are effective in managing potential risks in cash management. This statement suggests that the respondents believe that the council's efforts to mitigate risks in cash management are successful.

The findings of this study are supported by institutional theory, which highlights the role of formal rules and regulations in shaping internal controls. Local government authorities are subject to various legal and regulatory requirements regarding cash management, including risk assessment and monitoring. As indicated by Willmott (2015), these requirements are often designed to promote transparency, accountability, and the prevention of fraud and mismanagement.

According to this theory, formal rules and regulations play a significant role in shaping internal controls, as they provide a framework for ensuring the efficient and effective management of public funds. Specifically, according to Meyer et al. (2017), local government authorities are required to conduct regular risk assessments and monitoring to ensure that their cash management practices are in compliance with relevant laws and regulations. This not only helps to mitigate potential risks but also ensures transparency and accountability in the management of public funds.

The findings of the study are different from those of Peringa (2017), who showed that the organization lacks internal auditors who regularly update training curricula to reflect evolving operational and risk management practices. The study's findings revealed a significant gap in the organization's internal auditing process. Specifically, the results showed that the organization lacks internal auditors who are responsible

for regularly updating training curricula to reflect the evolving nature of operational and risk management practices. This suggests that the organization's training programs may not be adequately equipped to address the changing needs and risks of the business, which could potentially lead to a lack of preparedness for new challenges and threats.

5.5 Information and Communication and Cash Management

The study aimed to determine the effect of information and communication on cash management in Kinondoni Municipal Council. The findings show that information and communication are statistically significant. These findings show that information and communication have a significant positive impact on cash management. Information and communication technologies have a significant positive impact on cash management by providing real-time visibility into cash flows, enabling swift and informed decision-making. According to Kobushko et al. (2021), with the use of digital tools, such as online accounting systems and mobile banking apps, businesses can quickly access and analyze financial data, identify potential cash flow issues, and respond promptly to unexpected changes in cash requirements.

The positive impact of information and communication on cash management is supported by the majority of the respondents, who indicated that the council has a high level and quality of information sharing in cash management among different departments. The respondents' feedback indicates that the council has a high level of information sharing in cash management among different departments. This means that financial data is readily available, accurate, and up-to-date, which enables informed decision-making. With accurate and timely information, the council can

better forecast cash inflows and outflows, reducing the likelihood of cash shortages or overages. This helps to maintain a healthy cash position, reducing the need for emergency borrowing or other costly measures.

Also, the positive impact of information and communication on cash management is a result of the majority of the respondents who showed that the information on cash management is accurate and reliable to guide financial decision-making. This result suggests that the respondents have found the information on cash management to be trustworthy and helpful in making decisions related to their finances. The findings of the study reveal that the majority of respondents in the municipality reported that the information on cash management is accurate and reliable, which has a positive impact on cash management. According to Nogueira and Jorge (2017), accurate and reliable information enables financial decision-makers to make informed decisions, as they are able to accurately assess the municipality's financial position, identify potential risks and opportunities, and develop effective strategies to manage cash flows.

In turn, this leads to improved cash management practices, such as timely and accurate forecasting of cash inflows and outflows, effective cash allocation, and optimal use of cash resources. This is crucial to ensuring the municipality's financial stability and sustainability, as well as its ability to deliver essential services to its citizens. Additionally, accurate and reliable information on cash management also enables the municipality to identify areas for improvement, reduce costs, and increase efficiency in its financial operations.

The findings of the study are in line with those of Fred (2015) in Somali, who discovered that there is effective internal control, including information and communication. Effective information and communication enable the municipality to identify fraud, errors, and cash misappropriation that can cause issues and cause the business to fail. Effective information and communication systems are crucial for municipalities to identify and prevent fraud, errors, and cash misappropriation. A well-designed system enables timely and accurate data collection, processing, and dissemination of financial information. This allows for real-time monitoring of financial transactions, enabling prompt detection and investigation of suspicious activities.

The majority of the respondents in the study showed that the communication channels for cash management information are efficient and effective. This indicates that the communication channels being used are likely clear, easily accessible, and provide the necessary information in a timely manner. The findings of the study are different from those of Yunisa and Harahap (2023), who found that there was an ineffective internal control system in their study. Inefficient information systems lead to delayed or incomplete financial reporting, making it difficult for management to make informed decisions. Furthermore, inadequate communication among departments and personnel hindered the effective execution of internal controls, leading to misunderstandings, delays, and errors.

5.6 Monitoring Activities on Cash Management and Cash Management

The study aimed to examine the effect of monitoring activities on cash management in Kinondoni Municipal Council. Findings show that monitoring activities is positive

statistically significant. These findings show that monitoring activities have a positive significant impact on cash management.

The positive impact of monitoring activities on cash management is a result of the majority of respondents showed that monitoring activities have helped reduce cash flow disruptions within the council. This suggests that the respondents see monitoring as a valuable tool in maintaining financial stability and possibly preventing financial crises within the council. In essence, monitoring activities have served as a safeguard against cash flow disruptions, which can have far-reaching consequences for an organization. According to Sibanda (2017), by regularly tracking and analyzing financial data, the council can identify potential issues before they escalate into full-blown problems. This proactive approach enables the council to take prompt corrective action, thereby minimizing the risk of financial instability.

Also, the positive impact of monitoring activities on cash management is a result of the majority of the respondents showing that monitoring activities are ensuring compliance with budgetary limits in cash management. This is because monitoring enables organizations to track their cash inflows and outflows, identify areas of inefficiency, and make informed decisions to optimize their cash resources. By doing so, municipalities ensure that they are operating within their budgetary limits, thereby reducing the risk of overspending and financial instability.

According to Soboleva et al. (2018), effective monitoring activities enable municipality to identify and address potential cash flow problems early on, thereby preventing costly and time-consuming crises. Moreover, monitoring activities help

municipality to detect and prevent fraudulent activities, such as unauthorized transactions or embezzlement, which have a significant impact on cash management.

Moreover, the positive impact of monitoring activities on cash management is a result of the majority of the respondents showed that monitoring activities are effective in detecting and preventing instances of fraud or mismanagement of cash. This is because regular monitoring enables cash management teams to identify and address potential vulnerabilities in the financial system, thereby reducing the risk of fraudulent activities or mismanagement of cash.

According to Mugume (2020), by implementing robust monitoring processes, municipality can detect and prevent irregularities, such as unauthorized transactions, misappropriation of funds, or misreporting of financial information. Therefore, monitoring helps to identify and address operational inefficiencies, which result in cost savings and improved cash flow.

The findings of the study are in line with those of Lema and Mbuti (2023), and Bayissa (2017) showed that internal control monitoring activities performed well in their institutions. Monitoring accounts payable and accounts receivable in these institutions helped identify potential delays or issues with payment processing, allowing for prompt action to be taken to resolve any issues. Regular monitoring of cash management activities enables these institutions to identify and capitalize on opportunities to reduce costs, improve efficiency, and increase profitability.

The findings of the study are different from those of Al-Beity (2022), who indicated that local government authorities have weak internal monitoring activities to manage their cash. These results imply that many local governments are not regularly

monitoring their cash balances, which can lead to overspending and cash shortages. Additionally, many authorities are not utilizing cash flow forecasting tools, which can help them anticipate and prepare for cash flow fluctuations.

Furthermore, the findings of the study are supported by the agency theory, which focused on the relationship between the principal (local government authority) and the agent (employees responsible for cash management). The agency theory posits that agents, such as cash management employees, may act in their own self-interest rather than in the best interests of the principal (local government authority) (Mitnick, 2019). To mitigate this risk, internal monitoring activities are implemented to ensure that cash is managed efficiently and effectively. These activities included regular audits, cash reconciliations, and reporting requirements.

CHAPTER SIX

CONCLUSION, AND RECOMMENDATIONS

6.1 Introduction

This chapter presents the conclusion, and recommendations of the study.

6.2 Conclusion

The study concludes that the control environment has a higher positive significant effect on cash management compared to other variables. The study found that a strong control environment, including segregation of duties, policies and procedures, and information technology controls, enables effective cash management by providing a framework for decision-making, ensuring accountability, and promoting transparency. An effective control environment was a result of segregation of duties, effective policies and procedures, and information technology controls.

Also, the study concludes that control activities have a positive significant impact on cash management. This implies that municipality that implement robust control activities, including dual authorization, regular audits, and cash management systems and software, are able to better manage their cash flows, reduce cash shortfalls, and minimize the risk of cash shortages. This is because control activities help to ensure that cash inflows and outflows are accurately recorded and reported, allowing municipality to make informed decisions about their cash management.

Moreover, the study concludes that risk assessment has a positive significant impact on cash management. The study's findings imply that risk assessments, including risk identification, risk measurement, and risk mitigation strategies, help municipality

identify potential cash flow risks, such as changes in customer payment patterns or unexpected fluctuations in market demand. By identifying these risks, municipality can take proactive measures to mitigate them, such as diversifying their customer base or maintaining a cash reserve.

Furthermore, the study concludes that information and communication, including information sharing, accuracy of information, and efficiency of communication, have a significant positive impact on cash management. The study implies that when information is shared effectively and communicated clearly, it enables businesses to make more informed decisions about cash flow, reduce errors, and improve forecasting. This, in turn, leads to improved cash management outcomes.

Additionally, the study concludes that monitoring activities, including cash flow disruptions, compliance with budgetary limits, and cash management, have a significant positive impact on cash management. The study found that municipality that regularly monitor their cash flow and take corrective actions to address any disruptions are more likely to have better cash management practices. This is because monitoring cash flow allows municipality to identify potential issues early on and take proactive measures to mitigate them.

6.2 Recommendations

First, the study suggests the municipality should prioritize the development of a strong control environment to ensure effective cash management. This can be achieved by establishing clear policies, procedures, and standards for cash handling, monitoring, and reporting.

Second, the study suggests that municipality should prioritize implementing effective control activities to ensure proper cash management. This could include activities such as dual authorization, regular audits, and, cash management systems and software.

Third, the study recommends that the municipality should prioritize risk assessment as a critical component of their cash management strategies to ensure effective financial planning and management.

Fourth, the study suggests that the municipality should focus on implementing or enhancing its information and communication systems to ensure that all relevant stakeholders, including government officials, citizens, and business partners, have access to accurate and timely information. This could include implementing digital platforms, training employees on effective communication practices, and establishing clear protocols for sharing information.

Fifth, the study suggests that municipality should make a conscious effort to monitor their activities more closely in order to better manage their finances, which would lead to improved financial health and decision-making.

6.3 Recommendations for Further Studies

Other studies should investigate the impact of internal controls on financial performance. This can involve examining financial indicators such as cash flow, profitability, and solvency.

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APPENDICES

APPENDIX: QUESTIONNAIRE TO EMPLOYEES

Dear respondent,

I am **Jesca Francis Mpanju**, a student at the Open University of Tanzania, pursuing a Master's degree in **Finance and Management.** This questionnaire is designed to collect information on the "*Effect of Internal Controls Over Cash Management in Local Government Authorities: The Case of Kinondoni Municipal Council*". The information obtained will only be used for academic purposes and shall be treated with the utmost confidence. You are requested to complete this questionnaire as honestly and objectively as possible. Note that you are not required to indicate your name anywhere on the questionnaire.

Questionnaire No. [ ]

The current position of the respondent: ……....

SECTION A: DEMOGRAPHIC DETAILS

Please tick (✓) the appropriate answer of the below questions;

1) Gender of the respondent:

Male	
Female	

2) Education level

Certificate	Diploma	Bachelor's Degree	Master's Degree	PhD

3) Working experience of the respondents.

a) Less than 3 years [ ]

b) Between 3 – 5years [ ]

c) More than 5 years [ ]

SECTION B: Control Environment and Cash Management

4) For each statement below put a tick (√) to state your level of agreement or disagreement (Strongly Agree, Agree, Neutral, Disagree, Strongly Disagreed).

	Statement	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
a	**Segregation of Duties**: Responsibilities for cash management are appropriately segregated among different individuals or departments in our council.					
b	**Policies and Procedures**: Our council's policies and procedures for cash management are communicated and understood by employees.					
c	**Information Technology Controls**: Information technology controls in place for cash management systems are sufficient to mitigate the risks of errors and fraud.					

SECTION C: Control Activities and Cash Management

5) For each statement below put a tick (√) to state your level of agreement or disagreement (Strongly Agree, Agree, Neutral, Disagree, Strongly Disagreed).

	Statement	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
a	**Dual Authorization**: The dual authorization requirement for cash transactions helps prevent fraud and errors in our council.					
b	**Regular Audits:** Our council's cash management practices are audited regularly to ensure compliance and effectiveness.					
c	**Cash Management Systems and Software:** The use of cash management systems and software tools has improved the efficiency of our cash management processes.					

SECTION D: Risk Assessment and Cash Management

6) For each statement below put a tick (√) to state your level of agreement or disagreement (Strongly Agree, Agree, Neutral, Disagree, Strongly Disagreed).

	Statement	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
a	**Risk Identification**: The council has the ability to identify the potential risks that could impact cash management operations.					
b	**Risk Measurement**: Methods that are used to measure and quantify risks associated with cash management activities are effective.					
c	**Risk Mitigation Strategies**: The council's risk mitigation strategies are effective in managing potential risks in cash management.					

SECTION E: Information and Communication, and Cash Management

7) For each statement below put a tick (√) to state your level of agreement or disagreement (Strongly Agree, Agree, Neutral, Disagree, Strongly Disagreed).

	Statement	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
a	**Information Sharing**: The council has a high level and quality of information sharing in cash management among different departments.					
b	**Accuracy of information**: Information on cash management is accurate and reliable to guide financial decision-making.					
c	**Efficiency of communication:** Communication channels for cash management information is efficient and effective.					

SECTION F: Monitoring Activities and Cash Management

	Statement	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
a	**Cash Flow Disruptions:** Monitoring activities have helped reduce cash flow disruptions within the council.					
b	**Compliance with Budgetary Limits:** Monitoring activities are ensuring compliance with budgetary limits in cash management.					
c	**Cash Management**: Monitoring activities are effective in detecting and preventing instances of fraud or mismanagement of cash.					

SECTION G: Cash Management Status

	Statement	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
a	In our council, there is an effective budgeting and forecasting process.					
b	The council is effective in managing debt.					
c	The council has good cash handling and control practices.					

THANK YOU FOR YOUR COOPERATION