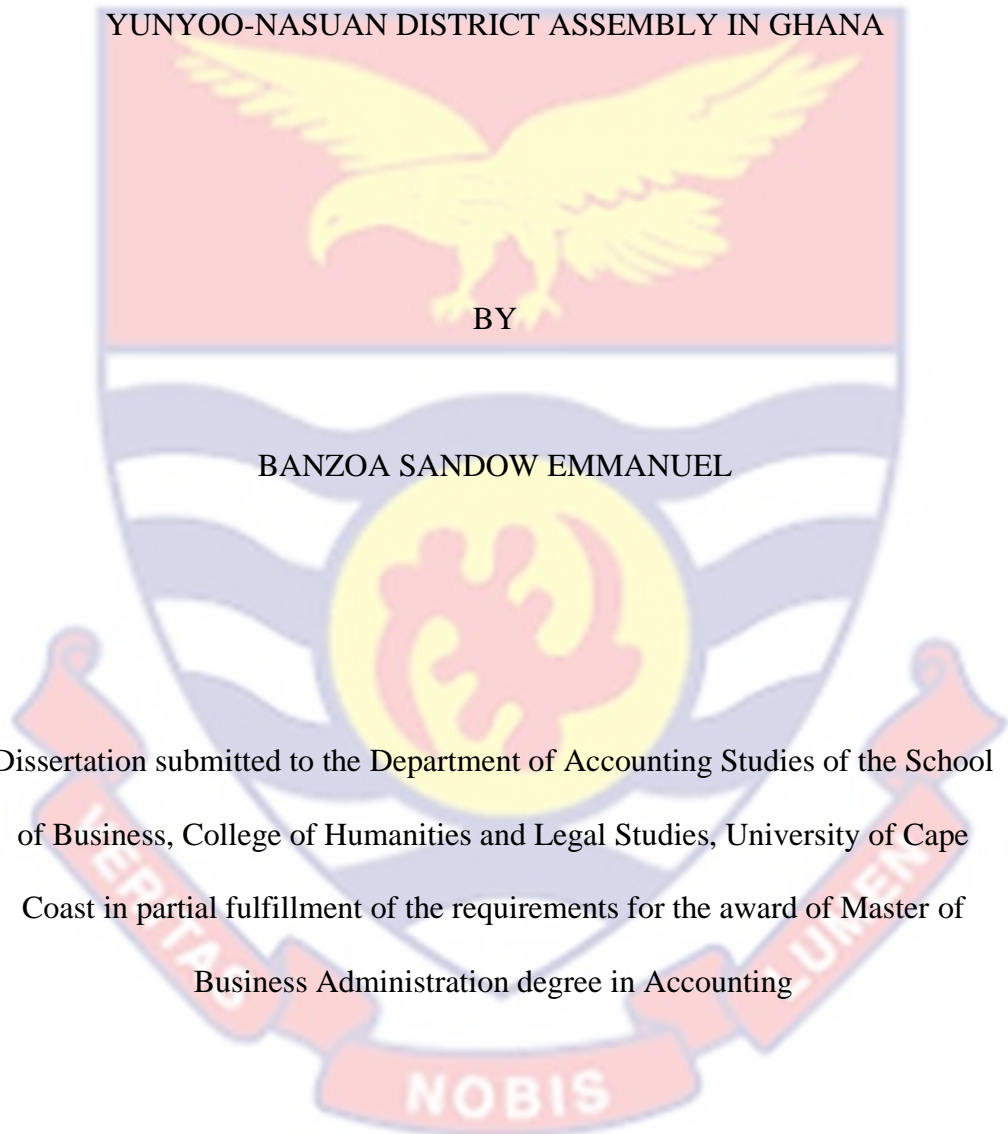


UNIVERSITY OF CAPE COAST

EFFECT OF FINANCIAL CONTROLS ON CASH MANAGEMENT IN  
YUNYOO-NASUAN DISTRICT ASSEMBLY IN GHANA



Dissertation submitted to the Department of Accounting Studies of the School of Business, College of Humanities and Legal Studies, University of Cape Coast in partial fulfillment of the requirements for the award of Master of Business Administration degree in Accounting

AUGUST 2021

## DECLARATION

### Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature ..... Date.....

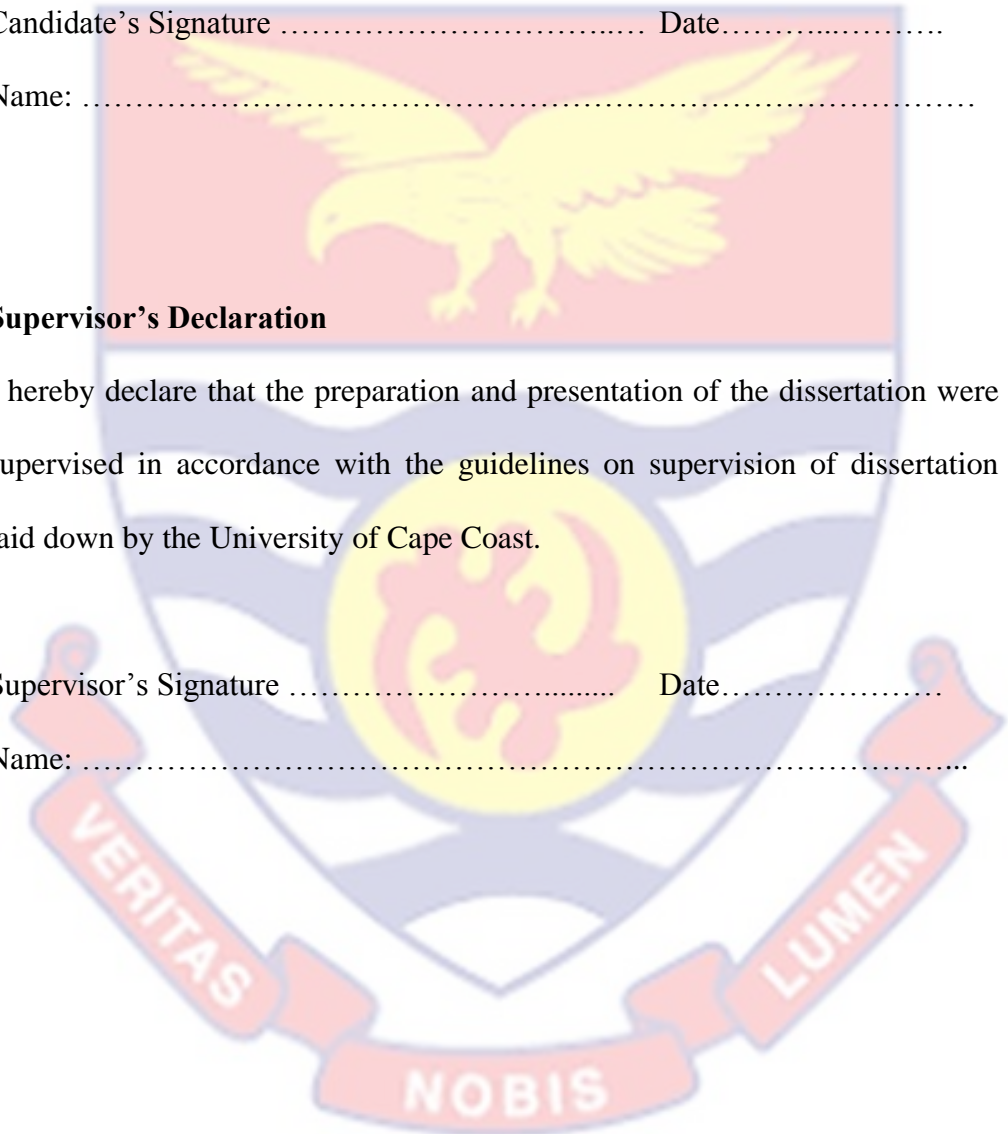
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### Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature ..... Date.....

Name: .....



## ABSTRACT

The main purpose of this research was to examine the effect of financial controls on cash management in the Yunyoo-Nasuan District Assembly. The study specifically examined the financial control activities and cash management practices and assessed the effect of control activities on cash management. An explanatory research design research and a quantitative research approach were employed in undertaking the study. The population was the total number of staff (100) at Yunyoo-Nasuan District Assembly out of which a sample of eighty (80) staff were selected using the simple random sampling technique. A self-administered questionnaire was used in soliciting the views of the staff on the stated objectives of the study. The analyses were done using SPSS version 25 and presented using descriptive and multiple regression. The study found that the Yunyoo-Nasuan District Assembly has effective financial controls and this led to efficient cash management practices. Finally, the study discovered that changes in financial controls accounted for a substantial positive variance in cash management. The study therefore recommended that the District Assembly maintain the right calibre of personnel, keep effective and improved financial controls and also monitor all issues that affect financial controls as that has the tendency of affecting cash management.

**KEYWORDS**

Financial Controls

Cash Management



## ACKNOWLEDGEMENTS

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Finally, I thank all members of my family for their diverse support especially my mother Adam Memuna, my wife Mambelimba Fuseina Margaret and my children Evelyn, Prince and Irene.

## DEDICATION

To all my brothers and sisters of Banzoa's Family, Mambelimba's Family and

Mr. Polycarp Kuusokub Beyelle.



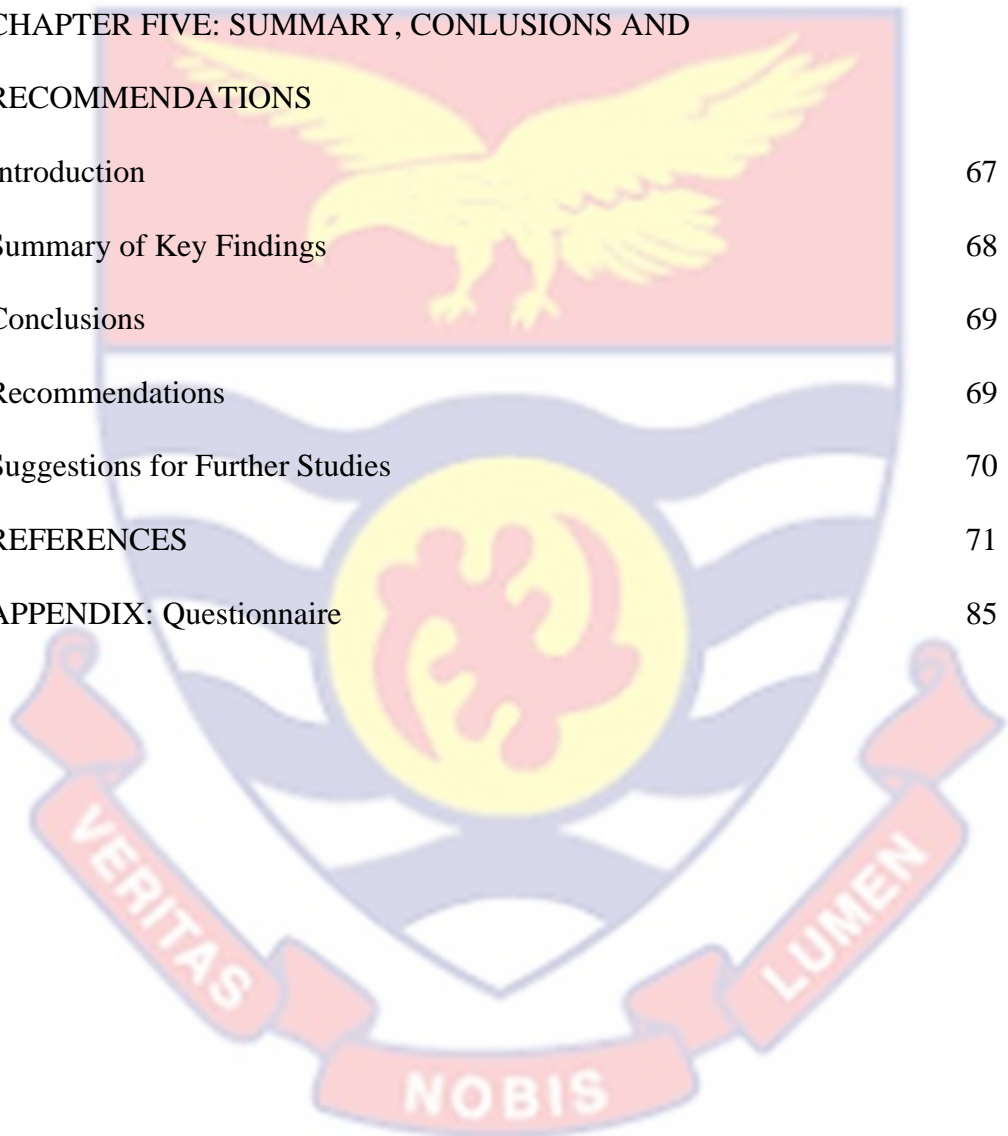
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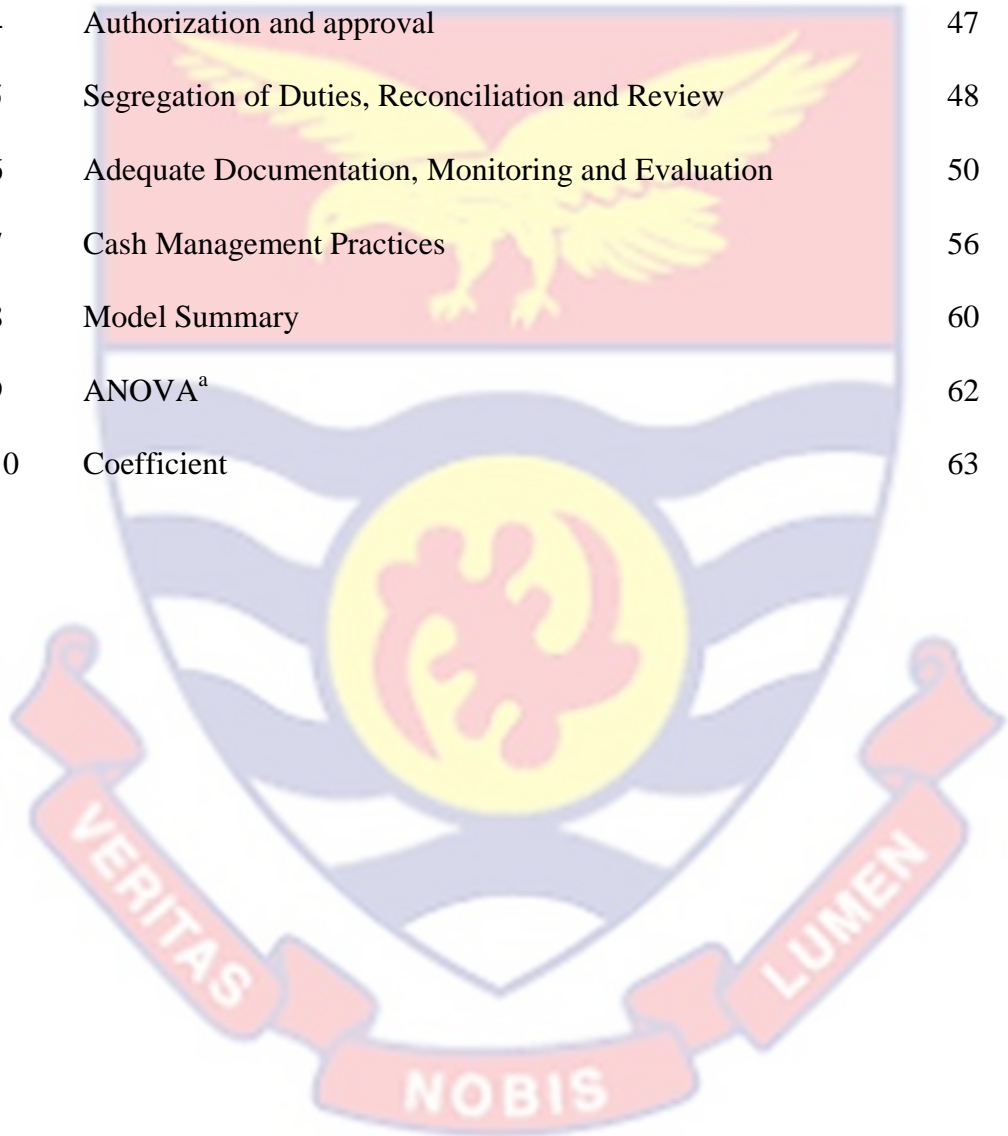


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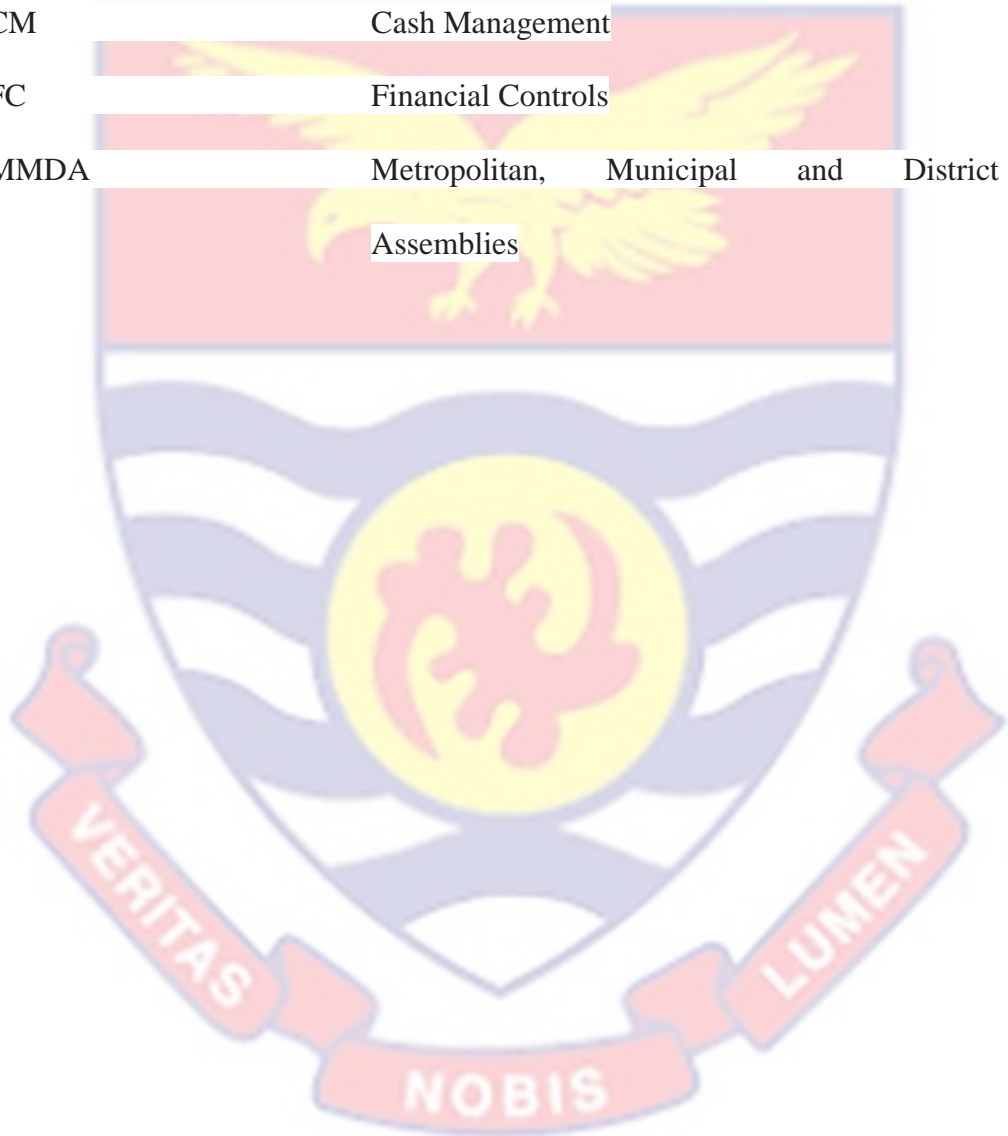
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## LIST OF ACRONYMS

HND	Higher National Diploma
DBS	Diploma in Business Studies
PhD	Doctor of Philosophy
SPSS	Statistical Package for Social Sciences
CM	Cash Management
FC	Financial Controls
MMDA	Metropolitan, Municipal and District Assemblies



## CHAPTER ONE

### INTRODUCTION

Public sector organizations are not countries but they have a sort of constitutions in the form of internal regulations and controls to adhere to in order to ensure judicious use of their resources. Nations and institutions globally keep investing huge number of resources in order to grow and expand; since the management of these resources is key for sustainable development. The chapter offers basis for the entire study. It includes the introduction, study background, problem statement, study goals, research questions, importance, study scope, restriction, meaning of words and study organization. The aim of this study was to examine the effect of financial controls on cash management in newly created metropolitan, municipal and district assemblies in the Yunyoo-Nasuan District Assembly, Ghana.

#### **Background to the Study**

Effective financial Control practices are essential in enhancing transparency, efficiency, accuracy, and accountability which enable an organization to achieve its objectives Padilla et al (2012). Hendrickse (2008) indicated that, financial management and control should include keeping an accurate record of all financial transactions, linking the budget to the firm's strategic and operational plans. Many countries around the world are making efforts to ensure that they improve on service delivery in a fast manner (Addae, 2015). In an IMANI Ghana Public Lecture in 2015, it was proposed that, in an era of growing demand for government accountability and transparency, public sector stakeholders want more effective and efficient use of public resources.

The degree to which resources are considered to be managed has a significant impact on public trust in government and other state institutions. This requires investigation into non-compliance to the regulatory framework in order to devise policies in fighting corruption, preventing leakages and waste of public sector resources. In the United State of America, the federal law establishes a broad array of standards for public companies, their management boards and accounting firms. This was passed after the WorldCom and Tyco International diminished public trust in the U.S. corporations and it was designed to increase corporate accountability. The Sarbanes - Oxley (SOX) and Public Company Accounting Reform and Investor Protection Acts of 2002 were created setting forth the infrastructure for reporting requirements that companies and executive boards must follow.

Ghana has come out with legislations and institutional arrangements to ensure prudent management of state resources such as the promulgation of the Financial Administration Act, 2004 (Act 654), Economic and Organized Crime Office (EOCO), the Audit Service Act 2000 (Act 584), Internal Audit Agency Act 2003 (Act 658), the Public Procurement Act 2003 (Act 663), Parliament and its Sub - committees on Public Accounts and Finance and Financial Administration Regulation 2004 (LI 1802), Public Financial Management (PFM) Act, 2016 (Act 921) and Public Financial Management(PFM) Regulations LI2378 of 2019, just to mention but few. Financial control is very crucial in the operations of every organization. It is considered a good management system when all expenditures of the organization are approved by the appropriate authorized officers.

Financial control plays an indispensable part in ensuring accurate reports, safeguarding resources (tangibles and intangible) of an organization and elimination of fraud. Financial control can then be seen as the process, which assures that financial resources are obtained economically, and used effectively and efficiently in the accomplishment of a set task. Thus, it can be said to be an assurance process, which includes the process of decision making. In the light of current economic problems in the country, the financial managers especially those in the public sector concerned with the financial control of the government funds are faced with a lot of problems, example include direct embezzlement, large scale salaries and inflated contracts (Prempeh, Twumasi & Kyeremeh, 2015).

Huge amount of Ghana cedis is lost through one financial malpractice or the other in Ghana, which to say the least, drains the nation's meager resources through fraudulent means with far-reaching and attendant consequences on the development or even socio-economic or political programmes of the nation (Bello, 2001). Billions of cedis is lost in the public sector every year through fraudulent means. Cases of fraud is prevalent in the Nigerian public sector and that every segment of the public service, could seem to be involved in one way or the other in some of these nasty acts (Appah & Appiah, 2010).

Cash management in the public sector is an important aspect of public sector financial management and is concerned with the management of cash inflow and cash outflow of the business concern, cash flows within the business concern, and cash balance held by the business concern at any point of time. For example, it is an aspect of the Ghana Integrated Financial

Management Information System (GIFMIS) that seeks to provide a centralized canopy for government cash balances and provide adequate cash control. It is principally concerned with the analysis of cash requirement of the various spending units and their liquidity level as well as adopting efficient cash planning and management policies to ensure that, activities are not retired by reason of cash shortage and that excess funds are invested in short term security. Cash management also involves matching the resources of the government against its expenditure and commitments on regular time intervals so as to provide a monitoring canopy over the usage of government resources (Adjei, 2021).

Obtaining sufficient knowledge of the internal financial controls, both information technology controls and application controls, are needed to facilitate the determination of the audit strategy and to carry out subsequent steps. Financial control activities are the policies and procedures that help ensure that management directives are carried out (Walters & Dunn, 2001). If indeed financial control activities help ensure that management directives are carried out, and that scarce resources are well managed, then it is apparent that the financial controls in the Ghanaian public sector are not properly adhered to, overlooked or need to be revised to prevent mismanagement and ensure full compliance.

It is based on this motivation that this study is focused on evaluating the effect of financial controls on cash management in the Yunyoo-Nasuan District Assembly.



### **Statement of the Problem**

Generally, public organizations face financial difficulties to manage their daily operations due to lack of financial control tools which lead to lower organizational performance. The success of every organization depends on how funds are generated and managed efficiently and effectively. Various sectors of public service are battling with generation and management of funds, and the assemblies are no exception. In recent times, there have been innumerable recurrent reports on financial irregularities and frauds which persisted in a lot of Assemblies in Ghana simply because of laxity and disregard of financial rules and regulations, according to the Auditor General's Report (2018).

Besides, in Ghana there have been several instances of non-compliance to internal controls, most especially in the public sector thereby allowing all manner of resource mismanagements as pointed out by successive Auditors General's reports. For example, the 2018 Auditor General' Report stated that Ablekuma West Municipal, Accra Metropolitan, and Ayawaso East Municipal were among the twelve (12) Assemblies that defaulted in submitting their financial statements for validation. The report also stated that an officer of Tumu Urban Council collected revenue of GHS40,056.00 but accounted for GHS9,720.00 to the assembly. As at the time of the audit, the officer had not accounted for the balance of GHS30,336.00. Other reports revealed un-acquitted payments, un-presented payment vouchers, misappropriation of state revenues, contract irregularities, poor debt management and huge debt stocks.

Gwilliam and El-Nafabi (2002) discovered that ineffective government financial control systems in most developing countries is responsible for

facilitating the misappropriation of public resources and financial corruption in these countries.” According to Omboga et al., (2016) financial control is essential for the industry's positive performance, this could be achieved through effective cash management and control, cash processing and budgeting but recommended the examination of the effect of human behavior on the application of financial control mechanisms. Also, Harley and Emery, (2016) and Oyebanji, (2018) opined that, the approach of organizing the system of financial control influences not only the safety of material and financial resources but all of its financial and economic activities.

A properly organized system of financial control allows not only for early detection of flaws but to take timely action to address them. El-Nafabi (2009) suggested that, audit and control system is paramount in ensuring accountability for the use of public funds, and safeguarding the limited public resources against corruption and other misappropriation and unlawful practices after finding out that weak and ineffective financial control systems and deficiencies in accounting systems are some of the facilitating factors of financial corruption in Sudan. The Local Government of Ghana reports the creation of new regions, and the corresponding creation of new assemblies which are mostly characterized by new public sector officials, and inadequate resources to fully comply with the management of cash and compliance to financial control activities.

Therefore, if financial control activities help ensure that management directives are carried out, and that scarce resources are well managed, then it is apparent that the financial controls in the Ghanaian public sector are not properly adhered to, overlooked or need to be revised to prevent

mismanagement and ensure full compliance; especially for newly carved Municipal Assemblies. It is on this premise that this study seeks to assess the effect of financial controls on cash management of the Yunyoo-Nasuan District Assembly.

### **Purpose of the Study**

The purpose of the study was to assess the effect of financial controls on cash management in the Yunyoo-Nasuan District Assembly.

### **Research Objectives**

The specific objectives of the study were to:

1. Examine the financial control activities of the Yunyoo-Nasuan District Assembly;
2. Evaluate the cash management practices of the Yunyoo-Nasuan District Assembly; and
3. Determine the effect of control activities on cash management in the Yunyoo-Nasuan District Assembly.

### **Research Questions**

The following questions were addressed in order to achieve the objectives of the study:

1. What are the financial control activities of the Yunyoo-Nasuan District Assembly?
2. What are the cash management practices of the Yunyoo-Nasuan District Assembly?
3. What is the effect of Control Activities on Cash Management in the Yunyoo-Nasuan District Assembly?

### **Significance of the Study**

The study would enable the government to recognize the need to have effective financial controls on cash management in the country and to enforce them. The report would provide the assembly with details on the advantages and difficulties of using its financial controls on cash management. The results of the current study will help to recognize weaknesses in public sector financial control structures. Consequently, in tackling these gaps, the research findings would be significant. As they are bound to allow them to streamline financial control structures, the findings can also be of invaluable benefit to management and those in charge of public sector governance.

Ultimately, the results are likely to strengthen the financial management and achievement of public sector organizations. The study will also add to existing knowledge, especially in the public sector, on financial controls and cash management. The study will produce information to connect financial controls and cash management that can direct policy makers in public resource planning. The results of the study will also support all academics in finance and accounting, leadership, legal, and other pertinent fields.

### **Delimitation**

The scope of the study is limited to Yunyoo-Nasuan District Assembly. The study is conducted to cover the active staff of the assembly with focus on the management and key staff involved in financial control and cash management in the Yunyoo-Nasuan District Assembly.

### **Limitations**

This research is restricted to the Newly created Metropolitan, Municipal and District Assemblies in which the relevant information needed to perform the analysis are obtained. The COVID-19 restrictions made the collection of information difficult. Also, the biases and hesitation of respondents to give out information due to confidentiality affected the survey.

### **Organization of the Study**

This dissertation is structured into five chapters. Chapter One consists of the background to the study, statement of the problem, research objectives, research questions, significance of the study, delimitation, limitations of the study and organization of the study. Chapter Two reviews a number of related literatures; theoretical review, conceptual review and empirical review. This chapter will provide the fundamentals of the study and helps to shape the nature and direction of the study. Chapter Three discusses the methodology of the study. It covers the research design, data source and data collection instruments, data analysis, the study population, sampling technic and sample size. Chapter Four presents the results and discussions of the study, while Chapter Five presents the summary of the findings, conclusions and recommendations for the study.

## CHAPTER TWO

### LITERATURE REVIEW

#### Introduction

This section of the study reviews literature on the effect of financial controls on cash management in the Yunyoo-Nasuan District Assembly. The study is divided into four sections. The theoretical review, the first section, discussed the agency theory and the stewardship theory. The conceptual review then explained the various concepts under the study. The empirical review followed with documented the results of closely related studies and the lessons emanating from the literature review. Finally, the conceptual framework showed the effect of financial controls on cash management in newly created MMDAs and how it is explored.

#### Theoretical Review

This section reviewed theories that underpinned the study which were the Agency Theory and the Stewardship Theory.

#### Agency theory

The study of the agency problem is not a new area and has been examined over seventy years ago by Berle and Means (1932), and over a quarter century ago by Jensen and Meckling (1976). Since the seminal work of Jensen and Meckling (1976) in proposing a theory of the firm based upon conflicts of interest between various contracting parties namely shareholders, corporate managers and debt holders a vast literature has developed in explaining both the nature of these conflicts, and means by which they may be resolved. Finance theory has developed both theoretically and empirically to

allow an in-depth investigation into the problems caused by divergences of interest between shareholders and corporate managers (McColgan, 2001).

Jensen and Meckling (1976) defined the agency relationship as a contract under which one party (the principal) engages another party (the agent) to perform some service on their behalf. As part of this, the principal will delegate some decision-making authority to the agent. These agency problems arise because of the impossibility of perfectly contracting for every possible action of an agent whose decisions affect both his own welfare and the welfare of the principal” (Brennan, 1995). The theory of agency is fundamentally a theory about human interest. During the 1960s and early 1970s, economists explored risk sharing among individuals or groups (Arrow, 1971; Wilson, 1968). Agency theory broadened this risk-sharing literature to include the so-called agency problem that occurs when cooperating parties have different goals and division of labor (Jensen & Meckling, 1976; Ross, 1973).

Specifically, agency theory is directed at the agency relationship in which one party (the principal) delegates work to another (the agent), who performs that work (Arrow, 1971). Agency theory is concerned with resolving two problems that can occur in agency relationships. The first is the agency problem that arises when the desires or goals of the principal and agent conflict and it is difficult or expensive for the principal to verify what the agent is actually doing. The problem here is that the principal cannot verify that the agent has behaved appropriately. The second is the problem of risk sharing that arises when the principal and agent have different attitudes toward

risk. The problem here is that the principal and the agent may prefer different actions because of the different risk preferences.

Arising from this problem is how to induce the agent to act in the best interest of the principal. Managers bear the entire cost of failing to pursue their own goals, but reveal only a fraction of the benefits (Ross, 1973). Jensen and Meckling (1976) argued that this inefficiency is reduced as managerial incentives to take value maximizing decisions are increased. As with any other costs, agency problems will be captured by financial markets and reflected in a company's share price. Agency costs can be seen as the value loss to shareholders, arising from divergences of interests between shareholders and corporate managers. Jensen and Meckling (1976) defined agency costs as the sum of monitoring costs, bonding costs, and residual loss.

The agency theory underpins the study to aid ascertain how officials in the Yunyoo-Nasuan District Assembly operate within the framework of financial controls put in place to ensure proper cash management. The principals in this regard are the government and people of Ghana particularly the Yunyoo-Nasuan District in whose interest the resources are utilized. The agents are those at the helm of affairs at the district who have been vested with the mandate to steer the affairs of the organization on behalf of the principals. Just as posited by Jensen and Meckling (1976), there are agency costs that come with solving the agency problem and this is manifested in the financial controls put in place to ensure proper cash management in the district assembly.



### **Stewardship theory**

The employment connection between two parties, the principal (owner) and the steward, is also discussed in stewardship theory. (Davis et al., 1997; Donaldson & Davis, 1991) looked at the relationship from both a behavioral and structural standpoint. According to the stewardship theory, stewards will act in a pro-social manner, acting in the principal's interest and hence the organization's best interests (Davis et al., 1997; Zahra et al., 2009). The quality of the relationship between the principal and the steward as well as the organization's atmosphere and ideals, encourage this conduct (Corbetta & Salvato, 2004; Davis et al., 1997). The goal of a stewardship perspective is to achieve maximum firm performance, such as sales growth or profitability (Davis et al., 1997; Tosi et al., 2003).

According to theory, this result occurs when both the principle and the manager in the employment relationship choose to act as stewards (Davis et al., 1997). The concept that the principal-steward relationship is founded on a choice is at the basis of stewardship theory. Because both parties are working toward the same goal, theory predicts a favorable impact on performance when both parties agree to act as stewards and prioritize the principal's interests (Davis et al., 1997; Eddleston & Kellermanns, 2007). Both psychological and situational aspects influence the choice of stewardship action (Corbetta & Salvato, 2004; Davis et al., 1997). Intrinsic drive, high identification, and personal power are all psychological elements that might influence the behavioral decision toward stewardship (Davis et al., 1997; Zahra et al., 2008).

Intrinsic motivation is a psychological component of stewardship theory because steward managers are motivated by intangible, higher order rewards (Davis et al., 1997; Lee & O'Neill, 2003). It occurs within individuals and gives enjoyment in and of itself” (Ryan & Deci, 2000). Individuals that have a strong sense of belonging to their business are more likely to select stewardship (Lee & O'Neill, 2003; Vallejo, 2009; Zahra et al., 2008). Stewardship theory takes a personal power perspective, portraying power as a result of long-term interpersonal interactions that impact and empower steward managers (Davis et al., 1997). These psychological elements make it easier to choose stewardship, which has a favorable effect on company performance.

The management philosophy and culture are examples of situational characteristics that describe the organizational structure (Craig and Dibrell, 2006; Davis et al., 1997; Donaldson & Davis, 1991; Zahra et al., 2008). According to theory, involvement-oriented, collectivist, low power distance cultures impact stewardship behavior choices (Davis et al., 1997). A workplace where employees are trusted with challenges, opportunity, and responsibility exemplifies an involvement-oriented management philosophy (Davis et al., 1997; Eddleston et al., 2012; Vallejo, 2009). Individuals in collectivist organizations prioritize communal aims over individual personal goals; the emphasis is on belonging, identifying, and exhibiting loyalty as a result of the organization's tight-knit social framework (Davis et al., 1997).

Low power distance indicates an atmosphere in which different levels of the organizational hierarchy are believed to be equal (Davis et al., 1997). A company's optimal performance is facilitated by an organizational structure

that accommodates and influences the choice of stewardship behavior. Because of its roots in sociology and psychology, the underlying assumption of stewardship theory is founded on the humanistic model of man (Donaldson & Davis, 1991). This concept assumes that people are driven by the satisfaction of higher-order desires (Davis et al., 1997). A steward will prioritize the principal's interests over self-serving objectives in the principal-steward relationship (Corbetta & Salvato, 2004; Davis et al., 1997; Davis et al., 2010; Zahra et al., 2009). As a result, a stewardship structure is perceived as collectivistic and cooperative, which benefits the organization (Davis et al., 1997).

This theory guides the study in order to ascertain how officials at the Yunyoo-Nasuan District Assembly render proper stewardship of the resources bequeathed in their care by the State. The theory points to the requirement to have structures and mechanisms to ensure that effective control measures that ensures that stewards render account of their stewardship of resources entrusted to their care. This is the case of the study's objective of assessing the effect of financial controls on the cash management practices of the Yunyoo-Nasuan District Assembly.

## **Conceptual Review**

### **Financial control**

Financial control is an essential part of both economic and non-economic activities leading to efficient procurement and utilization of finance in a profitable manner. According to Watson and Head (2010) financial control is managing an organization's finances efficiently and effectively geared towards the achievement of organizational objectives. In their point of

view, financial control entails planning and controlling provision of resources, allocation of the resources and lastly controlling the resources. The basic objective of financial control is optimum allocation and use of available scarce resources, which to Watson and Head, the scarcest resource is money. ACCA (2008) defined financial control as the management of the finances of an organization in order to achieve the financial objectives of the organization.

The normal guess in financial control for the private sector is that, the objective of the company is to maximize shareholders wealth (ACCA, 2008). It also looks closely to investment decisions, financing decisions and shares more light on dividend decision and risk management. According to Tetteh (1996), financial control is the process of making optimal financial resources for the purposes of maximizing the value of the firm. This process involves planning, investment and financing decision. He stressed that, the control of resources within the local organization is rapidly becoming one of the more significant challenges facing organization leaders today. The only problem is that, strategic planning has been seen as a hindrance to how the organization must be run.

In his view, if proper planning is not undertaken the probability that the organization can manage its resources efficiently would be slim and that the leaders themselves may find ways in spending such idle resources when they appear so. Financial control activities refer to all policies and procedures adopted by the management of an entity to aid in achieving management objectives. Financial control systems provide assurance to the management of the reliability of accounting data employed in making decisions (Crawford, 2000). Decisions made by management are said to become an institution's

policies and to be effective, the policies ought to be communicated to all pertinent stakeholders in the institution and consistently followed.

According to the statement on auditing standards (SAS, 2002) control activities are the policies and procedures that help ensure that management's directives are carried out. Jajo (2005) asserts that control activities can be categorized as authorization, segregation of duties, record keeping safeguarding and reconciliations and these controls depend greatly on the activity under consideration. Hubbard (2003) argued that a great deal of activity specific knowledge is required to determine what controls should be. The Committee on Sponsoring Organizations (COSO) lists some complete frameworks and can be used to model control activities such as; control objectives for information technology, system's assurance and control, total quality management and system development life cycle depending on the activities involved.

According to Warren (2003) control activities usually involve two elements; a policy establishing what should be done and procedures to affect the policy.

### **Cash management**

Managing cash is becoming ever more sophisticated in the global and electronic age of the 1990s as financial managers try to squeeze the last dollar of profit out of their cash management strategies (Block & Hirt 1992). Abel (2008) argued that cash is crucial in every business in terms of enhancing its survival and prosperity. Marfo-Yiadom (2002) also noted that cash is the hub and most coveted of all the assets of any business. Good cash management can have a major impact on overall working capital management. It is objectively

used to manage and determine the optimal level of cash required for the business operation and invested in marketable securities, which is suitable for the nature of the business operation cycle (Gitman, 2005). According to McLaney (2000), cash is much more than just one element of working capital.

As the medium of exchange and store of value, cash provides the linkage between all financial aspects of the firm. More specifically it links short-and long-term financing decisions with one another, with decisions involving investment both in fixed assets and working capital. The term cash refers to the most liquid of assets, including demand deposits, money market accounts and currency holdings. Moyer, et al, (1992), observed that cash and marketable securities are the most liquid of the company's assets. Cash is the sum of currency a company has on hand and the funds on deposit in bank checking accounts. Cash is the medium of exchange that permits management to carry on the various functions of the business organization.

Companies hold cash in order to bridge the interval between the time of incurring business cost and that of the receipt of the sale-proceeds. In other words, companies hold a certain amount of cash in order to meet the regular expenses of their activity. Therefore, the higher the firm's ability to schedule its cash flows (depending on their predictability), the weaker the transactions-motive for holding cash would be. The transaction motive illustrates the cash holding of firms and therefore more applicable to district assembly. Weston and Copeland (2008), stated that companies need a cash reserve in order to balance short term cash inflows and outflows since these are not perfectly matched. This they referred to as the transactions motive for holding cash,

where the approximate size of the cash can be estimated by forecasting cash inflows and outflows and by preparing cash budgets.

In addition to the cash reserve held for day-to-day operational needs, cash may be built up to meet significant anticipated cash outflows, for example arising from an investment project or the redemption of debt. Van Horne (2000) claimed that companies do not hold cash for this kind of speculative purpose and can be assumed that this estimation is valid especially for district assembly which usually do not have the resources to make such complex financial decisions. The key elements of cash management are cash forecasting, balances management, administration of cash receipts and disbursements, and internal control (Gitman, 2009). All the above is consolidated into what is referred to in finance language as the cash budget.

Cooley and Pullen (1979), identified three basic components of cash management thus, cash forecasting practices, cash surplus investment practices and cash control practices. Cash management is seen as one of the key aspects of efficient working capital management. Cash management involves planning and controlling cash flows into and out of the business, cash flows within the business, and cash balances held by a business at a point in time (Pandey, 2004). According to Wetson and Copeland (2008), cash management is concerned with optimizing the amount of cash available, maximizing the interest earned by spare funds not required immediately and reducing losses caused by delays in the transmission of funds.

Holding cash to meet short term- needs incurs an opportunity cost equal to the return which could have been earned if the cash had been invested or put to productive use. However, reducing this opportunity cost by operating

with small cash balances will increase the risk of being unable to meet debts as they fall due, so an optimum cash balance should be found. Efficient cash management involves the determination of the optimal cash to hold by considering the trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little (Ross et al., 2011) and as stressed by Attrill (2003), there is the need for careful planning and monitoring of cash flows over time so as to determine the optimal cash to hold. Good cash management can have a major impact on overall working capital management.

It is objectively used to manage and determine the optimal level of cash required for the business operation and the investment in marketable securities, which is suitable for the nature of the business operation cycle (Gitman, 2009). Zietlow et al., (2007) and Gitman (2009) explained that cash management involves planning for cash inflows and outflows, and determining the optimal balances of cash and near-cash accounts such as marketable securities. Marketable securities are short-term interest-earning financial claims that can be quickly converted to cash without any significant loss of value.

### **Financial control and cash management**

Cash shortage will inevitably impact negatively on the operations of the business, while excess cash will also remain idle without contributing anything significant, in terms of returns towards the profitability of the organization. Maintaining a sound cash position for the business therefore, a major function of the Finance Manager. Watson and Head (2007), explained that the management of cash to mean the practice that concerns itself with the optimization of the amount of cash available, obtaining maximum benefit



from returns on idle funds and minimizing losses caused by delays in the transmission of funds. Cash management is the process of forecasting, collecting, disbursing, investing, and planning for cash a company needs to operate smoothly (Zimmerer et al, 2008).

Although businesses must possess enough funds to meet its financial obligations or its risk facing bankruptcy, keeping excessive amount of cash for unexpected circumstances is not profitable as this idle money could have been invested elsewhere to generate returns. This limit or reduces the growth of the business and its profitability because investing cash even for a short period of time can add to the profits of the business. An efficient cash management therefore affords the firm an opportunity to face the cash demands of the firm, guard against the situation of holding unnecessary large amounts of cash and increase the returns generated from each amount the institution owns. According to Davidson et al (1992), cash can be a problem even though business has a large number of customers, offers a superior product to its customers and enjoy a strong reputation in the industry.

It should be noted that businesses suffering from cash flow problems do not have a safety margin in case of unforeseen expenditure. They may also exhibit certain features such as experiencing problems in obtaining funding for innovation and expansion; and difficulty in recruiting and retaining good employees. Westerfield et al (1999), highlighted the essence to establish a distinction between cash and liquidity management as the word cash is used practically in two ways. This proposition was also affirmed by Khan and Jain (2013), who indicated that practically, cash can be used to mean actual currency cash on hand or cash equivalents (near cash).

Gentry (1988) grouped cash-level planning into phases, and further recognized the characteristics of cash inflows and outflows, such as the level and swiftness of cash flows as well as its patterns and steadiness as essential parts that should be included when designing a direct measure of a given cash level. Bealey and Myers (1998), also advised that to successfully tackle the problem of short-term cash management, it is imperative to ensure consistent guideline approach to obtain the required level of cash at all times. Cash conversion cycle was used as a standard to determine the strength of cash management of businesses by Richards and Laughlin (1980) where they defined this cycle to mean the period that funds are engaged in the production, distribution and collection processes, less the period associated with the delays in inflows of receivables.

### **Empirical Review**

According to El-Nafabi (2009), studying on the role of public sector audit and financial control systems in Sudan, found that audit and control system are paramount in ensuring accountability for the use of public funds, and safeguarding the limited public resources against corruption and other misappropriation and unlawful practices. The study found out that weak and ineffective financial control systems and deficiencies in accounting systems are some of the facilitating factors of financial corruption in Sudan. Alin et al. (2006), argued that financial control is achieved by designing systems and procedures to suit the specific needs of an organization. Just like public sector organizations, for there to be financial control and accountability, it is crucial that an overall financial policy be put in place.

In order to have effective financial control, a firm's staff and other stakeholders are supposed to be privy with and participate in the budgeting process that affects the line items for which they are held responsible" (Vincent & Emil, 2000). Sarens and De Beelde (2006), found that "certain control environment characteristics like tone-at-the-top, level of risk and control awareness, extent to which responsibilities relates to risk management, internal controls are clearly defined and communicated, significantly relates to the role of the internal auditor within an organization.

Gwilliam and El-Nafabi (2002), discovered that ineffective government financial control systems in most developing countries are responsible for facilitating the misappropriation of public resources and financial corruption in these countries. The lack of adequate auditing and accounting systems in most African countries is exemplified by ineffective internal control and internal checks, unqualified auditing and accounting staff, and unreliable and untimely accounting information systems. This has led to inadequate safeguards against corruption, fraud and other related malpractices. Owizy (2011), assessed the effectiveness of internal control in government ministries taking a case of Benue State Ministry of Finance. It was established that Benue State Ministry of Finance prepare annual budget promptly and also have adequate expenditure tracking to prevent financial recklessness. Consequently, it was recommended that, the ministry of finance should strictly abide by the principles and procedures in order to ensure that slack is built into the budget. Amudo and Inanga (2009), carried out an evaluation of Internal Control Systems on the Regional Member Countries (RMCs) of the African Development Bank Group (AFDB) focusing on Uganda in East Africa. The

study established that some control components of effective internal control systems are lacking in these projects which renders the current control structures ineffective. The study recommended an improvement of the existing internal control systems in the projects.

Ndifon (2014), studied the role of internal control activities on the financial performance in tertiary institutions in Nigeria specifically Cross River State College of Education, Akamkpa. The study indicated that all the control activities in the institution were spearheaded by the management. In addition, there was separation of duties among the employees in the finance department and there was consistent supervision of work by the superiors. In addition, the school conducted annually external audit of financial statements. However, there existed no statistically significant relationship between financial performance and internal control activities. The study showed lack of effective transactional checks and balance and security to reduce theft and fraud. In addition, the college failed to conduct regular staff training.

Mwakimasinde, Odhiambo and Byaruhanga (2014), examined how financial performance of sugarcane out grower companies in Kenya was influenced by internal control systems. The study showed a statistically significant relationship between financial performance and internal control systems. Kinyua (2015) analysed how financial performance of Nairobi Securities Exchange Companies were affected by internal control environment. The study revealed the existence of positive relationship between financial performance and internal control environment. These findings were seconded by the findings of Mawanda (2008), that stated that

effective implementation of proper control systems may improve the financial performance of an organization.

Kamau (2014), explored how financial performance of manufacturing firms in Kenya were affected by internal controls. The study found out that most of the companies had proper control environment which positively influenced their financial performance, the staffs of the companies under study were well trained on financial management systems and the organizations had security systems to protect their assets and prevent fraud. Regression analysis indicated the existence of a significant positive financial performance and internal control. Palfi and Muresan (2009), studied the significance of proper internal control system in the banking industry. The study showed teamwork between the management and internal audit department through regular meetings. Abu Musa (2010), found that “many banks in Saudi had embraced information technology and communication and they also had proper and effective security controls.

In a study, Omboga et al., (2016), revealed that financial control is essential for the industry's positive performance, this could be achieved through effective cash control, cash processing and budgeting but recommended the examination of the effect of human behavior on the application of financial control mechanisms. Also, Harley and Emery, (2016) and Oyebanji, (2018) concluded that the approach of organizing the system of financial control influences not only the safety of material and financial resources but all of its financial and economic activities. A properly organized system of financial control allows not only for early detection of flaws but to take timely action to address them.

Prempeh (2015), concluded that raw materials and inventory management has a significant effect on the profitability of manufacturing firms and further suggested that other control variables should be incorporated in further studies of these variables. Simiyu et al. (2018) and Ibrahim et al. (2017), conducted on studies of risk and financial planning practices and have established that sound financial management practices and control are components that have significant yet moderating relationship with the performances of the firm. Maiga et al., (2018) and Mutya, (2018), both concluded from the study of the interaction effect of cost control system and information technology integration that manufacturing plant could obtain the utmost financial performance and rewards from investments in activity-based cost control systems in conjunction with information technology integration.

Agbaje and Funson, (2018), also concluded that pragmatic policy options should be formulated in the manufacturing industry to effectively manage and prevent firms from recording fictitious revenue in order to enhance performance, this is because there was a significant negative relationship between financial reporting fraud and profitability. Also, fraud prevention in financial statements should be sufficiently inculcated into the internal control system for the effective running of the manufacturing industries in Nigeria. Finally, Ajonibadi et al., (2014), stated that financial control in a large organization is often the responsibility of various groups like the audit committee, management committee, financial controller among others however, this is often not the case in smaller organizations where control is the responsibility of a single manager.

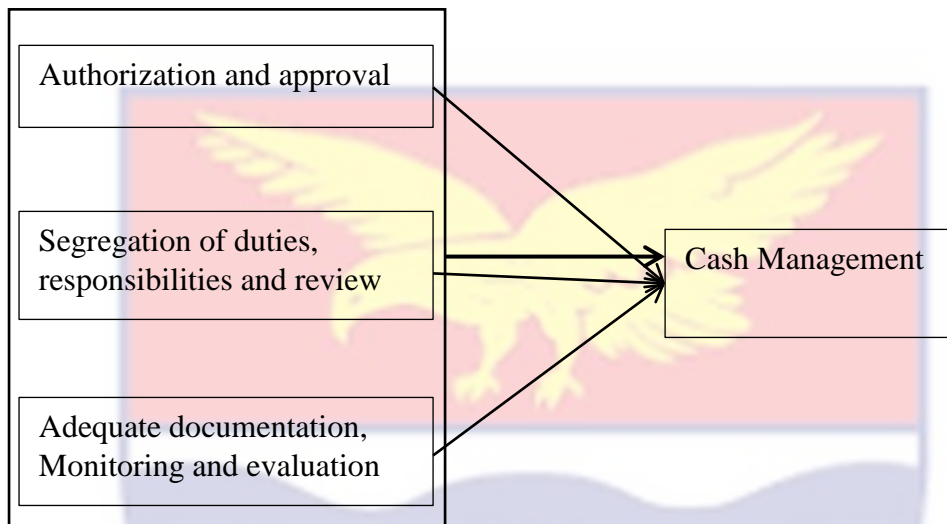
## Conceptual Framework

This section presents a conceptual framework for examining the effect of financial controls on cash management in newly created metropolitan, municipal and district assemblies in Ghana: the case of Yunyoo-Nasuan District Assembly. The conceptual structure offers a representation of the research sample by illustrating the trends of the elements and their interrelationship with main research principles (Fisher et al., 2010). The essence of the conceptual structure is to help present concepts in a more succinct form through diagrams that make them easier to understand. Researchers use the conceptual framework to illustrate and describe the relationship between the variables used in the analysis. It is proposed that favorable changes in financial controls will cause positive changes in cash management.

Similarly, it is envisaged that positive changes in financial controls will account for positive changes in cash management. Financial controls could influence cash management of Yunyoo-Nasuan District Assembly. The key variables in this analysis are financial controls and cash management. The increase in the cash management of Yunyoo-Nasuan District Assembly will depend to a large extent on how favourable their financial controls are. Financial controls are therefore relevant if there is cash management. Increasing cash management seems to be the primary objective of any district assembly because controlling the finances will lead to effective cash management in the districts.

The study indicates that this may be achieved by taking financial controls which result in higher cash management. As a result, a conceptual framework for this study is illustrated in Figure 1.

#### Financial Control



*Figure 1: Conceptual Framework*

Source: Author's Construct (2021)

#### Chapter Summary

This chapter has provided information relating to literature review in the light of the central theme of the study. Special attention was given to theoretical perspective, conceptual issues, empirical review and conceptual framework. The essence of this chapter is to provide literature support that can provide grounds for testing empirically, the specific objectives of the study, comparing the findings to previous empirical claims and providing enough information for understanding of key concepts in the study.



## CHAPTER THREE

### RESEARCH METHODS

#### Introduction

The main purpose of this study was to assess the effect of financial controls on cash management in the Yunyoo-Nasuan District Assembly. This chapter presents methods and tools used in collecting data. It consists of research design, the target population, sample size determination and sample techniques, data collection procedure, data analysis and ethical consideration. This chapter presents the methods and procedures used for the study.

#### Research Approach

For this study, a quantitative research approach was used. The study used a quantitative research approach since the goals of the study were to quantitatively find out the relationship between financial controls and cash management in the Yunyoo-Nasuan District Assembly, and the effect of control activities on cash management in the Yunyoo-Nasuan District Assembly. The quantitative analysis approach starts with data collection based on a hypothesis or theory and is accompanied by the use of descriptive or inferential statistics (Kumar, 2019; Shekhar, Prince, Finelli, Demonbrun & Waters, 2019). Quantitative methods are often defined as being deductive in nature, in the sense that statistical hypothesis test inferences lead to general inferences about population characteristics.

The findings from quantitative research were also considered to be predictive, explanatory and confirmatory (Williams, 2007; Kielmann, Cataldo & Seeley, 2012). The study used the quantitative approach because of its ability to describe phenomena and the use of deductive reasoning to pursue

regularities in human lives. The numerical nature and the objectives/hypothesis of the study make it important to use the quantitative approach, because the data collected can be numerically interpreted as frequencies or values, and associations of variables can be examined using statistical techniques, which can be accessed via stimuli implemented by the researcher and systematic measurement. The quantitative approach is relevant to the study because, the quantitative approach presents straightforwardness and speed in conducting research and can cover a wide scope of circumstances (Amaratunga, Baldry, Sarshar & Newton, 2002).

Also, the quantitative results are likely to be generalized to an entire population or sub-population as they include the broader sample that is chosen at random (Carr, 1994). It is additionally conceivable to utilize the quantitative method in examining data with statistical methods since it is simpler to generalize the findings. Another bit of leeway is that the conclusive outcomes depend on quantities instead of interpretations, which may improve potential future turn of events and correlations with the work.

### **Research Design**

Saunders, Lewis and Thornhill (2007), defined research design as the general plan of how the research questions would be answered. It provides the overall structure of the procedures that the researcher follows, the data that the researcher collects and the data analysis that the researcher conducts. This is the plan and the structure of the whole work, which if not done properly could produce wrong and misleading results. Research design is a set of guidelines and instructions to be followed in addressing the research problem (Leedy & Omrod, 2010).

The study employed the explanatory research design owing to the nature of the scientific enquiry underpinning this study. Thus, being driven by the logic of cause-effect relationship among the variables of interest – financial controls (Independent variables) and cash management (Dependent Variable).

According to Zikmund, Babin, Carr and Griffin (2012), explanatory design research is conducted in order to identify the extent and nature of cause-and-effect relationships. This study by nature is a causal study. Explanatory studies focus on an analysis of a situation or a specific problem to explain the patterns of relationships between variables (Creswell, 2014). The primary purpose of explanatory research is to explain why phenomena occur and to predict future occurrences (Maxwell & Mittapalli, 2012). Also informing the decision to approach the study quantitatively is the assertion that the data are quantitative and almost always require the use of a statistical test to establish the validity of the relationships.

### **Study Area**

Yunyoo/Nasuan District Assembly was established in 2017 with District Capital in Yunyoo by Legislative Instrument (LI) 2349. The district is located in the North- East Region. It shares boundaries with Bunkpurugu-Nakpanduri District to the North, Republic of Togo to the East, East Mamprusi Municipal Assembly to the West and Chereponi District to the South. The district is made up of only Yunyoo-Nansuan Constituency. It comprises Three (3) Town/Area councils with 115 Communities. Yunyoo/Nasuan District Assembly were appropriate for this study because they are unable to control their finances which affect their ability to manage

their cash. Also, the population was readily accessible. Figure 2 presents the map of the study area, Yunyoo/Nasuan District Assembly.



*Figure 2: Map of Yunyoo/Nasuan District Assembly*

Source: Google Maps (2021)

### **Population**

Population is the whole community of persons, incidents or the target interest group that the researcher wishes to examine, gain data and draw conclusions (Leedy & Ormrod, 2010). Based on which references can be made, the population includes all the elements (Iphofen & Tolich, 2018). The sample population consists of the entire community of individuals who are of interest to the researcher and who meet the requirements that the researcher is interested in testing, or a selection of individuals with certain common features as indicated by Mooney and Garber (2019).

The targeted population of this study is the management and staff of the Assembly. At the time of putting together this piece of academic work, the Yunyoo-Nasuan District Assembly had a total staff of one hundred (100) and

this was per the records of the District Assembly Office. This constituted the population for the study.

### **Sampling Procedures**

Sampling has also been referred to the act, method or technique of selecting an appropriate sample or a representative part of the population in order to determine the parameters or characteristics of the entire population” (Strouse, Donovan & Fatima, 2019). Sampling was described by Vølstad, et al. (2019), as the method by which a researcher chooses a representative of few or sample of participants from the population of interest for a study.

Until sampling, it is important that the sample size is first calculated. Via Yamane’s formula (1967), a total of eighty (80) staff were sampled to be undertake the study. This consists of management and staff of the Assembly. The sample size was chosen on the basis of Yamane’s sample determination formula (1967).

The decision of this sampling equation was required by the fact that it gives the researcher the opportunity to fulfill the sampling requirement proposed for regression analysis in social science research (Bensah, 2018; Pallat, 2005). For selecting the number of respondents from the sampling frame, a simple random sampling technique was used. For all elements of the population, random numbers were generated and a computer program was used to randomly select the participants. Simple random sampling technique gives all the element in the sampling frame equal chance of being selected (Bensah, 2018; Etikan & Bala, 2017; Ben-Shlomo).

### **Data Collection Instrument**

Causal studies are organized ordinarily accordingly requesting organized methods for primary data collection (Maxwell, 2012). The research instrument that was used for data collection was structured questionnaires. This was deemed appropriate, taking into account the study design and the research approach adopted for the study. A questionnaire is a formalized set of questions for getting information from respondents (Malhotra & Birks, 2007). Young and Javalgi (2007), provided that surveys using questionnaires are maybe the most generally-used data-gathering technique in research. The questionnaire employed the closed-ended questioning styles to approaching the measurement of the main items that made up the scale. The closed-ended questions want respondents to pick from a given set of responses and require the respondents to inspect each conceivable response free of the other decision.

The close-ended items employed checklist – a list of behavior, characteristics, or different elements that the researcher is investigating and Likert scale which is progressively helpful when behavior, attitude, or another phenomenon of intrigue should be assessed in a continuum (Leedy & Ormrod, 2010). For the most part, McColl (2005), suggested that there are particular points of interest in using questionnaires rather than interview methodology.” The questionnaire comprised of twenty-four (24) items grouped under 3 sections - 1, 2 and 3. Section 1, sought to the elicited background information of the respondents. Sections 2, elicited information about the financial control activities at Yunyoo-Nasuan District Assembly. Eighteen (18) items were used to determine the financial control activities at Yunyoo-Nasuan District

Assembly. Section 3 provided information about the cash management at Yunyoo-Nasuan District Assembly.

Six (6) items were used to determine the cash management at Yunyoo-Nasuan District Assembly involved in the study. The Likert-scale used for this study is a scale for estimating people's attitudes by joining their scores on an assortment of items into a single index. Scaling is accomplished by guaranteeing that, high-scoring and low-scoring people vary in their responses on every one of the items carefully chosen for consideration in the index and the distance is thought to be the equivalent between categories (Likert, 1932). Shaw and Wright (1967), theorized that the Likert scale is the most broadly used method of scaling today in the social sciences. Maybe, this is because they are a lot simpler to construct and because they will in general be more dependable than other scales with a similar number of items.

A 5-point Likert scale was used to measure the view of the respondents concerning the items that measured the constructs considered in this study. A detailed description of the instrument was presented in Appendix A.

#### **Data Collection Procedure**

Permission was not required by the researcher to collect data from the Assembly. The sampling frame was then made available to the researcher. This sampling frame was rich in content. The purpose of the study was explained to all participants. Consent of the respondents were sought. Date for questionnaire distribution to the participants were set on some agreed terms. The drop-and-pick survey approach was adopted. The questionnaire was self-administered to the respondents. Trained research assistants also supported the primary data collection exercise. The survey was administered from 1st

January, 2021 to 25<sup>th</sup> March, 2021. In all, eighty (80) questionnaires were issued to the respondents.

### **Data Processing Tools and Analysis**

According to Fox, Murray and Warm (2013), data analysis entails simplifying data and explaining it in a manner that seeks to answer the research questions posed. Data analysis was also defined by Mugenda and Mugenda (2003), as the process of bringing order, structure and meaning to the mass of information collected. Analysis of data is a process of editing, cleaning, transforming, and modelling data with the goal of highlighting useful information, suggestion, conclusions and supporting decision making (Adèr & Adèr, 2008). The use of analytics requires reducing complex data into meaningful and actionable information (Johnson, Levine, Smith & Stone, 2010).

Van der Walt and Rensburg (2012), indicated that the main aim of data analysis is to organize, give structure to and derive meaning from data. In terms of quantitative research, deciding on how to analyze the data collected for the purpose of providing answers to the research questions posed is the main emphasis of data analysis (Kumar, 2011). This was done by the aid of the Statistical Package for Social Sciences (SPSS) version 25. For the purpose of this study descriptive statistics such as percentage distribution, mean and standard deviation were obtained for all the variables on the questionnaire. These were mostly done for the demographic characteristics of the respondents.

Composite variables were formed for each of the constructs and this enhanced holistic approach to data analysis. Inferential statistics such as



regression analysis with the use of ANOVA were carried out to establish how much variance in the dependent variable (cash management) is explained by the independent variables (financial control). Linear regression allows us to predict an outcome based on one or several predictors (Kellar & Kelvin, 2013; Polit, 2010). The findings were chronologically presented on Tables and Figures which made the interpretation and discussion of the findings easier and straight forward.

**Table 1: Summary of Statistical Tools**

No	Objectives	Statistical Tools
1	Examine the financial control activities of the Yunyoo-Nasuan District Assembly.	Descriptive Statistics
2	Evaluate the cash management practices of the Yunyoo-Nasuan District Assembly.	Descriptive Statistics
3	Determine the effect of control activities on cash management in the Yunyoo-Nasuan District Assembly.	Regression

Source: Author's construct (2021)

### Measurement of Variables

#### Financial control

Financial control was measured based on the items employed by Larry and Bradley (1997) framework of control activities types. The framework integrated several researchers' work (Crawford, 2000; Jajo, 2005; Romney & Stienbart, 2009; Palfi & Muresan, 2009; Ndifon, 2014). Four financial control

types were identified based on the framework. These are authorization and approval, segregation of duties, reconciliation and review, and adequate documentation, monitoring and evaluation.

### **Cash management**

Measurement of cash management practices was adapted from Gentry (1988). Six cash management practices were identified. These are: cash forecast, budget, proper book of account, idle cash deposited in the bank, conduct bank reconciliation, monitor cash outflow on regular basis and hold cash for speculative purposes, transaction motive, precautionary motive and compensating motive. The conceptualization of cash management by Gentry (1988) has since been used in several studies (Von Eije & Westerman, 2001, Westerfield & Jaffe, 1996; Von Horne & Wachowicz, 1998; Khan & Jain, 2013) and is also central to the various classifications of cash management practices as it consolidates the various classifications given by researchers.

### **Reliability and validity**

Reliability, according to Bless and Higson-Smith (2000), “is concerned with consistency of the instrument, and an instrument is said to have high reliability if it can be trusted to give an accurate and consistent measurement of an unchanging value.” Saunders, Lewis and Thornhill (2009), explained “that internal consistency involves correlating the responses to each question in the questionnaire.” A reliability analysis was conducted to examine the perceptions of staff of Yunyoo-Nasuan District Assembly regarding the financial control activities and cash management using Cronbach alpha. A Cronbach alpha of 0.931 was recorded for the internal consistency for the

scale used for the overall scale of 24 items. The Cronbach alpha permits us to measure the reliability of different variables.

It consists of estimates of how much variation in scores of different variables is attributable to chance or random errors (Selltiz et al, 1976). As a general rule, a greater coefficient than or equal to 0.7 is considered acceptable and a good indication of construct reliability (Nunnally, 1978). Hair, Anderson, Tatham, & Black (1998) recommended a cut-off point of 0.6 as the lower limit of acceptability.

**Table 2: Reliability Results**

Construct	Items	Cronbach's Alpha
Overall scale	24	0.931
Financial Control	18	0.861
Cash Management	6	0.881

Source: Field survey (2021)

The results of the reliability test for the variables as presented in Table 1 show that all the constructs are highly reliable in that the results are all greater than the minimum criteria suggested by Pallant, (2005). These are the supporting facts: financial control (Cronbach's Alpha = 0.861; Item=18), and cash management (Cronbach's Alpha = 0.881; Items=6). Since all the Cronbach's Alpha values are beyond 0.7, the scale can be considered as being reliable given the selected sample size (Ben-Shlomo, Brookes & Hickman, 2013; Pallant, 2005). This summarizes the reliability score for the individual constructs of the study. Therefore, the results indicate high internal consistency of the construct measures. An instrument's validity relates to how

well and how well the instrument tests the basic definition it was intended to test (Saunders et al., 2009).

They also argue that before it can be legitimate, an instrument must be accurate, meaning that an instrument must be reliably reproducible; and that after this has been done, the instrument can then be scrutinized to determine whether it is what it is supposed to be. The investigator reviewed other related literature to ensure the validity of the questionnaires and endorsed the construction of the instrument in those literatures. Any of the things on the scales were items which were scientifically verified. Furthermore, before distributing it to the respondents, the crafted questionnaire was presented to the project supervisor for vetting, correction and approval.

### **Ethical Consideration**

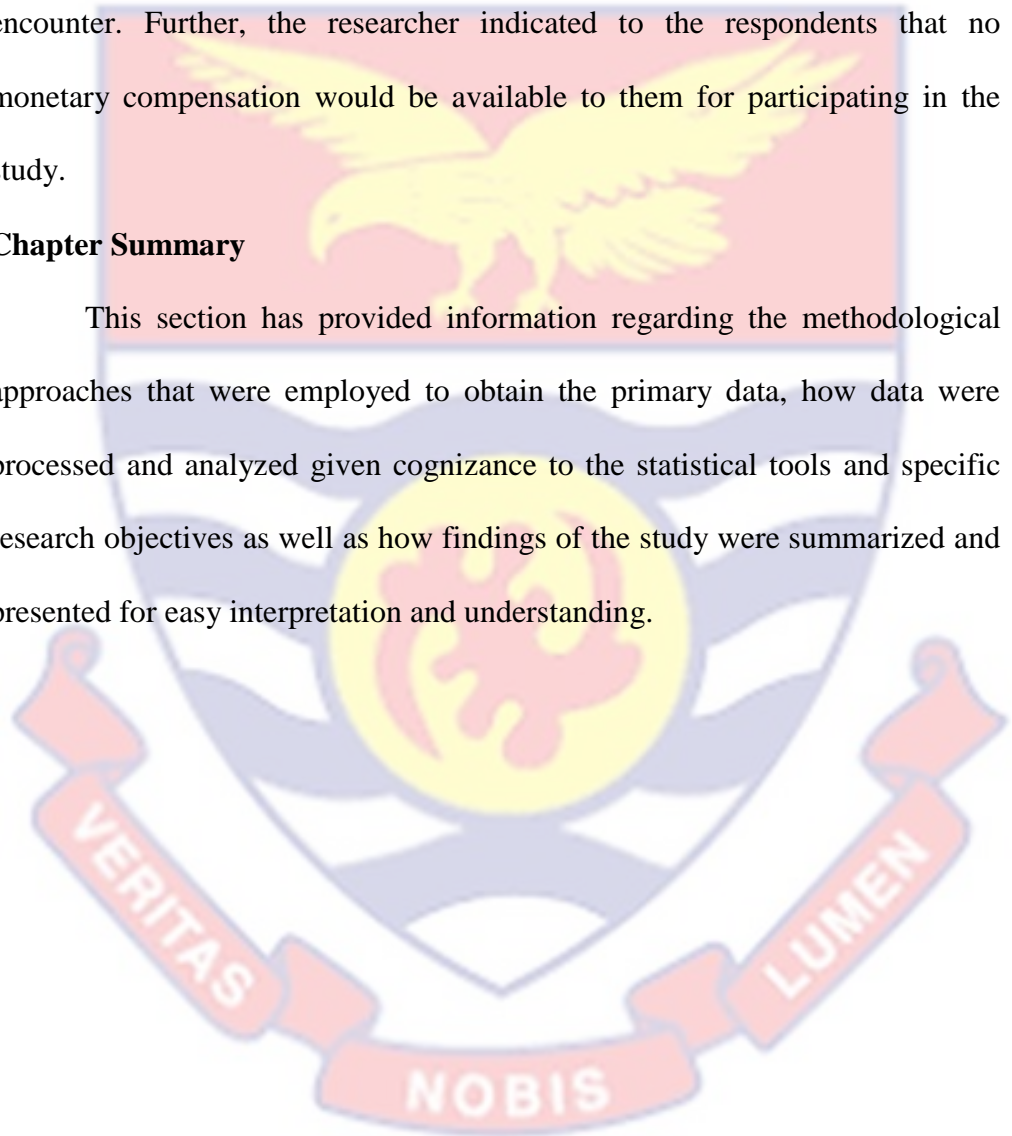
“Ethics is the behavioral norms or standards that guide moral choices about our behavior and our relationships with others” (Saunders, Lewis & Thornhill, 2007). First, formal permission was sought from Yunyoo-Nasuan District Assembly. The purpose of the study was fully explained to the respondents. Again, the benefits that may be accrued to the Yunyoo-Nasuan District Assembly were also communicated to the concerned stakeholders. The procedure for the collection of the data for the study was then explained to the respondents. The respondents were fully detailed about the sampling process and those who qualified were not forced to participate in the study but were, however, encouraged to participate in the study. Similarly, the questionnaire was designed in such a way to make it easier to complete.

Secondly, the consent of respondents was sought after explaining the purpose of the study to them. The researcher indicated that the study was for

academic work. The content of the questionnaire was such that the anonymity and privacy of the participants were protected by including a statement in the questionnaire to that effect. Again, the information provided by the respondents was treated with the utmost confidentiality. The researcher also indicated the possible discomfort and risk that participants were likely to encounter. Further, the researcher indicated to the respondents that no monetary compensation would be available to them for participating in the study.

### **Chapter Summary**

This section has provided information regarding the methodological approaches that were employed to obtain the primary data, how data were processed and analyzed given cognizance to the statistical tools and specific research objectives as well as how findings of the study were summarized and presented for easy interpretation and understanding.



## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

#### Introduction

The study was conducted to assess the effect of financial controls on cash management in the Yunyoo-Nasuan District Assembly. As discussed earlier, the study used the exploratory design. A sample of 80 staff of Yunyoo-Nasuan District Assembly was used for the analysis. The main purpose of the choice of statistical analysis was to assess the impact of financial controls on cash management in the Yunyoo-Nasuan District Assembly. The findings are chronologically presented and fully discussed given cognizance to managerial implications and previous empirical findings. A preliminary analysis was carried out to examine the demographic information of the respondents. The results are depicted in Table 2.

#### Demographic Information of Respondents

This section provides information about the demographic characteristics of the respondents surveyed in the study. Some of the issues considered under the section were the gender, age, education, marital status and religion of the respondents at Yunyoo-Nasuan District Assembly. These demographic features are relevant for the identification of the sample as well as provides avenue for other comparative analysis. The study employed descriptive statistics such as frequency and percentage to assess these features of the respondents surveyed in the study. The demographic information of the respondents is presented on Table 2. The findings are presented and discussed to that effect.

**Table 3: Demographic Information**

Variable	Options	Frequency	Percentage (%)
Gender	Male	45	60.00
	Female	30	40.00
Total		75	100
Age	20-29 years	12	16.00
	30-39 years	27	36.00
	40-49 years	25	33.30
	50-59 years	11	14.70
Total		75	100
Education	DBS	23	30.70
	HND/ Degree	23	30.70
	Master Degree	14	18.60
	PHD	15	20.00
Total		75	100
Marital Status	Single	31	41.30
	Married	44	58.70
Total		75	100
Religion	Christians	38	50.70
	Muslims	37	49.30
Total		75	100

Source: Field survey (2021)

The demographics of the respondents surveyed in this study was measured as depicted in Table 2. It was revealed that the number of males who

responded to the questionnaire were 45 representing 60.0% of the participants and the number of females who responded to the questionnaire were 30 representing 40.0% of the participants. It was also revealed that majority of the respondents were males. Although the sex distribution of the participants suggests that most of the respondents were males. There was relatively smaller difference compared to the number of female respondents surveyed in this study. This provides the opportunity for comparative analysis to be conducted on the basis of sex on some key continuous constructs considered in the study so as to help in identifying differences in means score for sex.

Secondly, out of the total sample population who answered the questionnaires, 12 of them were between the ages of 20-29 years representing 16.0%, 27 of them were between the ages of 30-39 years representing 36.0%, 25 of them were between the ages of 40-49 representing 33.30%, 11 of them were between the ages of 50-59 representing 14.70%. It was also revealed that, majority of the respondents were between the ages of 30-39. Although the age distribution of the participants suggests most respondents were between the ages of 30-39, there was relatively smaller difference compared to the number of respondents who were between the ages of 50-59 that were surveyed in the study. This provides the opportunity for comparative analysis to be conducted on the basis of age on some key continuous constructs considered in the study so as to help in identifying differences in means score for age.

Thirdly, out of the total sample population who answered the questionnaires in relation to the education of the respondent, it was revealed that, 23 of them have DBS education representing 30.70%, 23 of them have



HND/Degree education representing 30.70%, 14 of them have master degree education representing 18.60%, and 15 of them have PHD education representing 20.0%. From the table majority of the respondents have HND/Degree and DBS education. Although the education of the respondent distribution of the participants suggests most of the respondents have HND/Degree and DBS education, there was relatively smaller difference compared to the number of respondents who have master degree education and PHD education surveyed in this study. This generally gives the indication that the population are educated to least a post secondary education level. This finding is positive in the sense that the respondents have a good level of education to have an understanding of the controls put in place for effective cash management.

Fourthly, out of the total sample population who answered the questionnaires in relation to the marital status of the respondent, it was revealed that, 31 of them were single representing 41.30%, and 44 of them were married representing 58.70%. From the table majority of the respondents were married. Although the marital status of the respondent distribution of the participants suggests most of the respondents were married, there was relatively smaller difference compared to the number of respondents who were in the other category surveyed in this study. This provides the opportunity for comparative analysis to be conducted on the basis of marital status of the respondent on some key continuous constructs considered in the study so as to help in identifying differences in means score for marital status of the respondent.

Finally, out of the total sample population who answered the questionnaires in relation to the religion of the respondent, it was revealed that, 38 of them were Christians representing 50.70%, and 37 of them were Muslims representing 49.30%. From the table majority of the respondents were Christians. Although the religion of the respondent distribution of the participants suggests most of the respondents were Christians, there was relatively smaller difference compared to the number of respondents who were in the other category surveyed in this study. This provides the opportunity for comparative analysis to be conducted on the basis of religion of the respondent on some key continuous constructs considered in the study so as to help in identifying differences in means score for religion of the respondent.

**Objective One: Examining the Financial Control Activities in Yunyoo-Nasuan District Assembly**

The first objective of the study was to examine the financial control activities of the Yunyoo-Nasuan District Assembly. The responses from the staff on the financial control activities of Yunyoo-Nasuan District Assembly were grouped into three categories. The first category aimed at soliciting opinions on authorization and approval, the second on segregation of duties, reconciliation and review and the third on documentation, monitoring and evaluation. Results for specific categories are discussed in Table 3.

**Table 4: Authorization and approval**

Authorization and approval	1	2	3	4
Authorization plans or schemes are spelt, documented and sent to all relevant departments in the assembly.	34 (45.30)	41 (54.70)	0	0
Invoices for purchase requisitions are approved by directors/heads of department.	23 (30.70)	31 (41.30)	21 (28.0)	0
The personnel in charge of approving transactions executes the transaction and the needed knowledge to influence his decisions.	20 (26.70)	30 (40.0)	14 (18.70)	11 (14.60)
High ranking officials of the assembly make long-term plans with significant financial impact to the assembly.	20 (26.70)	24 (32.0)	19 (25.30)	12 (16.0)
Departmental supervisors authorize transactions for their respective departments.	22 (29.3)	25 (33.3)	17 (22.70)	11 (14.70)

Source: Field survey (2021)

The results gathered as displayed in Table 3 shows that, 34 respondents representing (45.30%) strongly agreed, and 41 respondents representing (54.70%) agreed that, Authorization plans and/or schemes are properly spelt, documented and sent to all relevant departments within the Yunyoo-Nansuan District Assembly. The table again shows that 23 (30.70%) of the respondents strongly agreed, 31 (41.30%) agreed, and 21 (28.0%) disagreed that Invoices for purchase requisitions are approved by directors/heads of department. On the issue of whether or not the personnel in charge of approving transactions executes the transaction and possess the needed knowledge to influence their

decisions, 11 (14.60%) of the respondents strongly disagreed, 14 (18.70%) disagreed, 30 (40.0%) agreed, and 20 (26.70%) strongly agreed.

The table further indicates that 12 (16.0%) of the respondents strongly disagreed, 19 (25.30%) disagreed, 24 (32.0%) agreed, and 20 (26.70%) strongly agreed that High ranking officials of the assembly make long-term plans with significant financial impact to the assembly. Finally, 11 (14.70%) of the respondents strongly disagreed, 17 (22.70%) disagreed, 25 (33.3%) agreed, and 22 (29.3%) strongly agreed that departmental supervisors authorize transactions for their respective departments.

**Table 5: Segregation of Duties, Reconciliation and Review**

Segregation of Duties, Reconciliation and Review	1	2	3	4
Employees' specific duties are clearly communicated to them.	33 (44.0)	26 (34.70)	16 (21.30)	0
Lines of authority and responsibility are clearly defined.	32 (42.70)	26 (34.70)	17 (22.60)	0
Transactions and financial activities are reviewed to ensure the accuracy of information that have been presented.	17 (22.70)	25 (33.30)	20 (26.70)	13 (17.30)
Source documents of all activities are cross-checked to ensure that the transactions have been correctly reported in the appropriate books	16 (21.30)	32 (42.70)	12 (16.0)	15 (20.0)

Source: Field survey (2021)

With respect to the segregation of duties, reconciliation and review, the results gathered as displayed in Table 4 shows that, 33 (44.4%), and 26 (34.70) of the respondents responded in the affirmative, by strongly agreeing and agreeing respectively that Employees' specific duties are clearly communicated to them. 16 (45.7%) of the respondent however disagreed to this fact. In a similar manner, 32 (42.70%) and 26 (22.6%) of the respondents responded positively about the clear definition of lines of authority and responsibility. 12 (22.6%) of the respondents however disagreed. In addition, 13 (17.30%) of the respondents strongly disagreed, 20 (26.70%) disagreed, 25 (33.30%) agreed, and 17 (22.70%) strongly agreed that transactions and financial activities are reviewed to ensure the accuracy of information that have been presented.

Considering whether or not source documents of all activities are cross-checked to ensure that transactions have been correctly reported in the appropriate books, 16 (21.30%) of the respondents strongly agreed, 32 (42.70%) agreed, 12 (16.0%) disagreed and 15 (20.0%) strongly disagreed.

**Table 6: Adequate Documentation, Monitoring and Evaluation**

Adequate Documentation, Monitoring and Evaluation	1	2	3	4
Documentation may be either paper-based or electronic.	37 (49.30)	38 (50.70)	0	0
Documentation is timely & preparation is simple.	31 (41.30)	44 (58.70)	0	0
The assembly 's financial control objective(s) are documented.	37 (49.30)	38 (50.7)	0	0
The assembly performs periodic risk assessment.	32 (42.70)	43 (57.30)	0	0
Management provides for appropriate corrective action, based on the significance and likelihood of occurrence of the risks identified.	29 (38.70)	46 (61.30)	0	0
The assembly has a regular internal control review.	30 (40.0)	45 (60.0)	0	0
Inventories, supplies, and other assets are checked regularly.	26 (34.70)	33 (44.0)	16 (21.30)	0
Meetings with employees are used to provide management with feedback on whether internal control is effective	28 (37.30)	47 (62.70)	0	0
Employee suggestions on internal control are considered and acted upon as appropriate.	34 (45.30)	41 (54.70)	0	0

Source: Field Survey (2021)

Under the third section of financial control activities, which seeks to solicit response on adequate documentation, monitoring and evaluation as displayed in Table 5 above, all the 75 respondents (94%) responded in the affirmative that Documentation at the Assembly are either paper-based or electronic. This is evident in the response as shown in the Table 5; 31 (41.30%) of the respondents strongly agreed and 44 (58.70%) agreed. From the same Table 5, 37 (49.30%) strongly agreed, 38 (50.70%) agreed that the Yunyoo-Nansuan District Assembly financial control objective(s) are documented as well as timely and preparation is simple. When asked whether risk assessments are performed periodically, 32 (42.70%) of the respondents strongly agreed, and 43 (57.30%) agreed that indeed periodic risk assessments are made at the Yunyoo-Nasuan District Assembly.

Following the periodic risk assessments performed at the assembly, the response from the table indicates further that Management provides for appropriate corrective action, based on the significance and likelihood of occurrence of the risks identified. 46 (61.30%) of the respondents agreed, and 29 (38.70%) strongly agreed. Responses as displayed in the table show clearly that, 45 (60.0%) of the respondents agreed and 30 (40.0%) strongly agreed that the assembly has a regular internal control review. Responses displayed in the table show that 16 (21.30%) of the respondents disagreed, 33 (44.0%) agreed, and 26 (34.70%) strongly agreed that Inventories, supplies, and other assets are checked regularly. This is evident in the response as shown in the table; 47 (62.70%) agreed and 28 (37.3%) strongly agreed. More than half of the employees i.e. 41 (54.70%) strongly agreed and 34 (45.30%) agreed that

employee suggestions on internal control are considered and acted upon as appropriate.

The first objective of the study sought to examine the financial control activities in Yunyoo-Nasuan District Assembly. Findings revealed that respondents representing strongly agreed, and agreed that, Authorization plans and/or schemes are properly spelt, documented and sent to all relevant departments within the Yunyoo-Nansuan District Assembly. This gives an indication that departments within the assembly and their staff are sufficiently aware that activities of financial nature need to be authorized and well documented. The study revealed that respondents strongly agreed, agreed, and disagreed that invoices for purchase requisitions are approved by directors/heads of department. To a large extent, this result points out that purchases and procurements are not made indiscriminately but have to go through the required laid down procedures. On the contrary, some respondents expressed strong disagreement with this assertion.

On the issue of whether or not the personnel in charge of approving transactions executes the transaction and possess the needed knowledge to influence their decisions, respondents strongly disagreed, disagreed, agreed, and strongly agreed. Cumulatively, majority of the respondents attest to the fact that personnel who have been entrusted with the obligation to approve transactions actually do so, and have the required knowledge to do so. However, some respondents disagreed that approval of transactions are actually made, and doubt the competence of the personnel in charge of making such decisions. It was also revealed that respondents strongly disagreed, disagreed, agreed, and strongly agreed that High ranking officials of the



assembly make long-term plans with significant financial impact to the assembly.

The institution is straight forward; even though ranking officials of the assembly make long-term plans; these plans are mostly subject to alterations and/or change at other higher levels within the line of decision making. Finally, respondents strongly disagreed, disagreed, agreed, and strongly agreed that departmental supervisors authorize transactions for their respective departments. Departmental supervisors authorize transactions for their respective departments based on the type and nature of the transaction. In some situations, transactions are authorized by other personnel, other than departmental heads or supervisors. With respect to the segregation of duties, reconciliation and review, the results showed that, respondents responded in the affirmative, by strongly agreeing and agreeing respectively that Employees' specific duties are clearly communicated to them. However, some respondent disagreed to that fact.

In a similar manner, respondents responded positively about the clear definition of lines of authority and responsibility. However, respondents disagreed to that. In addition, respondents strongly disagreed, disagreed, agreed, and strongly agreed that transactions and financial activities are reviewed to ensure the accuracy of information that have been presented. This can be associated with the presence of the internal audit department role of ensuring that transactions are reviewed, accurate and meet financial standards. Considering whether or not source documents of all activities are cross-checked to ensure that transactions have been correctly reported in the

appropriate books, respondents strongly agreed, agreed, disagreed and strongly disagreed.

Again, this financial control practice is the presence of the internal audit department which duty is to ensure that all transactions have corresponding supporting documents. The third section of financial control activities, which seeks to solicit response on adequate documentation, monitoring and evaluation as displayed that respondent responded in the affirmative that documentation at the assembly is either paper-based or electronic. This gives a clear indication that most documents prepared at the assembly either take an electric form that is use of emails, fax among others or printed and used in hard copy. Staff of the Yunyoo-Nasuan District Assembly opined affirmatively that documentation is timely & preparation is simple, the situation is not always so due to the complex and time-consuming nature of some documents, and also the bureaucratic process of getting documents duly approved. This is evident in the response as shown that respondents strongly agreed and agreed.

It was revealed that, respondents also strongly agreed, agreed that the Yunyoo-Nansuan District Assembly financial control objective(s) are documented as well as timely and preparation is simple. Many government institutions, including metropolitan, municipal and district assemblies are required to make their objectives known. It is therefore no wonder that a majority of the respondents responded positively that the Yunyoo-Nansuan District Assembly financial control objective(s) are documented. When asked whether risk assessments are performed periodically, respondents strongly

agreed, and agreed that indeed periodic risk assessments are made at the Yunyoo-Nasuan District Assembly.

Following the periodic risk assessments performed at the assembly, the response from the table indicates further that management provides for appropriate corrective action, based on the significance and likelihood of occurrence of the risks identified. Respondents agreed and strongly agreed. Internal controls are essential for the proper practice of financial control activities. Responses as displayed that, respondents agreed and strongly agreed that the assembly has a regular internal control review. Responses displayed show that respondents disagreed, agreed, and strongly agreed that inventories, supplies, and other assets are checked regularly.

Staff of the Yunyoo-Nasuan District Assembly expressed the view that meetings with employees are used to provide management with feedback on whether internal control is effective. This response shows that meetings are usually held, where employees at the assembly are presented the opportunity to express their opinions on the effectiveness of internal controls within the assembly. It was also revealed that, respondents agreed and strongly agreed. More than half of the employees strongly agreed and agreed that employees' suggestions on internal control are considered and acted upon as appropriate. This reveals that although employees are given the opportunity to air their views on matters concerning internal controls, these concerns are mostly not taken into action by management.

According to El-Nafabi (2009) "audit and control system are paramount in ensuring accountability for the use of public funds, and safeguarding the limited public resources against corruption and other

misappropriation and unlawful practices.” Also, Sarens and De Beelde (2006) “was of the view that certain control environment characteristics like tone-at-the-top, level of risk and control awareness, extent to which responsibilities relates to risk management, internal controls are clearly defined and communicated, significantly relates to the role of the internal auditor within an organization.”

**Objective Two: Evaluating the cash management practices in Yunyoo-Nasuan District Assembly**

The second objective of the study was to evaluate the cash management practices in Yunyoo-Nasuan District Assembly to know if the staff agree that they are satisfied with the cash management practices provided by their organization and this is presented in Table 6.

**Table 7: Cash Management Practices**

Cash Management Practices	1	2
Do you prepare any form of cash forecast or budget?	42 (56.0)	33 (44.0)
Do you keep proper books of accounts?	47 (62.70)	28 (37.30)
Idle cash is always deposited in the bank	45 (60.0)	30 (40.0)
Do you Conduct bank reconciliation?	45 (60.0)	30 (40.0)
Do you Monitor cash outflow on regular basis?	47 (62.70)	28 (37.30)
Do you hold cash for speculative purposes	39 (52.0)	36 (48.0)

Source: Field survey (2021)

Table 6 displayed responses with regards to cash management practices in the Yunyoo-Nasuan District Assembly. From the table, 42(56.0%) of the respondents answered “Yes” while 33 (44.0%) answered “No” that cash budgets and/or forecasts are prepared in the Yunyoo-Nasuan District Assembly. Similarly, 47 (62.70%) of the respondents answered “Yes” while, 28 (37.30%) responded “No” to the question of whether or not the assembly keeps proper bookkeeping of accounts and transactions. In order to ascertain whether or not these cash receipts when not in use are safely kept, 45 (60.0%) responded “Yes”, and 30 (40.0%) responded that idle cash in the assembly is always deposited at the bank. One important cash management practice is the process of ensuring that all bank and cash balances reconcile.

Thus, out of 75 respondents who responded to the question of whether or not the assembly conducted regular bank reconciliations, 45 (60.0%) responded “Yes”, and 30 (40.0%) negatively responded. From the same table containing responses on cash management, 47 (62.70%) agreed by responding “Yes”, and 28 (37.30%) disagreed by responding “No” to the fact that cash outflows are monitored on a regular basis. It is no wonder that 39 (52.0%) agreed by responding “Yes”, and 36 (48.0%) disagreed by responding “No” that cash is held for speculative purposes.

The second objective sought to evaluate the cash management practices in Yunyoo-Nasuan District Assembly. It was revealed that, respondents answered “Yes” and answered “No” that cash budgets and/or forecasts are prepared at the Yunyoo-Nasuan District Assembly. Similarly, respondents answered “Yes”, and responded “No” to the question of whether or not the assembly keeps proper bookkeeping of accounts and transactions.

The high positive response is evident in the fact that many of the staff at the assembly have an appreciable knowledge of accounting. Metropolitan, Municipal and District Assemblies (MMDAs) are not noted as agencies mandated to operate for the purposes of making profit. Therefore, it is uncommon to find regular cash at the assemblies. Nonetheless, these agencies of government at some points in time receive cash in the form of taxes, levies and other revenues.

In order to ascertain whether or not these cash receipts when not in used are safely kept, respondents responded “Yes”, and others responded negatively that idle cash at the assembly is always deposited at the bank. One important cash management practice is the process of ensuring that all bank and cash balances reconcile. Not only does this expose missioned transactions, it is also a good practice of accountability. Thus, the respondents who responded to the question of whether or not the assembly conducted regular bank reconciliations, some responded “Yes”, and others negatively responded. In fact, this cash management practice could be associated to an internal control measure manned by the internal audit department of the Yunyoo-Nasuan District Assembly.

It was revealed that, with respect to responses on cash management, respondent agreed by responding “Yes”, and disagreed by responding “No” to the fact that cash outflows are monitored on a regular basis. This can be attributable to the fact that a lot of processes and authorizations have to be made before cash outflows are made. Like earlier identified, the assembly at some point in time keeps cash for speculative purposes; mostly in the form of impress. It is no wonder that they agreed by responding “Yes”, and disagreed

by responding “No” that cash is held for speculative purposes. An efficient cash management therefore affords the firm an opportunity to face the cash demands of the firm, guard against the situation of holding unnecessary large amounts of cash and increase the returns generated from each amount the institution owns (Khan & Jain, 2013).

**Objective 3: The effect of financial control activities on cash management in the Yunyoo-Nasuan District Assembly**

The study sought to assess the effect of financial control activities on cash management in the Yunyoo-Nasuan District Assembly. This was measured through the application of standard multiple regression. Composite variable was formed for the dependent variable (cash management) and the independent variable (financial control which comprise of authorization and approval, segregation of duties, reconciliation and review, and adequate documentation, monitoring and evaluation) through data transformation process. There was no auto correlation as attested by the Durbin-Watson indicator (1.798). Campbell and Campbell (2008) asserted that for regression to avoid auto correlation, the Durblin-Watson indicator should fall between 1.5-2.5. The findings are presented on Tables 7, 8 and 9.

**Table 8: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.648 <sup>a</sup>	.420	.380	6.68374

a. Dependent Variable: Cash Management

b. Predictors: (Constant), Authorization and Approval, Segregation of Duties, Reconciliation and Review, and Adequate Documentation, Monitoring and Evaluation

Source: Field survey (2021)

A joint correlation between the predictors (financial control variables which comprise of authorization and approval, segregation of duties, reconciliation and review, and adequate documentation, monitoring and evaluation) and cash management (dependent variable) was computed. It was discovered that there was a statistically significant but strong positive correlation between financial control (predictors) and cash management ( $r=0.648$ ). It thus signals that, the more the financial control increases the more the cash management ability of Yunyoo-Nansuan District Assembly also increases. Conversely, the more the financial control decreases the more the cash management ability of Yunyoo-Nansuan District Assembly also decreases. This is supported by the study of Simiyu et al. (2018) and Ibrahim et al. (2017) that there is positive relationship between financial control and cash management.

The finding is further supported by the study of Agbaje and Funson, (2018) which stated that high financial control will result in high cash



management. The R-square has been recognized as the most common effect size measure in path models (Garson, 2016). Hock and Ringle (2006) further prescribed some tentative cut-off points for describing R-square are as follows: Results above 0.67 (Substantial), 0.33 (Moderate) and 0.19 (Weak). Regarding the predictive capacity of the model, it was discovered that changes in financial control accounted for 42.0% moderate positive variance in the cash management of Yunyoo-Nasuan District Assembly ( $R^2=0.420$ ). Thus, given all the other factors affecting financial control of Yunyoo-Nasuan District Assembly accounts for a moderate positive increment in the level of cash management of Yunyoo-Nasuan District Assembly.

Other factors not captured in the model equally account for the remaining 58.0% variance in the level of cash management of Yunyoo-Nasuan District Assembly. Further studies could be carried out to explore those factors as well. This confirms the study of Maiga et al., (2018) and Mutya, (2018) which “found out dimensions of financial control made positive variance in cash management.” The finding further affirms the study of Harley and Emery, (2016) and Oyebanji, (2018), “that financial control makes positive variance in cash management.” This section also looked at the adjusted  $R^2$ . The adjusted  $R^2$  is coefficient of determination ( $R^2$ ) which explains the extent to which changes in the dependent variable (cash management) can be explained by the change in the independent variable (financial control) or the percentage of variation in the dependent variable (cash management) that is explained by all the independent variable (financial control) at 95% confidence intervals.

According to the independent variable studied (financial control), it explained only 38.0% of cash management was represented by adjusted R<sup>2</sup>. This therefore means that other factors not studied in this research contribute 62.0% of cash management.

**Table 9: ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.526	5	3.705	6.226	.000 <sup>b</sup>
	Residual	139.246	234	.595		
	Total	157.772	239			

a. Dependent Variable: Cash Management

b. Predictors: (Constant), Authorization and Approval, Segregation Of Duties, Reconciliation And Review, And Adequate Documentation, Monitoring And Evaluation

Source: Field survey (2021)

To attest as to whether the 42.0% variance in cash management accounted for by variance in the predictors (as measured by the financial control variables including authorization and approval, segregation of duties, reconciliation and review, and adequate documentation, monitoring and evaluation) was statistically significant or not, ANOVA report was generated alongside the model summary. It was then confirmed that financial control is a statistically significant positive predictor of cash management ( $p=0.000$ :  $p<0.05$ ). Thus, it can be suggested that users of the findings of this study can rely on the model to predict changes in cash management given same conditional changes in indicators (financial control) in this context because the claim is scientifically supported and not mere due to chance.

**Table 10: Coefficient**

Model		Unstandardized Coefficients				
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.225	.129		1.753	.080
	Authorization and Approval	.279	.055	.235	5.061	.000
	Segregation of Duties, Reconciliation and Review	.185	.031	.231	6.054	.000
	Adequate Documentation, Monitoring and Evaluation	.298	.041	.313	7.226	.000

Source: Field survey (2021)

The study further sought to assess the contributions of the predictors (financial control indicators) to causing the statistically significant strong increase in the cash management of Yunyoo-Nasuan District Assembly. It was discovered that adequate documentation, monitoring and evaluation made the strongest statistically significant positive contribution (Beta=0.298: p=0.000: p<0.05) to predicting the positive variance in the cash management of Yunyoo-Nasuan District Assembly when the contributions of the other variables in the model were statistically controlled for. Thus, from the perspective of unstandardized beta approach, it can be concluded that a unit increase in adequate documentation, monitoring and evaluation causes a 0.298 significant increase in the cash management of Yunyoo-Nasuan District Assembly.

The findings confirm earlier studies that authorization and approval contribute significantly to cash management (Agbaje&Funson, 2018; Simiyu et al., 2018; Ibrahim et al., 2017). On the other hand, it can be adduced that a unit fall in adequate documentation, monitoring and evaluation causes a 0.298 significant increase in the cash management of Yunyoo-Nasuan District Assembly. Moreover, it was discovered that authorization and approval made a statistically significant positive contribution (Beta=0.279: p=0.000: p<0.05) to predicting the positive variance in the cash management of Yunyoo-Nasuan District Assembly when the contributions of other variables in the model were statistically controlled for.

Thus, from the perspective of unstandardized beta approach, it can be concluded that a unit increase in authorization and approval causes a 0.279 significant increase in the cash management of Yunyoo-Nasuan District Assembly. On the other hand, it can be adduced that a unit fall in authorization and approval causes a 0.279 significant increase in the cash management of Yunyoo-Nasuan District Assembly. “The findings confirm earlier studies that authorization and approval contribute significantly to cash management” (Agbaje & Funson, 2018; Simiyu et al., 2018; Ibrahim et. al., 2017).

Finally, it was discovered that segregation of duties, reconciliation and review made a statistically significant positive contribution (Beta=0.185; p=0.000: p<0.05) to predicting the positive variance in the cash management of Yunyoo-Nasuan District Assembly when the contributions of the other variables in the model were statistically controlled for. Thus, from the perspective of unstandardized beta approach, it can be concluded that a unit increase in segregation of duties, reconciliation and review causes a 0.185

significant increase in the cash management of Yunyoo-Nasuan District Assembly. On the other hand, it can be adduced that a unit fall in segregation of duties, reconciliation and review causes a 0.185 significant increase in the cash management of Yunyoo-Nasuan District Assembly. These findings support some empirical studies reviewed at the literature review section.

For instance, the study confirms the study of Maiga et al. (2018) and Mutya, (2018) which “revealed that segregation of duties, reconciliation and review has significant effect on cash management.” Similarly, the findings also support the study of Simiyu et al. (2018) and Ibrahim et al. (2017) “that segregation of duties, reconciliation and review has no significant impact on cash management.”

Finally, the third objective of the study sought to determine the effect of financial control on cash management. Findings revealed that financial control and cash management are positively correlated. It thus signals that, the more the predictors (financial control) increase the more cash management of employees at Yunyoo-Nasuan district assembly also increases. Conversely, it can be adduced that lower levels of the predictors (financial control) are associated with lower levels of cash management in Yunyoo-Nasuan District Assembly. Also, it was discovered that changes in financial control accounted for a substantial positive variance in cash management in Yunyoo-Nasuan District Assembly. Thus, given all the other factors affecting cash management in Yunyoo-Nasuan District Assembly, financial control accounts for a positive improvement on the cash management.

Other factors not captured in the model equally account for the remaining variance on cash management in Yunyoo-Nasuan District

Assembly apart from financial control. Further studies could be carried out to explore those factors as well. According to the independent variable studied, it explained that cash management was represented by adjusted  $R^2$ . This therefore means that other factors not studied in this research contribute to cash management. Therefore, a further study should be conducted to investigate the other factors that influence cash management. This implies that these variables are very significant and therefore, need to be considered in any effort to boost cash management.

This is supported by the study of Harley and Emery (2016) and Oyebanji, (2018) “that there is positive relationship between financial control and cash management by concluding that the approach of organizing the system of financial control influences not only the safety of material and financial resources but all of its financial and economic activities.” “The finding is further supported by the study of Omboga et al., (2016) which stated that high financial control will result in high cash management.” “This could be achieved through effective cash control, cash processing and budgeting but recommended the examination of the effect of human behavior on the application of financial control mechanisms.”

### **Chapter Summary**

The chapter has provided information regarding the findings in respect of the specific research objectives that were considered in the context of the study. The findings were fully discussed, given their practical relevance, managerial implications and previous empirical postulations as evidenced in literature review.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### Introduction

The study sought to examine the effect of financial controls on cash management in the Yunyoo-Nasuan District Assembly. The findings relating to the results were presented and discussed in chapter four. This chapter now presents information regarding the summary of the key findings, conclusions drawn and recommendations offered based on the findings of the study.

The main purpose of this research was to examine the effect of financial controls on cash management in the Yunyoo-Nasuan District Assembly. The study employed an explanatory design research and approached through the quantitative research approach. The target population covers the total number of staff at Yunyoo-Nasuan District Assembly. A sample of eighty (80) staff were selected using the simple random sampling technique. A self-administered questionnaire was used in soliciting the views of the staff on the stated objectives of the study. The questionnaire was made up of 29 items grouped into three sections covering demographic characteristics of the respondents, financial control dimension (authorization and approval, segregation of duties, reconciliation and review, and adequate documentation, monitoring and evaluation), and cash management.

A five percent confidence level was used for the test of significance. The data on demographic characteristics of respondents were analysed quantitatively using descriptive statistics including frequencies and percentages. The three objectives were also analysed using descriptive and

multiple regression. The analyses were done using SPSS version 25. A summary of the key findings of the study are as follows:

### Summary of Key Findings

- The first objective of the study sought to examine the financial control activities at Yunyoo-Nasuan District Assembly. The study revealed that authorization plans and/or schemes are properly spelt, documented and all relevant department invoices for purchase requisitions are approved by directors/heads of department within the Yunyoo-Nansuan District Assembly.
- Secondly, the second objectives to evaluate the cash management at Yunyoo-Nasuan District Assembly. It was revealed that, cash budgets and/or forecasts are prepared, proper bookkeeping of accounts and transactions are kept, cash outflows are monitored on a regular basis and cash is held for speculative purposes at the Yunyoo-Nasuan District Assembly.
- Finally, the third objective of the study sought to determine the effect of financial control on cash management. Findings revealed that financial controls and cash management are positively correlated. Also, it was discovered that changes in financial controls accounted for a substantial positive variance in cash management at Yunyoo-Nasuan District Assembly.



## Conclusions

The study therefore draws the following conclusions based on the objectives of the study.

- It is therefore concluded that personnel who have been entrusted with the obligation to approve transactions actually do so, and have the required knowledge to do so;
- The study also concludes that many of the staff at the assembly have an appreciable knowledge of accounting; and
- The study further concludes that authorization and approval, segregation of duties, reconciliation and review, and adequate documentation, monitoring and evaluation which constitute the dimensions of financial controls have significant positive effect on the cash management in Yunyoo-Nasuan District Assembly.

## Recommendations

Based on the findings and conclusions of the study, the following recommendations are therefore made;

1. The study also recommends that management should employ the qualified personnel who possess the needed knowledge to influence their decisions as well as be in charge of approving and executing the transactions. Also, management should clearly define the lines of authority and responsibility at the district assembly. Management should monitor and ensure that all activities are cross-checked so that transactions are correctly reported in the appropriate books.
2. The study further recommends that the manager should ensure that all books of accounts are properly kept. Management should make sure

that cash outflows are monitored on a regular basis. In addition, management should make sure that cash budgets and/or forecasts are prepared before beginning any activity.

3. It is equally recommended that management should continuously improve the financial controls at the district assembly and pay attention to all the other factors affecting financial controls which make it difficult for the district to achieve optimal cash management in the operations.

### **Suggestions for Further Studies**

Similar studies can be conducted at other districts assemblies, municipal assemblies and metropolitan assemblies across the country to have general perception of their financial controls towards the optimal cash management. Again, other factors not captured in the model equally account for the remaining 58.0% variance in the level of cash management. Further studies could be carried out to explore those factors as well.

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## APPENDIX

### QUESTIONNAIRE FOR MANAGEMENT AND KEY STAFF OF YUNYOO-NASUAN DISTRICT ASSEMBLY

I am a student of University of Cape Coast (UCC), pursuing Master of Business Administration (Accounting). As part of the requirements for the completion of my dissertation, I submit this questionnaire to seek your opinion on the topic *“Effect of Financial Controls on Cash Management in Newly Created Metropolitan, Municipal and District Assemblies in Ghana: The Case of Yunyoo-Nasuan District Assembly”*. All responses will be treated strictly confidential and will solely be used for academic research.

#### SECTION I: RESPONDENT’S DEMOGRAPHIC DATA

Please indicate your response by ticking [  ] the response category

1) Gender

1. Male [  ]

2. Female [  ]

2) Age

i. Below 25 [  ] ii. 25-35 [  ] iii. 36-45 [  ] iv. 46-55 [  ] v. 55 and above [  ]

3) Highest Educational Qualification

i. HND Graduate [  ] ii. Bachelor’s degree [  ] iii. Master's Degree [  ]  
iv. Professional [  ]

4) Marital Status

i. Single [  ] ii. Married [  ] iii. Divorced/Separated [  ] iv. Widowed [  ]

5) Religion

- i. Christian [ ] ii. Muslim [ ] iii. Other [ ]

**SECTION II: FINANCIAL CONTROL ACTIVITIES**

This section relates to financial control activities. Indicate which of the following activities you practice at the Yunyoo-Nasuan District Assembly by ticking the extent to which you agree or disagree to each statement as it applies to the Assembly/Department. Use the scale below;

*1= Strongly Agree 2= Agree 3= Disagree 4= Strongly Disagree*

<b>Authorization and approval</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Authorization plans or schemes are spelt, documented and sent to all relevant departments in the assembly.	[ ]	[ ]	[ ]	[ ]
Invoices for purchase requisitions are approved by directors/heads of department.	[ ]	[ ]	[ ]	[ ]
The personnel in charge of approving transactions executes the transaction and the needed knowledge to influence his decisions.	[ ]	[ ]	[ ]	[ ]
High ranking officials of the assembly make long-term plans with significant financial impact to the assembly.	[ ]	[ ]	[ ]	[ ]
Departmental supervisors authorize transactions for their respective departments.	[ ]	[ ]	[ ]	[ ]

<b>Segregation of Duties, Reconciliation and Review</b>				
Employees' specific duties are clearly communicated to them.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lines of authority and responsibility are clearly defined.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transactions and financial activities are reviewed to ensure the accuracy of information that have been presented.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Source documents of all activities are cross-checked to ensure that the transactions have been correctly reported in the appropriate books	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Adequate Documentation, Monitoring and Evaluation</b>				
Documentation may be either paper-based or electronic.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Documentation is timely & preparation is simple.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The assembly's financial control objective(s) are documented.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The assembly performs periodic risk assessment.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Management provides for appropriate corrective action, based on the significance and likelihood of occurrence of the risks identified.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The assembly has a regular internal control review.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inventories, supplies, and other assets are checked regularly.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Meetings with employees are used to provide management with feedback on whether internal control is effective?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employee suggestions on internal control are considered and acted upon as appropriate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### SECTION III: CASH MANAGEMENT PRACTICES

This section relates to cash management practices. Indicate which of the following you practice at the Yunyoo-Nasuan District Assembly by ticking YES or NO. Use the scale below;

*1= Yes 2= No*

<b>Cash Management Practices</b>	<b>1</b>	<b>2</b>
Do you prepare any form of cash forecast or budget?	<input type="checkbox"/>	<input type="checkbox"/>
Do you keep proper book of accounts?	<input type="checkbox"/>	<input type="checkbox"/>
Idle cash is always deposited in the bank	<input type="checkbox"/>	<input type="checkbox"/>
Do you Conduct bank reconciliation?	<input type="checkbox"/>	<input type="checkbox"/>
Do you Monitor cash outflow on regular basis?	<input type="checkbox"/>	<input type="checkbox"/>
Do you hold cash for speculative purposes	<input type="checkbox"/>	<input type="checkbox"/>