

## **Internal Control on Cash Collection. A Case of the Electricity Company of Ghana Ltd, Accra East Region**

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### **Abstract**

*The general objective of this study was to find out control system on cash collection in ECG and the general practical challenges of ensuring prudent cash collection. For this study, the target population comprised management members of ECG Ghana, Tellers or cash collectors of ECG Ghana, who on daily basis pay monies in cash to ECG Ghana ltd. multiple sampling methods was adopted for this study.*

*The study found that internal control, no matter how well designed and operated, can provide only reasonable assurance to management and the board of directors regarding achievement of an entity's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the realities that human judgment in decision-making can be faulty, persons responsible for establishing controls need to consider their relative costs and benefits, and breakdowns can occur because of human failures such as simple error or mistake. Additionally, controls can be circumvented by collusion of two or more people. Finally, management has the ability to override the internal control system. An internal control system can be expected to provide reasonable assurance of achieving objectives relating to the reliability of financial reporting and compliance with laws and regulations. Achievement of those objectives, which are based largely on standards imposed by external parties, depends on how activities within the entity's control are performed.*

**Key Words:** Internal Control Systems, Cash management, and practical challenges of ECG, Accra East Region

### **1.1. Background to the Study**

According to Fight (2002), cash is the most liquid of assets and is susceptible to loss if not properly controlled. Therefore, it is extremely important that, all departments handling cash implement and adhere to strong internal controls. For the purposes of this study, "cash" includes coins, currency, checks, money orders, internal charges, credit card etc. "Cash is king" is probably the most frequently heard phrase in the business world in the last two years. Moreover, it has never been more appropriate (Angelovska, 2010). The recent financial crisis has put cash collection and its management through effective internal control system back in the spotlight, forcing treasurers to focus their efforts on ways to improve their companies' cash management (San José et al., 2008, : 200). When liquidity is scarce, efficient cash management is vital for ensuring that every spare cent has been fully utilised. Even in normal times, efficient cash collection and management is crucial for the company, as lack of liquidity may result in inability to pay liabilities, increased costs, and in worst case scenario, may end up in insolvency. Internal control is the responsibility of the management of organisation or corporation .The Internal Audit Division assists management in discharging its responsibilities in terms of the implementation and monitoring of internal controls. Sawyer and Dittenhofer (1996:407) state that internal control is the plans of the organisation, including management's attitude, methods, procedures and measures, which provide reasonable assurance that the objectives of prudent cash collection are being achieved. The term "internal control" has basically replaced the term "internal check" (Fight, 2002).

Internal check referred to those methods and procedures used by the accounting and finance divisions of a business to minimise clerical errors and protect assets, especially cash, against theft or loss. The change in terminology was the result of an expanding perception of the objectives and activities implied by internal control. In 1936, the American Institute of Certified Public Accountants (AICPA) defined internal control as those measures and methods adopted within the organisation itself to safeguard the cash or other assets of the company and to check the clerical accuracy of the bookkeeping. Again, AICPA (1949) defined internal control as the plan of organisation and all of the coordinate methods and measures adopted by a business to safeguard its assets, check the accuracy and trustworthiness of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies. The definition provided by AICPA in 1949 includes operational, financial reporting and compliance aspects of internal control (Mautz and Winjum, 1981).

These definitions were amended in 1958 and 1972 successively leading to the separation of these controls into accounting controls and administrative controls. AICPA directs accountants and auditors' attention to traditional accounting controls such as authorisation, segregation of duties, cross-checking, in order to minimise litigation risks. This narrows the focus of control. However, Tread way Commission (1987) recommended that internal control structures be designed to prevent or detect fraudulent financial reporting (Bridge and Moss, 2003:1-2). It is clear that, an organization has various levels within its system. The most important of these are the operating system, which is designed to accomplish stated objectives, such as producing items while meeting standards of cost, quality and schedule. The other is the control system, which is overlaid on the operating system. It is made up of the procedures, rules, and instructions that are designed to make sure that the operating system's objectives will be met (Sawyer & Dittenhofer, 1996:84). Internal control is primarily on proper and adequate accounting and reporting procedures (Reider, 1994:13). Ratliff et al. (1988:97) stated that, the objective of internal control, namely to maintain reliability and integrity in the information system is important for management's decision-making process.

As a result of technological advancements and changing management techniques, organizations employ less people and are therefore less able to perform many internal accounting controls, for example, layers of authorization, cross-checking, segregation of duties, supervision, etc. A range of control elements are therefore required in order for internal controls to be effective. Effective internal control requires a strong control environment under which the components of systems are well implemented. The principles underlying good control and commitment to sound control compliance must be present so as to ensure healthy interactive control structure. Internal control must also be tailored to meet the needs of the individual business. This is because the more elaborate an organization's control systems, the greater the cost (IRM et al., 2002). The scandals of recent years emphasized the need to evaluate, scrutinize and reformulate control systems of checks and balances in order to guide corporate executives and persons in decision-making. Therefore as much as an organization would like to implement appropriately derived control measures; it must also consider the amount of money involved in implementing such measures.

The embezzlement of funds from public institutions or organisations, particularly in essential services or monopolistic public institutions, is becoming more common. Such scandals have raised concerns about their internal control systems. Despite the lack of any reported financial scandals in ECG, there is a growing concern as to whether they experience the same deficiencies as other public regulatory institutions do. Recent reports on the mismanagement of funds by the media coupled with exposure of the complex web of rot and poor control system which was highlighted by the work of an investigative journalist, Anas Aremeyaw Anas in public institutions raised curtains on internal control system. These developments have called into question the internal control system found in public utility provider organizations.

According to Gibbs (1997:37), most public institutions do not have efficient internal control system on cash collection which has often accounted for poor financial management. Accordingly, it is no surprise that, some public service providers more often than not, views internal controls as unnecessary and irrelevant. While there has been an increase in the number of studies examining internal control systems in the private sector, there has been a paucity of studies examining the same issue in the public sector. Given that ECG, at least theoretically, does not separate cash collection from its corporate governance, it would be necessary to determine if the lax internal controls present in other public utility providers also exist in ECG and the extent to which it is enforced. The purpose of the study is to assess the effectiveness of internal controls over cash collection.

In addition, the responsibilities of managers and supervisors regarding the control of cash will be identified and described, and it will be determined whether the functional responsibilities of ECG are efficient enough to achieve its aim. Internal control is about understanding and controlling risk, as well as acting as a monitoring function.

The primary purpose of internal control is to continuously evaluate whether a firm is meeting its objectives and to ensure that, the board, managers and employees are all working to ensure the success of these strategies while keeping the level of risk at an acceptable level. Therefore, this study will help provide a sound system of internal control to moderate poor judgment in decision making; human error; the deliberate failure to follow control processes by employees and managers, and the impact of unexpected events. Finally, the relevance of internal control system has expanded far beyond its traditional ambit of protection against theft and fraud well into the areas of effectiveness, accountability and operational efficiency, hence the need for evaluating the concept of internal control on cash collection. This will aid both academicians and policy makers in decision making.

Jill and Roger (2003) said that, there is the need to consider a number of different ethical issues and find out what rules may be there for conducting research at an early stage in a study. Several ethical issues were addressed during the course of this research work. The ethical approval to conduct the interview was sought. Letters were sent to respondents to seek their consent for an interview. The questions were drafted and pilot-tested. This helped in eliminating flaws in the questions and to determine whether the questions are in line with the intention of the researcher

## ***Literature Review***

### ***2.0. Introduction***

#### ***2.1. Conceptual Literature***

In defining internal control systems just like any other concept is laborious and sometimes incomplete. This is partly due to the conceptuality and applicability of the concept. In 1936, the American Institute of Certified Public Accountants (AICPA) defined internal control as those measures and methods adopted within the organization itself to safeguard the cash or other assets of the company and to check the clerical accuracy of the bookkeeping. Again, AICPA (1949) defined internal control as the plan of organization and all of the coordinate methods and measures adopted by a business to safeguard its assets, check the accuracy and trustworthiness of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies.

The definition provided by AICPA in 1949 includes operational, financial reporting and compliance aspects of internal control (Mautz and Winjum, 1981). These definitions were amended in 1958 and 1972 successively and then separated these controls into accounting controls and administrative controls. AICPA directs accountants and auditors' attention on traditional accounting controls such as authorization, segregation of duties, cross-checking, in order to minimize litigation risks. This narrows the focus of control. However, Tread way Commission (1987) recommended that internal control structures be designed to prevent or detect fraudulent financial reporting (Bridge and Moss, 2003:1-2). In the milieu of the challenge to find an accommodating definition, the Working Group in (1992) began by setting out a common definition for internal control. Having considered the variety of existing definitions both at a legislative level and at an academic one, the group decided that the concept should include a set of elements, such as: the idea of an interrelated series of processes as a whole; the responsibility and accountability of the board and management and the idea of strengthening the undertakings structures providing tangible benefits for the company.

In this context, the Working Group agreed on the following definition of internal control system (ICS). Internal control is a continuous set of processes carried out by an entity's board of directors, management and all personnel, designed to provide reasonable assurance of: effectiveness and efficiency of operations; reliability of financial and non-financial information; an adequate control of risks; a prudent approach to business; compliance with laws and regulations, and internal policies and procedures. They concluded that internal control system should strengthen the internal operating environment of the company, thereby increasing its capability to deal with external and internal events and uncover possible flaws and deficiencies in processes and structures. A strong internal control is one of the best defenses against business failures and an important driver of business performance. Therefore the usual question that is asked when a vibrant organization suddenly goes bankrupt is "what went wrong"? The answer points to weak controls most of the time.

After assessing key risk areas of an organization, these risks would need to be managed in line with a defined risk management strategy. One major component of this strategy is appropriately derived internal controls that seek to mitigate unacceptable levels of risks. Each control will address a defined risk or be part of a regulatory requirement that in turn addresses the risk of breaching laws, procedures and rules.

## **2.2. Related Concepts of Control System**

Not only is there a variety of internal control definitions, but there are also some issues that are particularly closely linked to internal control, these are internal audit, corporate governance and enterprise risk management. The boundaries are not always clearly established, however, these elements have their own identity. These are the definitions given in other fore to the above elements:

## **2.3. Corporate Governance**

There is the need to talk about corporate governance; this is because internal control is a key element of corporate governance and overall internal control of a company (Collier et al., 2007). Corporate governance is the umbrella concept that drives a control and reporting framework, which in turn depends on risk management and an efficient system of internal control. Although corporate governance can be defined in a variety of ways, it generally involves the mechanisms by which a company is directed and controlled (NUES, 2009). Globally, demand for improved corporate governance has been a feature of the last decade, as a result of several and prominent bankruptcies resulting from non-compliance with rules and internal controls. That is to say that information concerning the company's (ECG) risk management systems and internal control systems should be presented and commented on. It increases trust and provides an accountability structure for management. The standards for risk management makes it clear that, good corporate governance requires an organisation (ECG) to adopt a methodical approach in their risk management which will in turn ensure management controls, monitor performance and protect the interests of stakeholders. Corporate governance is also defined by the Organisation for Economic Co-operation and Development (OECD) as a set of relationships between a company's management, its board, its shareholders and other stakeholders.

Corporate governance also provides the structure through which the objectives of the company are set, the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders and should facilitate effective monitoring, thereby encouraging firms to use resources more efficiently. Taking into account that the board and management of ECG are responsible for establishing and maintaining an appropriate system of internal controls, internal controls will be affected by the way the undertaking is managed, and therefore by corporate governance. There is a link between internal control and the way an entity is managed, whether in a positive or a negative way, thus internal control should be seen as a core part of corporate governance. In its case study analysis, the London Working Group found that poor management was a key underlying factor in the failure or near failure of many European insurance companies.

## **2.4. Internal Audit**

The Institute of Internal Auditors defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The internal audit definition provides a clear idea of the links between it and internal control. It designates internal audit an essential assessment function as well as being central to increasing the effectiveness of the internal control processes. While internal control is about helping a firm to meet its objectives, ECG's internal audit is about ensuring that its risk management and internal control systems are working properly.

## **2.5. Enterprise Risk Management**

The Committee of Sponsoring Organizations on the Tread way Commission's (COSO) draft framework on enterprise risk management defines it as a process, effected by the entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite to provide reasonable assurance regarding the achievement of entity objectives.

Risk management is about understanding the nature (i.e. causes, effects, likelihood) and significance of the risks faced by a firm. It is also about deciding on acceptable levels for these risks and designing cost-effective control and or resilience strategies (i.e. strategies to help manage the impact of risk on the firm). The aim of the last stage is to ensure that the firm's risks are kept at an acceptable level. Internal control is about understanding and controlling risk, as well as acting as a monitoring function. The primary purpose of internal control is to continuously evaluate whether a firm is meeting its objectives and ensure that the board, managers and employees are all working to ensure the success of these strategies while keeping the level of risk at an acceptable level. In so doing a sound system of internal control should be able to reduce (but rarely eliminate) poor judgment in decision making; human error; the deliberate failure to follow control processes by employees and managers; and the impact of unexpected events. Internal control and risk management are close complements. A firm should use its risk management systems to help assess potential opportunities and threats to its objectives. There are also many different risk management tools with the same purposes than internal control, such as loss prevention, loss reduction and risk financing tools that may be used to ensure that the firm continues to meet its objectives.

### ***2.6. The Need for Internal Controls on Cash Collection***

According to the COSO framework, internal controls are put in place not only to help companies reach profitability goals and achieve their missions, but also to minimize surprises along the way. An internal control system enables management to deal with quickly changing economic and competitive environments, market changes such as shifting customer demands and priorities and restructuring. Similarly Willis (2000) reported that effective internal control helps an organization achieve its operations, financial reporting, and compliance objectives. Effective internal control is a built-in part of the management process (i.e., plan, organize, direct, and control). Internal control keeps an organization on course toward its objectives and the achievement of its mission, and minimizes surprises along the way. Internal control promotes effectiveness and efficiency of operations, reduces the risk of asset loss, and helps to ensure compliance with laws and regulations. Internal control also ensures the reliability of financial reporting (i.e., all transactions are recorded and that all recorded transactions are real, properly valued, recorded on a timely basis, properly classified, and correctly summarized and posted).

Also Van Der Nest (2000) noted that, from the financial sector point of view, internal control should be seen as an opportunity for the entities to improve their performance, both from an internal and an external perspective. Internally, good internal control systems lead to improved recognition, assumption and prevention of risks associated with cash collection, which is of prime importance in a sector with the particularities of cash collection. Also competitiveness will be fostered by appropriate controls not only in the short but also in the long term. It will also help reduce the impact of unexpected events, or even to avoid them altogether, for example by means of good early warnings or scenario testing. According Mautz and Winjum (1981) internal control system guarantees some reasonable assurance: thus accepting the existence of a certain degree of uncertainty that cannot be completely controlled or absorbed by the undertaking. Accepting the idea that internal control systems have to be linked with the cost of carrying out control procedures, yet they have to guarantee a reasonable degree of confidence according to the nature and extent of risks taken (Van Der Nest, 2000; Mautz and Winjum, 1981; Angelovska, 2010). From the forgoing analysis of importance of internal control, it could be concluded that, the overall purpose of the concept is to help an organization achieve its mission, internal control also helps an organization to: promote orderly, economical, efficient and effective operations, and produce quality products and services consistent with the organization's mission, safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud. Finally is to promote adherence to laws, regulations, contracts and management directives as well as develop and maintain reliable financial and management data, and accurately present that data in timely reports.

### ***2.7. Limitations of Internal Control System on Cash Collection***

The main limitation concerning Internal Control system on cash collection is that, no matter how good a system is, it will only provide reasonable assurance not complete certainty that the measures undertaking will withstand undesired events happening (Mautz, 1981). Internal Control on cash collection is carried out by people, and will therefore be affected by human error. Good training programs, as well as an ethical component within the entity and its way of doing business can help mitigate this situation.

As a result of technological advancements and changing management techniques, organizations employ less people and are therefore less able to perform many internal accounting controls, for example, layers of authorization, cross-checking, segregation of duties, supervision etc. A range of control elements are therefore required in order for internal controls to be effective. The COSO framework shows five basic control components: control environment, control activities, risk assessment, information and communication and monitoring. Effective internal control requires a strong control environment and also underlying good control and commitment to sound control compliance must be present so as to ensure healthy interactive control structure. Risk assessment forms the basis for determining where internal control activities are needed. This enables the organization to focus on those risks that will impact on the overall success of the firm. Communicating information resulting from the exercise of internal controls keeps key personnel and management informed of potential problems (San José, 2008).

An effective monitoring system is an ongoing assessment programme that oversees the design, implementation and effectiveness of controls in mitigating risks. Internal control must also be tailored to meet the needs of the individual business. This is because the more elaborate an organization's control systems, the greater the cost (IRM et al., 2002). The scandals of recent years emphasized the need to evaluate, scrutinize and reformulate control systems of checks and balances in order to guide corporate executives and persons in decision-making. Therefore as much as an organization would like to implement appropriately derived control measures; it must also consider the amount of money involved in implementing such measures. Finally, there is the need for companies to have a risk protection strategy (Chorafas, 2008).

**Ethical Values and Integrity** is key elements contributing to a good control environment. Ethical values are the standards of behavior that form the framework for employee conduct. Ethical values guide employees when they make decisions. Management addresses the issue of ethical values when it encourages: commitment to honesty and fairness; recognition of and adherence to laws and policies; respect for the organization; leadership by example; commitment to excellence; respect for authority; respect for employees' rights

**Competence** is a characteristic of people who have the skill, knowledge and ability to perform tasks. Management's responsibility for ensuring the competency of its employees should begin with establishing appropriate human resource policies and practices that reflect a commitment to: establishing levels of knowledge and skill required for every position

**Supportive Attitude** is a disposition that encourages desired outcomes. Since internal control provides management with reasonable assurance that the organization's mission is being accomplished, management should have a supportive attitude toward internal control that permeates the organization. Executive management should set a tone that emphasizes the importance of internal control. Such a tone is characterized by: minimal and guarded use of control overrides; support for conducting control self-assessments and internal and external audits; responsiveness to issues raised as the result of the evaluations and audits; and ongoing education to ensure everyone understands the system of internal control and their role in it.

## **2.8. Control Activities**

Control activities are tools - both manual and automated - that help identify, prevent or reduce the risks that can impede accomplishment of the organization's objectives. Management should establish control activities that are effective and efficient. When designing and implementing control activities, management should try to achieve the maximum benefit at the lowest possible cost. Here are a few simple rules to follow: the cost of the control activity should not exceed the cost that would be incurred by the organization if the undesirable event occurred. Management should build control activities into business processes and systems as the processes and systems are being designed. Adding control activities after the development of a process or system is generally more costly. The allocation of resources among control activities should be based on the significance and likelihood of the risk they are preventing or reducing.

## **2.9. Control of Cash Flow**

### **Inflows**

It is necessary to minimize the interval between the time when cash is received and the time it is available for carrying out expenditure programs.

Revenues collected by ECG need to be processed promptly and payment made to the company's bank account within 24hrs. When tax collection is done by the tax administration offices (or by Treasury offices) the administrative organization of these offices may have to be reviewed and their equipment modernized. Commercial banks by virtue of the banking sector infrastructure are often able to collect revenues more efficiently than tax offices, which should therefore focus instead on tracking taxpayers. When revenues are collected by commercial banks, arrangements must be defined to foster competition and ensure prompt transfer of collected revenues to government accounts. Systems of bank remuneration through float, which consists of authorizing the banks to keep the revenues collected for a few days, present inconveniences. Stringent rules to ensure prompt transfers must be established. Moreover, bank remuneration through fees is more transparent and promotes competitive bidding. An appropriate system of penalties for taxpayers is also an important element in avoiding delays in revenue collection.

### ***Outflows***

For cash management, the control of cash outflows, which is directly related to organizational arrangements for budget execution, can pose more difficulties than the control of cash inflows. However, issues related to cash management should not be confused with issues related to the distribution of responsibilities for accounting control and administration of the payment system. The major purpose of controlling cash outflows is to ensure that there will be enough cash until the date payments are due and to minimize the costs of transactions, while keeping cash outflows compatible with cash inflows and fiscal constraints. The first condition for ensuring that cash outflows fit fiscal constraints is good budget preparation and budget implementation covering both cash and obligations. However, during budget implementation, cash outflows must also be regulated through cash plans to smooth cash outflows.

### ***2.10. Empirical Literature***

ECG raises its revenue through; the provision of new service connections, provision of separate meters, sale of consumer units (prepaid units) and bill payments (credit meter). ECG revenue/collections are received by the front line executives or cashiers. Cashiers receive both cash and cheques from customers from their various pay points. Moneys collected by cashiers are paid to bankers during the day, and latter collections are paid the following day. The cashier writes a report as and when payments are made to bankers. At the end of the day the cashier takes the final report and balance the account for the day. The machine report should be equal to the cash and cheques collected for the day. Anything more is a surplus and anything less is a shortage. The cashier prepares an analysis sheet which encompasses the breakdown of the activities for the day which are: cashier ID/staff number, pay point number, date. Cash collected for the day, cheques collected for the day, total collection, machine total, receipt number. (From beginning to the end), lodgment/payment; cash and cheque.

### ***Methodology***

#### ***3.0. The Research Design***

A research design specifies the methods and procedures for acquiring the information needed to structure and solve the research problems and stipulates what information is to be collected, from what sources, and by what procedures. A good research design ensures that the information obtained is relevant to the research problem, and that it is collected by objective and economical procedures (Smith and Gerald, 2010). There is no single best research design. Instead, different designs offer an array of choices, each with certain advantages and disadvantages. A survey design was used in the study. A survey was considered appropriate because it was the best method to describe the characteristics, perceptions and preferences of the organizations and the people in the study. In addition, it enables a wider coverage area, giving respondents the opportunity to analyze their organizations from both personal and professional perspective.

#### ***3.1. Target Population***

The population of a research implies the collection of all possible individuals, objects or measurements of interest, (Mason et al 1999). For this study, the target population comprised management members of ECG Ltd, Tellers or cash collectors of ECG Ltd, who on daily basis receive monies in cash, cheque and or others on behalf of ECG Ltd.

### 3.2. Sampling Method and Study Population

Multiple sampling methods were adopted for this study. This is because the target population consists of different categories and therefore will need different method for the different groups. The simple random method of sampling was adopted for the cash collectors (tellers) of ECG, who constantly deal with the collection of revenue. This method was used because it gave an equal opportunity to the population that was selected for the study. This ensured that, every member gets the chance of being selected as Kumeqpor (2002) argued. Thus, this ensured proper representation of views and important contributions from respondents. Management members of ECG Ltd were purposively selected. As indicated by Saunder et al (1997:145), “the purposive sampling enables the researcher to use his or her judgments to select cases which will best enable him answer his research questions and meet his objectives”.

### 3.3. Sample Size

The sample size was made up of seventy (70) people, thus twenty (20) management officials in ECG, thirty five (35) cashiers/cash collectors and fifteen (15) personnel from other department. Considering the time and financial constraints, the researcher thinks the sample size is a fair representative of the stakeholders for the population under study. Again, most of the population had similar working environment, similar economic conditions and in fact share similar social demographic indicators, therefore, randomly chose seventy (70) of them gave a fair knowledge of their views that aided the achievement of research objectives.

### 3.4. Data Collection

Both questionnaire and interview guide was used to collect data for this study. The questionnaire was divided into three sections. Section “A” of the questionnaire described respondents’ background information, categories included: age, position, period of joining the organization, role/function, educational level. Section “B”, on the other hand dealt with internal controls. “C” concentrated on the control environment, suggestions and recommendations that should be factored into cash controls in ECG Ltd. The interview guide contained few questions to get in-depth activities and programs of cash control systems. In this case interviews were conducted with the management officials of ECG Ltd. Literature has been reviewed before preparing the questionnaire and interview guide.

## Chapter Four

### Data Analysis and Interpretation

#### 4.0. Introduction

For this study seventy (70) questionnaires were administered to management officials in ECG, cash collectors and personnel from other departments. All questionnaires were retrieved and this chapter shows the analysis and presentation of the responses to the various questions.

**Table 4.1: Tenure**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid 1-5yrs	16	22.9	22.9	22.9
6-10yrs	43	61.4	61.4	84.3
11-15yrs	8	11.4	11.4	95.7
16-20yrs	3	4.3	4.3	100.0
Total	70	100.0	100.0	

**Source: Field data**

In Table 4.12 above, it is evident that most (61%) of the workers, on the average have about six (6) to ten (10) years of work experience while 15% have eleven (11) years and above, indicating a relevant duration on the job for most respondents; enough to make meaningful contributions to this study.



#### 4.2. Internal Control Indicators

**Table 4.2: Written Cash Handling Procedures**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	66	94.3	94.3	94.3
No	4	5.7	5.7	100.0
Total	70	100.0	100.0	

*Source: Field data*

Inferentially, 94% of respondents in the ECG assert that there are written and formalised cash procedures. This is an essential ingredient in ensuring effective internal controls on cash collection.

**Table 4.3: Background Checks of New Employees**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	46	65.7	65.7	65.7
No	4	5.7	5.7	71.4
N/A	20	28.6	28.6	100.0
Total	70	100.0	100.0	

*Source: Field data*

In most cases, as indicated by 66% of respondents in this study, there are often background checks and confirmations carried on newly recruited employees to ensure they have the proper professional and ethical standards with regards cash collection.

**Table 4.4: Issuance of Receipt to Clients**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	66	94.3	94.3	94.3
No	4	5.7	5.7	100.0
Total	70	100.0	100.0	

*Source: Field data*

Approximately, 94% of the time, receipts are immediately issued to clients and this practice concurs with the requirement for proper accounting procedures.

**Table 4.5: Recording in Official ECG Receipt Book**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	70	100.0	100.0	100.0

*Source: Field data*

Recording in the official receipt book of ECG seem to be an establish procedure in the cash management practices of the institution. This allows for verification and useful for auditing purposes

**Table 4.6: Securing Monies to Prevent Unauthorised Use**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	70	100.0	100.0	100.0

*Source: Field data*

Monies received under the auspices of ECG are kept securely and safely as evidenced by the 100% response of management and staff, which is in the affirmative.

**Table 4.7: Daily Balancing of the Account During Change of Operators**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	70	100.0	100.0	100.0

*Source: Field data*

Accounts are daily balanced and closed in ECG during the change of operators, hence ensuring individual accountability and ensure the traceability of errors and shortfalls.

**Table 4.8: Prevention of Individuals from Possessing both Parts of the Dual Control System**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	58	82.9	82.9	82.9
No	4	5.7	5.7	88.6
N/A	8	11.4	11.4	100.0
Total	70	100.0	100.0	

*Source: Field data*

Inferentially, 82% of the workers of ECG usually prevent individuals from having access to both parts of the dual control system which could lead to fraudulent activities if such a practise was not established.

**Table 4.9: Documentation of Money Transfers Through Sign-Offs and Drawer Counts**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	62	88.6	88.6	88.6
No	4	5.7	5.7	94.3
N/A	4	5.7	5.7	100.0
Total	70	100.0	100.0	

*Source: Field data*

All kinds of money transfers are documented through sign-offs and drawer accounts as asserted by approximately 89% of respondents in this study, however, to 5.7% they do not document money transfers while to 5.7%, this activity in non-applicable to them.

**Table 4.10: Access to Cash Register Keys Limited to Cashier and Supervisors**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	70	100.0	100.0	100.0

*Source: Field data*

Data from the frequency table above suggests that, there is a strict adherence to the limitation of access to cash register keys to only cashiers and supervisors. This was affirmed by respondents of ECG who participated in this research.

**Table 4.11: Notification of Internal Audit on Significant Shortages in Cash Collections**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	46	65.7	65.7	65.7
No	8	11.4	11.4	77.1
N/A	16	22.9	22.9	100.0
Total	70	100.0	100.0	

*Source: Field data*

According to data in Table 4.29a, the internal audit is aptly informed and briefed on any significant shortages in cash collections; a view from respondents which is represented by. Though this practice is non-applicable to about 23% due their diverse departmental obligations, 11% of respondents do not notify internal audit on any significant shortages in cash collections.

**T-TEST**

**Table 4.12: One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Written cash handling procedures	70	1.06	.234	.028

**Table 4.13: One-Sample Test**

	Test Value = 0					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Written cash handling procedures	37.832	69	.000	1.057	1.00	1.11

The mean (1.06) indicates that on the average most respondents believe that there are written cash handling procedures in ECG. The standard deviation (0.234) indicates that the view of respondents on whether they believe there are written cash handling procedures in ECG varies narrowly. Hence the views expressed are similar in distribution. The p-value (0.000) is less than the significance level (0.05), implies that there are written cash handling procedures in ECG at a ninety-five percent (95%) confidence level.

**4.14. Control Environment**

**Table 4.14 A: Monitoring Systems to Ensure Compliance with Internal Controls**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	70	100.0	100.0	100.0

*Source: Field data*

All respondents and inferentially all workers of ECG are dedicated towards ensuring the compliance with internal controls through proper monitoring systems. This implies that, the staff of ECG effectively cooperates with monitoring systems that management uses in this respect.

**Table 4.14b: Appropriate Follow-Up Actions in Cases of Noncompliance**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	70	100.0	100.0	100.0

*Source: Field data*

In the case of noncompliance by any worker or even a client the necessary follow-ups and procedure are followed to ensure that certain anomalies are rectified. 57% of respondents believe that the management has access to all records while 43% think management does not have such an access. This could inhibit management from making informed and quality decisions regarding the internal controls of cash collection processes.

**Table 4.14 c: Access to all Records by Management**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	40	57.1	57.1	57.1
No	30	42.9	42.9	100.0
Total	70	100.0	100.0	

*Source: Field data*

**Table 4.14 D: Receipt of Sufficient Information about Internal Risk Assessment Process**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	51	72.9	72.9	72.9
No	19	27.1	27.1	100.0
Total	70	100.0	100.0	

*Source: Field data*

Most board members of ECG, approximately, 73% constantly receive sufficient information about the internal risk assessment processes. It is therefore conclusive that the board is well aware of how internal risk is being handled. Internal auditors make their findings available to the board of directors for them to know and make informed decisions about the company.

**Table 4.15: Findings of Internal Auditors Report to the Board**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	43	61.4	61.4	61.4
No	27	38.6	38.6	100.0
Total	70	100.0	100.0	

*Source: Field data*

Internal auditors regularly assess the internal controls, making it difficult to prevent fraudulent activities which could have damaging effects on the organization.

**Table 4.16: Assessment of Internal Control Systems by Internal Auditors**

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid Yes	66	94.3	94.3	94.3
No	4	5.7	5.7	100.0
Total	70	100.0	100.0	

*Source: Field data*

**Table 4.17: Communication of Internal Control Policies**

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Yes	39	55.7	55.7	55.7
	No	31	44.3	44.3	100.0
	Total	70	100.0	100.0	

*Source: Field data*

About 56% of respondents claim that internal control policies in ECG are well communicated to the knowledge and understanding of all workers at different levels of the organizational hierarchy, whereas, to 44%, these internal control policies are not well communicated.

#### **4.18 Accounting, Information and Communication Systems**

**Table 4.41: Report of Transactions with Proper Accounting Standards**

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Yes	70	100.0	100.0	100.0

*Source: Field data*

Proper accounting standards are strictly adhered to in ECG. Reports of transactions are carried out with the employment of the standard and efficient accounting procedures.

**Table 4.19: Reports to Check if Risky Activities are Within Policy Guidelines**

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Yes	43	61.4	61.4	61.4
	No	27	38.6	38.6	100.0
	Total	70	100.0	100.0	

*Source: Field data*

61% of respondents claim there are constant checks to produce reports on whether policy activities are within policy guidelines, however, 39% do not bother to check if risky activities are within policy guidelines.

#### **4.20. Discussion**

Strong internal controls for cash collection are necessary to prevent mishandling of company funds and are designed to safeguard and protect employees from inappropriate charges of mishandling funds by defining their responsibilities in the cash handling process. All cash received must be recorded through a computerized accounting system with computer generated official company receipts. When a cash collection point with a computerized accounting system (CFLEET) uses temporary cash receipts, those temporary receipts must be converted over to computerized receipts as soon as possible. The funds received must be reconciled to the computerized accounting system cash report (SUN SYSTEM) or to the total of the temporary receipts at the end of the day or at the end of each shift. Cash must be reconciled separately from cheques and money orders by comparing actual cash received to the cash total from the cash report or to the sum of the cash sales from the manual receipts. All cash must be protected immediately by using a cash drawer, safe or other secure place until they are deposited. A secure area for processing and safeguarding funds received is to be provided and restricted to authorized personnel (Supervisors)

Effective internal control is a built-in part of the management process (i.e., plan, organise, direct, and control). Internal control keeps an organisation on course towards its objectives and the achievement of its mission, and minimises surprises along the way. Internal control promotes effectiveness and efficiency of operations, reduces the risk of asset loss, and helps to ensure compliance with laws and regulations.

Internal control also ensures the reliability of financial reporting (i.e., all transactions are recorded and that all recorded transactions are real, properly valued, recorded on a timely basis, properly classified, and correctly summarised and posted). General controls commonly include controls over data center operations, system software acquisition and maintenance, access security, and application system development and maintenance. Application controls such as computer matching and edit checks are programmed steps within application software; they are designed to help ensure the completeness and accuracy of transaction processing, authorization, and validity. General controls are needed to support the functioning of application controls; both are needed to ensure complete and accurate information processing.

Actions that might be taken as a result of this research depend on the position and role of the parties involved:

- **Senior Management** — Most senior executives who contributed to this study believe they are basically “in control” of their organizations.

Many said, however, that there are areas of their company — a division, a department or a control component that cuts across activities — where controls are in early stages of development or otherwise need to be strengthened. They do not like surprises. This study suggests that the management initiate a self-assessment of the control system. Management could proceed by bringing together business unit heads and key functional staff to discuss an initial assessment of control. Directives would be provided for those individuals to discuss this report’s concepts with their lead personnel, provide oversight of the initial assessment process in their areas of responsibility and report back findings. Another approach might involve an initial review of corporate and business unit policies and internal audit programs. Whatever its form, an initial self-assessment should determine whether there is a need for, and how to proceed with, a broader, more in-depth evaluation. It should also ensure that ongoing monitoring processes are in place. Time spent in evaluating internal control represents an investment, but one with a high return.

- **Board members** — Members of the board of directors should discuss with senior management the state of the entity’s internal control system and provide oversight as needed. They should seek input from the internal and external auditors.

- **Other personnel** — Managers and other personnel should consider how their control responsibilities are being conducted in light of this framework, and discuss with more senior personnel ideas for strengthening control. Internal auditors should consider the breadth of their focus on the internal control system, and may wish to compare their evaluation materials to the evaluation tools.

- **Legislators and Regulators** — Government officials who write or enforce laws recognize that there can be misconceptions and different expectations about virtually any issue. Expectations for internal control vary widely in two respects. First, they differ regarding what control systems can accomplish. As noted, some observers believe internal control systems will, or should, prevent economic loss, or at least prevent companies from going out of business. Second, even when there is agreement about what internal control systems can and can’t do there can be disparate views of what that concept means and how it will be applied. Before legislation or regulation dealing with management reporting on internal control is acted upon, there should be agreement on a common internal control framework, including limitations of internal control.

- **Professional Organisations** — Rule-making and other professional organisations providing guidance on financial management, auditing and related topics should consider their standards and guidance in light of this framework. To the extent diversity in concept and terminology is eliminated, all parties will benefit.

- **Educators** — Internal controls should be the subject of academic research and analysis, to see where future enhancements can be made. With the presumption that this report becomes accepted as a common ground for understanding, its concepts and terms should find their way into university curricula. Internal control is not one event or circumstance, but a series of actions that permeate an entity’s activities. These actions are pervasive, and are inherent in the way management runs the business. Business processes, which are conducted within or across organization units or functions, are managed through the basic management processes of planning, executing and monitoring. Internal control is a part of these processes and is integrated with them. It enables them to function and monitors their conduct and continued relevancy. It is a tool used by management, not a substitute for management.

This conceptualization of internal control is very different from the perspective of some observers who view internal control as something added on to an entity's activities, or as a necessary burden, imposed by regulators or by the dictates of overzealous bureaucrats. The internal control system is intertwined with an entity's operating activities and exists for fundamental business reasons. Internal controls are most effective when they are built into the entity's infrastructure and are part of the essence of the enterprise. They should be "built in" rather than "built on." "Building in" controls can directly affect an entity's ability to reach its goals, and supports businesses' quality initiatives. The quest for quality is directly linked to how businesses are run, and how they are controlled.

There must be System Software Controls. These includes controls over the effective acquisition, implementation and maintenance of system software — the operating system, data base management systems, telecommunications software, security software and utilities — which run the system and allow applications to function. The master director of system activities, system software also provides the system logging, tracking and monitoring functions. System software can report on uses of utilities, so that if someone accesses these powerful data-altering functions, at the least their use is recorded and reported for review. Senior managers in charge of organizational units have responsibility for internal control related to their units' objectives.

They guide the development and implementation of internal control policies and procedures that address their units' objectives and ensure that they are consistent with the entity-wide objectives. They provide direction, for example, on the unit's organizational structure and personnel hiring and training practices, as well as budgeting and other information systems that promote control over the unit's activities. Funds can be received in person, mail, and/or electronically. All checks must be endorsed immediately upon receipt with respective endorsement. A receipt must be provided to every person paying in person. The transaction must be entered into a cash register or cash receipt journal/log. Count the cash and forward it on to the deposit preparer at the end of the day. Forward any documentation (cash register tapes, etc.) to the reconciler (or cash collection point supervisor if one is designated). Checks must not be cashed by the cash collection point. The cash collection point must maintain a clear separation of duties. An individual should not have responsibility for more than one of the cash handling components: collecting, depositing and reconciling unless approval has been received from the Business Office.

### ***5.1. Summary***

Internal control, no matter how well designed and operated, can provide only reasonable assurance to management and the board of directors regarding achievement of an entity's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the realities that human judgment in decision-making can be faulty, persons responsible for establishing controls need to consider their relative costs and benefits, and breakdowns can occur because of human failures such as simple error or mistake. Additionally, controls can be circumvented by collusion of two or more people. Finally, management has the ability to override the internal control system. An internal control system can be expected to provide reasonable assurance of achieving objectives relating to the reliability of financial reporting and compliance with laws and regulations. Achievement of those objectives, which are based largely on standards imposed by external parties, depends on how activities within the entity's control are performed.

### ***5.2. Conclusion***

Before officers can select and implement controls suitable for the size and complexity of their operations, they must first understand how, when, and where cash is collected and the duties performed by each employee. Although no system is foolproof, a well-designed set of control procedures can provide reasonable assurance that significant thefts of cash receipts and significant record-keeping errors will be prevented or detected. Cash, above all other local government assets, has the greatest potential for theft if a system of internal controls is not in place and functioning effectively.

### ***5.3. Recommendations***

On the basis of the findings of this study this section presents the recommendations which will be essential in enhancing the internal controls on the cash collection system of ECG. Existence of a written code of conduct (collective bargaining agreement) and even documentation that employees received and understand it does not ensure that it is being followed. Compliance with ethical standards, whether or not embodied in a written code of conduct, is best ensured by top management's actions and examples.

Of particular importance are resulting penalties to employees who violate such codes, mechanisms that exist to encourage employee reporting of suspected violations, and disciplinary actions against employees who fail to report violations. Messages sent by management's actions in these situations quickly become embodied in the corporate culture. Management needs to specify the competence levels for particular jobs and to translate those levels into requisite knowledge and skills. The necessary knowledge and skills may in turn depend on individuals' intelligence, training and experience. Among the many factors considered in developing knowledge and skill levels are the nature and degree of judgment to be applied to a specific job. There often can be a trade-off between the extent of supervision and the requisite competence level of the individual.

Because of the importance of internal controls, an active and involved board of directors, board of trustees or comparable body; possessing an appropriate degree of management, technical and other expertise coupled with the necessary stature and mind-set so that it can adequately perform the necessary governance, guidance and oversight responsibilities which is critical to effective internal control and because a board must be prepared to question and scrutinise management's activities, present alternative views and have the courage to act in the face of obvious wrongdoing, it is necessary that the board contain outside directors. Certainly, officers and employees often are highly effective and important board members, bringing knowledge of the company to the table. Information Processing — A variety of controls are performed to check accuracy, completeness and authorization of transactions. Data entered are subject to edit checks or matching to approved control files. A customer's order, for example, is accepted only upon reference to an approved customer file and credit limit.

Numerical sequences of transactions are accounted for. File totals are compared and reconciled with prior balances and with control accounts. Exceptions in need of follow-up are acted upon by clerical personnel, and reported to supervisors as necessary. Development of new systems and changes to existing ones are controlled, as is access to data, files and programs. Equipment, inventories, securities, cash and other assets are secured physically, and periodically counted and compared with amounts shown on control records. Segregation of Duties Duties are divided, or segregated, among different people to reduce the risk of error or inappropriate actions. For instance, responsibilities for authorizing transactions, recording them and handling the related asset are divided. Manager authorising credit sales would not be responsible for maintaining accounts receivable records or handling cash receipts. Similarly, salespersons would not have the ability to modify product price files or commission rates.

Internal and external auditors regularly provide recommendations on the way internal controls can be strengthened. In many entities, auditors focus considerable attention on evaluating the design of internal controls and on testing their effectiveness. Potential weaknesses are identified, and alternative actions recommended to management, often accompanied by information useful in making cost-benefit determinations. Internal auditors or personnel performing similar review functions can be particularly effective in monitoring an entity's activities. Training seminars, planning sessions and other meetings provide important feedback to management on whether controls are effective. In addition to particular problems that may indicate control issues, participants' control consciousness often becomes apparent.



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ELECTRICITY COMPANY OF GHANA PROPOSAL FOR REVIEW IN DISTRIBUTION SERVICE CHARGE JUNE 2013 TABLE OF CONTENTS TABLE OF CONTENTS i LIST OF TABLES iv 1 Introduction 5 1.1 Brief Background 5 1.2. More information. 15 th updea congress theme: geographic information system: ecg s experience abstract. PATRICE AFENYO, Electricity Company of Ghana.Â Big data revolution Case LV Monitoring Placing data collection, management, analysis and action at the heart of the smart utility Vattenfall Peter SÃ¶derstrÃ¶m, Asset Development Manager, Vattenfall Distribution. More information. Network Consulting for Power Grid Optimization. See more of Electricity Company of Ghana Limited on Facebook. Log In. or. Create New Account. See more of Electricity Company of Ghana Limited on Facebook. Log In. Forgot account?Â The Board and management of the ECG, the Ministers for Education, Communications and Energy deserve commendation for making this project happen. The governmentâ€™s digitization agenda is fully on course to transform Ghana." See More. +7. Electricity Company of Ghana Limited. November 21 at 1:41 AM Â. <https://citinewsroom.com/â€¦/ecg-pobad-partner-to-boost-elecâ€¦/> As the global push for electric vehicles (EVs) is increasing, Ghana is seeking to harness the full potential of such technology. To this end, Ghana's. citinewsroom.com. The Electricity Company of Ghana was responsible for electricity distribution in the southern sector of the country. Power sector reform in the late 1990s saw the Volta River Authority (VRA), split into a separate generation and transmission system operations which also made it possible for other Independent Power Producers (IPP) to enter the market.Â Regional Stakeholders Regional bodies like the West African Power Pool (WAPP) and the ECOWAS Regional Electricity Regulatory Authority (ERERA) promote interstate electricity trade in the West African sub-region. Whereas WAPP supports the development of power generation and transmission facilities, ERERA provides the regulations for these interstate electricity exchanges.