

**RESEARCH PAPER ON INTERNAL CONTROL
OVER CASH IN AWASH INTERNATIONAL BANK
SHARE COMPANY**

**A SENIOR ESSAY SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING**

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Lists of Abbreviations

1. AIB-Awash International Bank
2. C.P.O-Certified Payment order

CHAPTER ONE

INTRODTION

1.1 BACKGROUND OF THE STUDY

Internal control encompasses the policies and procedures that an organization establishes to ensure that it operates in accordance with management's intentions and that accountability is maintained for all transactions. This includes the methods adopted by the organization to safe guard its assets, to check the accuracy and reliability of its accounting data, to promote operational efficiency, and to encourage adherence to prescribed managerial policies.

Internal control are put in to place largely to allow management to monitor operations, identify business risks, and generate pertinent financial and non-financial information, or internal controls are designed and implemented so that management can run the organization. Internal controls also ensure that responsibilities are met.

Internal controls are established to provide reasonable assurance that; transactions are executed in accordance with management's authorization are recorded as necessary to permit the preparation of accurate financial statements and to maintain accountability for the organization's assets, access to assets is restricted to instances authorized by management, and assets are Periodically compared with the accounting records,boyh to determine the accuracy of the records and to account for the assets.

Cash, the most liquid asset and prone to theft or misplacement. Accordingly it is important to have internal control to authorized personnel.

The extent of the internal control adopted by a business is limited by cost considerations. It is not feasible a cost stand point to establish a control structure that provides absolute protection from fraud and waste.

1.2 Company Profile

Back ground of AIB

Awash international bank (AIB) was established as the first private commercial bank (post1991) on November10,1994 by 486 founder shareholders with a paid-up capital of birr 24.2 million and started banking operations on February13,1995.Over a decade the number of shareholders and the amount of capital and reserves has increased and millions, respectively, and the registered capital is 300 million and for the near future it increased to 500 million birr. Currently,

Objective and Corporation mission

- To meet the needs of the emerging private sector for quality and dependable domestic and international banking services.
- To expand and diversity commercial banking services in response to the growing demand of customers.
- To contribute towards the economic and social development of the country and
- To operate profitably in a sustainable manner.

Major Activities

- To mobilize all of deposits (savings, demand and time) and pay interest on interest-bearing accounts
- To provide loans and advances to its customers, including long term investment/project financing.
- To provide international banking services such as

Imports operation

Exports operations

-Handles foreign currency transactions, namely

Buying and selling travelers'cheques

Buying and selling foreign currency notes

-maintain and operating non-resident accounts

-To provide deposit services in foreign currency for Ethiopian Nationals and foreign national of Ethiopians of Ethiopian Origin provides advice on banking, Finance and investment to its customers.

Finally Awash International Bank at the beginning starts by 137 employees with five branches and has 11,042 customers, now currently has 1573 employees and branches are increased to 42.

1.3 Statement of the Study

One of the management top priorities is to establish and maintain a strong internal control of cash at awash International Bank. Any huge organization is required to produce financial statements, should have accounting Policies, internal control systems and procedures, internal controls can only be as good as the people working with them. Good internal controls seek to mitigate the occurrences of dishonesty, misuse and mistakes will occur,

Therefore the reason to undertake this paper is to test the weakness and strengths of internal control over cash of awash International Bank in order to adhere in accordance either the general rule or regulation accepted universally.

1.4 Objective of the Study

In view of the above information and Statement of the problem, the objectives of this study are;

General Objective of the study

To assess the methods and procedures designed by management of awash international Bank to safe guard assets especially cash and to identify strength and weaknesses of internal control over cash.

Specific Objective of the Study

- To asses the internal control over cash receipt of the company
- To identify and evaluate internal control over cash payment of the company
- To asses internal control over physical cash of the company
- To asses cash movement analysis

1.5 Significance of the study

This research will be significant for:

- It identifies the strength and weakness of Awash International Bank in its internal control over cash
- It contributes to knowledge, further research and literature in the area.

1.6 Research Design and Methodology

1.6.1 Population and Sampling Technique

Relevant information of data is collected through the interview and examined observation, presented in a condensed and systematic way of

using audited financial statement and indicates the result in the form of percentage.

1.6.2 Data collection Methods:

The researcher tried to use primary and secondary data collection methods. The researcher collected data by interviewing responsible officers and observation preparing schedule for interview related to internal control over cash, search for primary data documents like cash receipts and payment voucher and annual audit reports and secondary source of data like brochure, magazine and others.

1.6.3 Method of Data Analysis and Interpretation:

To be more understandable the data is presented on graphical representation accompanied by relevant explanation.

1.7 **Scope and limitation of the Study**

The study focuses on internal control over cash of AIB Bahir Dar branch .A maximum of 5 years audited financial statement are used to analyze the internal control over cash of the company and to make recommendation. Investment of idle cash and budget is not part of the study.

Some documents are not given for out side parties. So I cannot present full documents in anxieties par of the paper, and due to time constraint I am unable to gather more information.

1.8 **Organization of the study**

The study is composed of four chapters. The first chapter deals with introduction part of the study; this is back ground of the study, statement of

the problem, and significance of the study. The second chapter deals with literature reviews. The third chapter indicated analysis of interpretation of data and the fourth chapter is conclusion, summary, and recommendation will be presented.

CHAPTER TWO

Literature Review

Introductions to internal control system

Internal control is the plan of organization and the methods a business use to sale guard assets, provide accurate and reliable information, promote end improve operational efficiency, and encourage adherence to prescribed managerial policies.

Internal control is a process affected by entity board of directors, management and other personal designed to provide reasonable assurance regarding the achievement of objective in the following categories.

Reliability of financial reporting

Compliance with appreciable lows and regulations

Emergency and effectiveness of operations.

2.1.1 MEANS OF ACHIVEING INTERNAL CONTROL

For purpose of financial statement audits the policies and procedures used by an entity to achieve internal control are referred to as the entity's internal control structure.

Internal control structures vary significantly from one organization to the next depending on such factors as the size nature of operations and objectives of the organization for which the structure was designed. Yet certain features are essential to satisfactory internal control in a most

and large scale organization. The internal control structures of all large organizations include five components.

The control environment

Risk assessment

The (accounting) information and communication system.

Control activities

The control environment

The control environment sets the tone of an organization by influencing the control consciousness of people. It may be viewed as the foundation for the other component of internal control. Control environment factors include integrity and ethical values commitment to competence bound of directors or audit committee management's philosophy and operating style organizational structure human resource policies and practices and assignment of authority and responsibility.

Risk Assessment

Management should carefully consider the factors that affect the risk that the organization's objectives will not be achieved. When considering the financial reporting objectives there risks include the threats to preparing financial statements in accordance with generally accepted accounting principles. The following factors might be indicative of increased financial reporting risk.

Changes in organizations regulatory of operating environment.

Changes in personnel

Implementation of a new or modified information system.

Rapid growth of the organization

Change in technology affecting production processes or information systems.

Introduction of new lines of business products or processes

The accounting information and communication system

Information and communication systems capture, process and report information to be used by parties both within and outside the organization. An organization's accounting information system consists of the methods and records established to identify, assemble, analyze, classify, record and report an entity's transactions and to maintain accountability for the related assets.

Accordingly an accounting information system should

Identify and record all valid transactions

Describe on a timely basis the transactions in sufficient detail to permit proper classification of transactions for financial reporting.

Measure the value of transactions in a manner that permits recording of transactions in the proper accounting period.

Present properly the transactions and related disclosures in the financial statements.

Control activities

Are policies and procedures that help ensure the management's directives are carried out. Those policies and procedures help ensure that actions are taken to address the risks that face the organization. While there are many different types, they are generally relevant to an audit of the organization's financial statements.

Performance reviews

Information processing

Physical controls

Segregation of duties

2.1.2 The purpose of a system of internal controls

It assure that assets that belong to the business later pries are received when tendered, are protected while in the custody of the enterprise are used only for authorized while in the custody of the enterprise are used only for authorized business purposes. Such a system consists of administrative control and accounting control. (Whittington and pony, 1995)

Good internal controls are essential to assuring the accomplishment of goals and objectives. They provide reliable financial reporting for management decisions. They ensure compliance with applicable laws and regulations to avoid the risk of public scandals. Poor or excessive internal controls reduce productivity, increase the complexity of processing transactions, increase the time required to process transactions, increase the time required to process transactions and add no value to the activities.

Good internal controls help ensure efficient and effective operations that accomplish the goals of the unit and still protect employees and assets.

Administrative control- includes but is not limited to the plan of organization and the procedures and records that are concerned with the decision processes leading to management's authorization of transactions, such authorization is a management function directly associated with the responsibility for achieving the objectives of the organization and is the starting point for establishing accounting control of transactions.

Accounting control:- comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records are consequently are designed to provide reasonable assurance that:

- a) Transactions are executed in accordance with management's general or specific authorization.
- b) Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability for assets.
- c) Access to assets is permitted only in accordance with management's authorization.
- d) The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

A system of internal controls is not designed primarily to detect errors but rather to reduce the opportunity for errors or dishonesty to occur. In effective system of internal controls no one person should carry out all phases of a business transaction from beginning to end.

The system of internal control frequently may be improved by physical safeguard computer help to improve the efficiency and accuracy of the record keeping function cash registers safes and renumbered business forms are very helpful in safeguarding cash and controls must be supervised with care if it functions effectively. (Mosich, 1989)

2.1.3 Internal control classification

The concepts of internal control and management control are broad in scope. Amide at describing entire control systems. The specific control procedures used in these systems may be classified using the following four internal control classifications.

- a. Preventive detective and corrective preventive controls deter problems before they arise hiring highly qualified accounting personnel appropriately segregating employee duties and effectively controlling physical access to assets, facilities and information are effective preventive controls because not all control problems can be prevented detective controls are needed to discover control problems as soon as they arises examples of detective controls are duplicate checking of calculations and preparing bank reconciliations and monthly trial balances corrective controls remedy problems discovered with detective controls they include procedures taken to (1) identify the cause of a problem (2) correct resulting errors or difficulties and (3) modify system so that future problems are minimized or eliminated. Examples include maintaining back up copies of key transaction and master file and adhering to procedures for correcting data entry errors as well as those for resubmitting transactions for subsequent processing.
- b. General and application:- general control are designed to ensure that an organizations control environment is stable and well managed to enhance the effectiveness of application control are used to prevent, detect and correct errors and correct and irregularities in transactions as they are processed.
- c. Administrative and accounting administrative help ensure operational efficiency and adherence to managerial policies in contrast accounting controls help safeguard assets and ensure the reliability of financial records.
- d. Input processing and output:- controls can also be classified according to where they are implemented in the data processing cycle.(marshal B- Romney,1999)

2.1.4 Internal Control Procedure

Internal control is important for every business no matter what its size each step in the accounting process of a firm should be planned to ensure accuracy honesty and efficiency an essential technique for achieving these goals is to divide responsibility so that every major accounting routine involves two or more employees and the work of one person in addition to division of responsibility accountants use a number of other widely recognized techniques to design internal control procedures for a business (GLENCOE-macmillan/McGRAW-Hill pp-285)

Control procedure is those policies and pressures in addition to the sub elements of the control environment and features of the accounting system that management has established to meet its objectives there are potentially many such policies and procedures in any entity. However they generally fall in to the following four categories these are:-

1. Adequate separation of duties
2. Proper authorities of transaction and activities
3. Adequate documents and records
4. Physical control over assets and records.

Adequate separation of duties

A fundamental concept of internal control is that no one department or person should handle all aspects of a transaction from beginning to end we have already discussed the segregation of responsibilities among departments in similar manner no one individual should perform more than one of the functions of

authorizing truncations recording transactions and maintaining custody over assets.

Physical control over assets and records

These control activities include the physical Security over both records and other assets safeguarding of records may include maintaining control at all times over un-issued pre numbered documents as well as other journals and ledgers and restricting access to computer programs and data files.

Performance review

These controls include reviews of actual performance as compared to budgets forecasts, and period performance relating different sets of data to one another and performing overall reviews of performance. Performance reviews provide management with an overall indication whether personnel at various levels are effectively pursuing the objectives of the organization.

Information processing

A variety of control activities are performed to check the accuracy completeness and authorization of transaction the two broad categories of information processing controls include general controls which apply to all information processing activities and application controls which apply only to a single application an internal control device of wide applicability is the use of serial numbers on documents serial umbers provide control over the number documents issued cheque tickets sales invoices purchase orders stock certificates and many other business papers can be controlled in manner (Whittington and pany 1995)

2.1.5 Internal control of banking activities

Accountants usually recommend that the following measures be taken to achieve internal control over banking activities.

- 1- Access to check book should be restricted to a few designated employees when not in use the check book should be kept in a locked drawer or cabinet.
- 2- Pre numbered check forms should be used periodically; the numbers of the blank forms remaining should be verified to make sure that all forms can be accounted for.
- 3- Before checks are signed they should be examined by a person other than the one who prepared them they should be matched against the approved invoices or other payment authorizations.
- 4- The monthly who prepares the checks and records them in the check book should not be the one who mails them to the payees.
- 5- The monthly bank statement should be received and reconciled by someone other than employees who handled, and deposited the cash receipts and issued the checks.
- 6- All deposit receipts canceled checks, and bank statements should be filed for future references this creates a strong audit trail for the checking account.

2.1.6 Typical deficiencies in internal control

Evidence of the internal control system's failure to prevent or detect misstatements of accounting or bookkeeping information.

- Evidence then the system is failing to safeguard assets from loss damage or misappropriation
- Evidence of the intentional override of the system by those in authority.

- Evidence of failure to perform the task that are part of internal control structure

(Such as reconciliation not being prepared in a timely and accurate manner)

- Evidence of willful wrong doing by employees or management
- Evidence of manipulation falsification, or alteration of accounting records or supporting documents:
- Evidence of intentional misapplication of accounting principles and
- Evidence that employees or managers lack the qualifications and training of fulfill their assigned functions.
- Most internal control measures can be circumvented or over come
- Collusion is when two or more employees work as a team with the purpose of defraud the firm

2.1.7 Problems that arise a result of weakness in cash control

1. **Kitting:** - us a means of over station bank balances either to conceal a cash shortage or to increase cash reported on balance sheet

2. **lapping:-** to cover a cash theft an employee defers recording of cash receipt from one customer and covers the shortage with receipt from another customer or a fraud involving abstracting cash from a customer and covering the resulting shortage with subsequent cash collection from another customer.

Lapping typically occurs when one employee records cash in both the cash receipt journal and account receivable ledger

Lapping will be reviewed by unsupported discrepancies found while confirming account receivable balance.

3. **Window dressing:-** is attempt by management to improve the liquidity of

the company it is an action taken shortly before the balance sheet date to improve the cash position or to create an improved financial picture for example cash receipt journal is held open for a few days after the close of the year. (Whittington and pany. 1995)

2.2 Internal Controls over Cash

Because cash is negotiable readily spend able and sassily transported it is important for proper internal control to be in place to protect this asset. Accordingly it is the policy of the company that the following internal control over cash is implemented throughout the organization.

1. Access to cash must be limited all funds should be kept secure at all-time fund should be kept in safe locked box. All funds except for the imprested cash must be deposited in accordance with the daily deposit policy.
2. Cash operation must be subject to daily supervisory review to minimized the potential for mistakes in cash operation and /or misappropriation of cash, cash duties should be separated among employee so that in all instances one person will check the work performed by another

All cash must be completely and accurately recorded in the financial records of the company to insure this transmittal form should be prepared.

2.2.1 The main objective of internal control over cash

company`s system of internal control over cash must be sufficient to provide reasonable assurance that the following objectives are full field.

- 1) Recorded cash transition are valid

The systems do not permit the inclusion of fictitious or non-existent transaction for example the record cash balance is exist?

2) Transaction are properly authorized

If a transaction are not authorized takes place it could result in fraudulent transactions. And it could also have the effect of wasting on destroying cash is any discernment is receipts authorized before actually performed.

3) Existing cash transactions are recorded (completeness)

- The client procedure must provide control to prevent the omission of cash transaction from records.
- Does the existing cash transaction are record?
- Does the existing cash transaction are record?

4) Transactions are properly valued (valuation)

Avoid error in calculating the recording transaction.

5) Transaction are properly classified (classification)

- The proper account classification according to the company`s
- Chart of account

6) Transaction are recorded at proper time

Failing to record at a time it look place may increase

- The likely hood of omitting the transaction or
- Recording at the improve account

7) Transaction are properly included in subsidiary ledger records and currently summarize (Alvin A-Areas, 1991)

2.2.2 Elements of internal control over cash

a) competent, reliable and ethical personnel

Company carefully screens employees for understandable personality traits they also expend large sum for training program. Cash disbursements are interested to high level employees with large amounts paid by the treasure or assistant treasurer.

B) Assignment of responsibility

Specific employees are designed as cashier`s supervisor of cashiers or accountants for receipts. And also specific employee approves purchase documents for payment executives amines approve, and then sign checks. Good and desirable internal control measures that ideally may be considered to segregate duties and functions are:- Cash receiving and keeping, cash mail receiving. Depositing of cash, comparison of cash receipts and deposits, general ledger entries and records, preparation of bank reconciliation, custody of petty cash fund, payment voucher preparation, check preparation, check signing and issuing, check custody, voucher register (entries), advance payment purchase and travel and other advance.

Review of internal control would mean reviewing that:- all sources of cash receipts (sources of income) are properly established, identified and authorized at point of operation, which includes examining cash collection. All cash receipts are documented includes assuring property of forms and mathematical accuracy. All cash receipts are handled strict protective custody, which includes physical protection, daily depositing of cash receipts in facts to a bank or central cashier and cashier integrity. All supporting records and evidences of cash receipts are independently corporate and maintained. (yohannes kinfu, 1966)

C. paper authorization

only designed employees such as department managers can grant

exceptions for customers approve check receipt above certain amount, and allow customer to purchase on credit. Also large expenditures must be authorized by the company owners or board of directors to insure agreement with organizational goal. (Whittington and pany, 1995)

2.2.3 Controlling cash receipts and payments

The objective sought in the control of cash receipts is the assure that all cash that is receivable by the business enterprise is collected and recorded without loss.

The system of controlling cash payments (with drawl) should be designed to ensure that no unauthorized payments are made.

Control is accomplished by division of responsibility to achieve independent verification of cash transactions without duplication of effort.

Cash is safeguarded by keeping in a safe, depositing it in banks, and through the use of special (imp rest) cash funds.

Receipts:-

Making bank deposits:-

In a firm that has a good system of internal control, cash receipts are deposited often. Keeping substantial amounts of cash on the premises for long period of time is dangerous practice. For this reason many businesses make a daily bank deposit, and some make two or three deposits a day. In addition to safeguarding cash,

frequent bank deposits provide a steady flow of funds for the payment of expenses and other obligations.

A deposit slip or deposit ticket must be prepared for each bank deposit. These forms are usually provided to the depositor by the bank in which the account is maintained and are usually preprinted with the assigned account number.

The bank may acknowledge receipt of a deposit in a variety of ways. Most foreign banks issue a machine – printed receipt form indicating the date and the amount of money received. This method is widely used for mail deposits and deposits made in automatic teller machines. However, the most common method is for the bank teller to stamp and return one copy of the multi-in this way, the depositor obtains a receipt copy with all the details of the deposit. This copy is kept on file for a period of time as proof of the deposit in case it is needed.

Payments:

A strong system of internal control system requires that all payments be made by cheque except those that are made from a carefully controlled special purpose cash fund such as a petty cash fund. Certain rules must be followed when preparing cheques so that the cheques are valid and cannot be altered easily. The correct procedures for issuing cheques are the following.

A bank (the drawee) to pay a specific sum of money to a designated person or firm (the payee) such a cheque is negotiable, which means that ownership of the cheque can be transferred to another person or firm. (GLENCOE MACMILLAN, 1992)

BANK CASH: - PRIMARY RESERVES

The decisions of commercial banks regarding cash management involve the amount of cash of various kinds to be held. Primary reserves or cash is held in several different forms currency and coin, deposit with the district national bank and balances with other commercial banks. These are by no means perfect substitutes for one another. If customers want to withdraw currency say because the bank must have the currency and coin to give them. It cannot give them checks on its balances at correspondent banks. Similarly if the bank wants to buy some governments securities it may find it most convents to pay with a check drawn on its national bank or correspondent bank it can no conveniently pay with currency from the till. While the bank can exchange one from of primary reserve for another takes some time and may involve a modest expense. Thus, the management of cash involves the management of several imperfectly substitutable assets like other assets the various types of cash are held to meet certain functional needs. The bank estimates the amount of each kind of cash it needs.

SECONDARY RESERVES: NANAGING THE MONEY POSINTION

The investment strategy of the national bank requires a certain volume of funds to be kept in cash plus liquid assets to assure the ability of the bank to meet any cash drain that might occur within the near future. Liquid assets we recall are earning assets that can be turned into cash on short notice without the hazard of substantial loss.

Since liquid asset earn interest while cash does not the basic management strategy of banks. (Johan, M. Culberson, 1968)

CHAPTER THREE

DATA PRESENTATION AND ANALYSIS

3.1 Internal controls over cash payment:

Under this category there are a variety of payment systems adhere which require different types of procedures to prevent fraud, among those payment methods;

Current account, which consists of cheque, C.P.O certified cheque payment is managed.

Saving account and local transfers are some methods of payment.

Check Payment:

When a customer is forward a cheque to the bank, the following things checked and verified by the current account supervisor. The supervisor insure that the cheque is not postdated, check the amount in word and in figure are correct the balance is sufficient in his account, check the drawers signature with the banks signature card sample incase the amount written on the cheque is significant confirmation is asked to the drawer through telephone and verify the payee`s ID card then the supervisor sign on the cheque and send to the teller if it is with in his limit of authority. Otherwise, for ward to the next more responsible person that is the branch manager and also to the most and last responsible person to make approve for payment. Finally the payee received the token to identify him for payment after few minutes he collects his cash from the teller by return the token.

The same procedure is applied to local transfer and saving account. From the researcher point of view internal control over cash payment is not adhering in accordance with the literature review due to the fact that one teller collect and effect payment there is no segregation of duties from related activates. As a result the researcher concluded that their cash

payment method or procedure is loose.

3.2 Internal Control over cash receipt:

Under this category liquid cash and cheque can be collected the procedure is more or less similar to cash payment the customer who want to deposit money first fill the amount by denomination on the deposit slip form and forward to the teller the teller counts the cash by using machinery or his own hand. If the amount is equal to the deposit slip he stamps put his signature on the deposit slip and first copy given to the depositor.

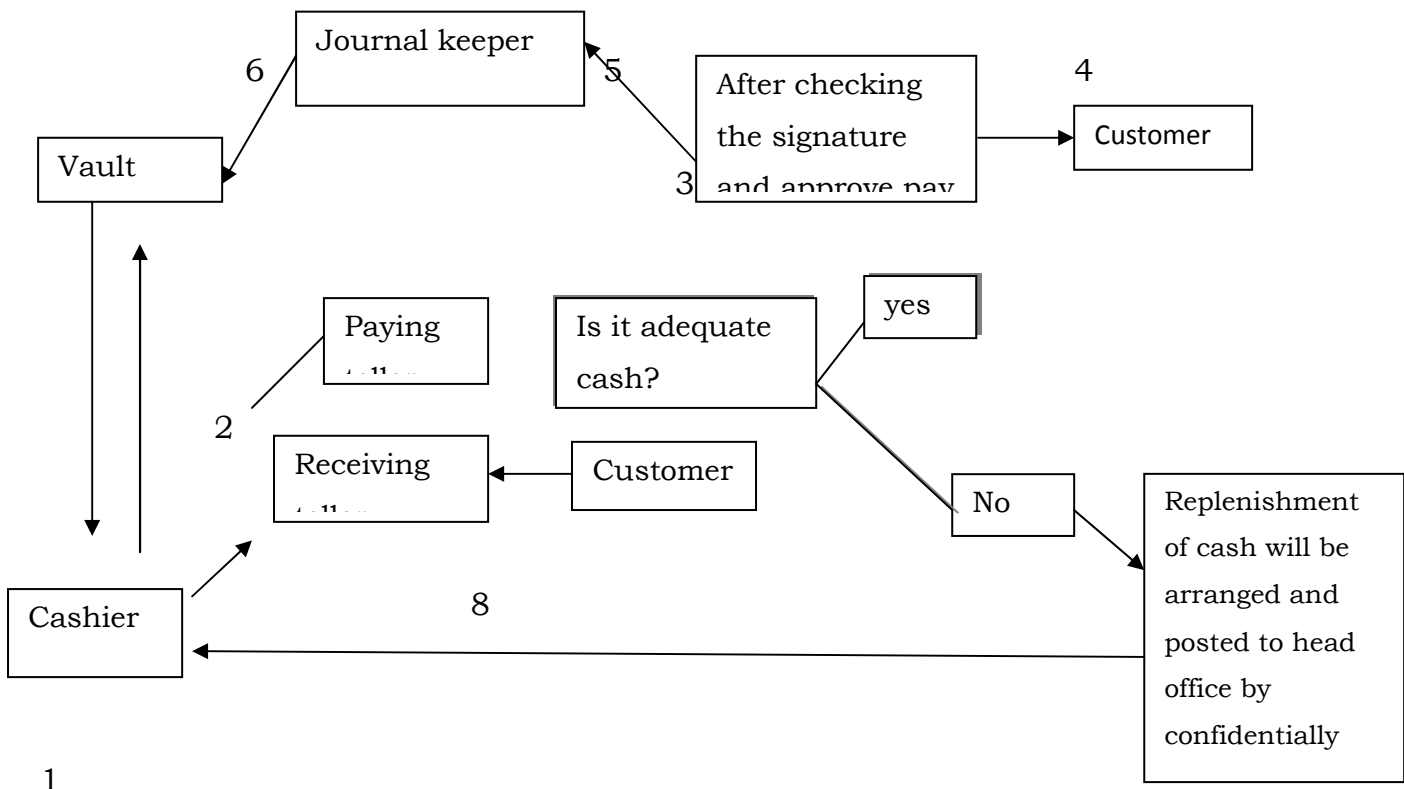
From the researcher point of view internal control over cash receipt is not remain in accordance with the literature review due to the fact that one teller collect and effect payment there is no segregation of duties form related activities. As a result the researcher concluded that their cash payment method or procedure is loose

3.3 Internal control over physical cash:

There is substantial amount of cash accommodated on the vault covered by adequate insurance coverage when the float of physical cash below the required level replenishment is maintained in case of excess physical cash is available it is transferred to the national band of Ethiopia treasury it is primary purpose for the operation of the bank for un interruptible supply of cash to the customer. Concerning to the control system it is always managed dually the chief cashier before regular working hour begin scheduling the amount of cash needed by each teller for daily operation. Then accordingly the cashiers forward some amount of cash for each teller by recording on the memorandum book at the end of the day the tellers balancing their record and handover the available cash to the chief cashier. If any shortage is observed by the side of the teller claim will be raised to the

insurance company by referring cash indemnity policy from the above procedure the researchers conclude that the physical cash control system is adequate from the researcher point of view internal control over physical as a result the researcher conclude that their physical cash is adequate

FLOW DIAGRAM OF CASH MOVEMENT PROCEDURE



- 1. Withdrawal of cash out of vault
- 2. Distribution of cash to teller
- 3. Checking
- 4. Paying for customer
- 5. Journalizing
- 6. Comparing
- 7. Receiving
- 8. Approval

Sorting Table

The senior teller in charge of sorting table will surrendered cash received by him from the receiving teller. After proper balancing is computed; to the cashier against his signature in the bound book kept by him for this purpose cash denominations must be carefully recorded in the bound book. Thus the senior teller is cleaned.

Flow Diagram

The above flow diagram shows how it seams the work flow of cash in awash international bank. The job begins with transferring cash from the main cashier (Volt) to the cashier (No 1). And then the receiving teller and paying teller receive from the cashier a fixed amount of cash (Notes and coins) in different denominations against signature in abound book (No 2). If the cash is adequate paying teller pays to the customer after checking the signature and approve (No3and4), and then journalizing the transaction by the journal keeper (No 5and6).

The receiving teller used this cash for a change fund. The change fund is used to facilitate the collection of cash from the customer. (No 7). If there is no adequate cash in the hands of paying and receiving tellers replenishment of cash will be arranged and posted to head office by confidentially and private post (No 8).

Reserve Account: - it is with held the National Bank of Ethiopia every commercial bank has to deposit 5% of its total deposit with NBE this is because of the supervisory act of NBE and to secure liquidity position of commercial bank.

Deposit in foreign bank: - transactions in foreign currency converted in to birr as the exchange rate ruling on the date of the respective transaction occur. Foreign currency cash and bank balance as the end of each days are

translated at the buying exchange rate ruling on that date any gain or loss are accounted for in profit and loss account.

Cash on hand: - it is used for different types of commitment locally such as transaction related to check clearance with other bank.

The researcher interviewed the treasury managers on the area of cash handing and replayed the following

Especially in the area of cash management employees is trained to have up to date knowledge so that expected productivity can be attained. Concerning rotation of duties at least once in a year is conducted furthermore there is a clear defined of job description along with equal authority and responsibility there is no undefined area or overlapping of responsibility on the other hand because of the rapid development of computer technology we are now familiar with cash on line operation (one window operation) which enable the taller to verify the document up to its limit and effect payment accordingly in case amount exceeds his/her limit the system is executed and refer to the next authorized person.

There is frequent backup is maintained to avoid risk related to data corruption regarding anti various software we use the latest one that is available in the market. Regarding recording a better registration which used as a journal Voucher to compare the balance of the registration with the actual cash available in the volute. In case any discrepancy occur by shortage or overage he/she is accountable so far we don't face cash embezzlement in connection with check clearance the other important point relation with national bank of Ethiopia we are oblige by law statutory reserve of 5% of deposit by the client to be hold in national bank of Ethiopia in case of default of payment the other point is that like any customer we can draw cash in case of constraint and deposit excess cash is available.

Currently sufficient cash count machine for tellers and cashers despite the fact that maintenance problem there is only one company maintained our cash count machine.

Finally the banking industries is one of the rapid growth sector due to this several new bank entering to the market when employee is recurred un fair attractive salary and benefit given to them.

CHAPTER FIVE

Summary, conclusions and recommendations

4.1 summary and conclusion

The researcher is used interviews and conservation to study the interview questions which is attached on the annex. These questions were presented to the Branch manager of AIB and observation is taken place by the researcher in AIB Bahir Dar branch. Therefore based on finding of the study are summarized as follows.

- 1) Some document like deposit voucher and saving account withdrawal vouchers are not serially numbered.
- 2) In cash payment and receiving function one person pays and receives cash
- 3) In payment processing one person identify verify and approved the payment
- 4) There is high staff turnover.
- 5) All cash will be counted by hand and counting machine

Cash is the blood vessels of the business organization it is a liquid asset so it is subject to strict control. Internal control over cash focuses on company procedure rule and regulations, it focuses on activities involve in cash receipts and disbursements.

Awash international bank share company`s internal control over cash is satisfactory. Especially surprised cash count was conducted when we analyzed cash trained for the last five years there is fair cash growth but there is a treat in staff turnover duo to un attractive salary and there is no segregation of duties specially receiving and paying taller.

4.2 Recommendation

- Some documents like saving account withdrawal voucher, deposit voucher, current account deposit slip has no serially numbered, and therefore the company should have a sequential number for controlling purpose.
- In any cash payment and receiving function the company should not involve one person for paying and receiving cash in order to maintain the general rules and regulations.
- Even if has own limit amount, in payment processing. One person should not identify verify and approved the payment.
- In cash receipt form that is deposit slip forms, the company should be preprinted numbers for the assigned account number of the customers.
- There is high staff turnover due to unsatisfactory salary therefore the company should requires special attention by solving this problem through improving their salary schedule.

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Interviewer questioners

The following questions are interviews based on internal control over cash AIB

1. **Payment**

- 1.1 how is the procedure of cash payment
- 1.2 What is the procedure of the banks check clearance do you face fraud (embezzlement) related to this type of transaction?
- 1.3 When the paying teller close the day operation?

2. **Receipt**

- 2.1 How is the procedure of cash receipt?
- 2.2 When the receiving teller close the day operation?

3. **Physical cash**

- 3.1 How is the procedure of physical cash paying from the vault?
- 3.2 What type of record maintained by teller to check against cash on hand?
- 3.3 What is the functional relationship with national bank of Ethiopia regarding cash?
- 3.4 Do you have insurance coverage for money in transit and for vault?

4. **General questions**

- 4.1 Do you have competent personnel and rotation of duties? If yes at what interval of time?
- 4.2 Is there assignment of responsibility?
- 4.3 Is a separation of responsibility from related operation is prohibited independent review?

