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DEPARTMENT OF LOCAL GOVERNANCE STUDIES

CASH MANAGEMENT SYSTEMS IN ZIMBABWEAN LOCAL AUTHORITIES.

A CASE OF CHEGUTU MUNICIPALITY

BY

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Dedications

To Baba Johanne Masowe Chishanu

Njombolo family

Chandata family

Rachel

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Abstract

The research sought to assess the cash management systems in Chegutu Municipality. Chegutu Municipality has its set vision, mission, objectives, core values and goals that guide their daily operations but there were insurmountable cash flow challenges being faced leading to the council failing to meet the set objectives. The failure to meet objectives lead the research to seek to enquire on the challenges being faced in cash management and to identify the strategies that are being used to overcome these challenges and how liquidity impacts on service delivery. Chapter two reviews the cash management concept as seen by a number of scholars. The evolution, components of cash management used in business, challenges encountered in the cash management process, effective tools for cash management, the link between service delivery and cash management as well as empirical evidence. Chapter three focuses on the research methodology. The researcher used both qualitative and quantitative data gathering techniques. Questionnaires, observation, purposive and random sampling, internal reports and records and interviews were used to gather data. Chapter four presents and analyses the research findings and the cash management systems in Chegutu Municipality are evaluated. The research found out that the cash flow problems faced by Chegutu Municipality are as a result of poor cash management systems used resulting in poor financial management. Problems faced by Chegutu Municipality in cash management are mismanagement and corruption, weak internal control system, poor collection methods, lack of qualified staff and economic hardships, public resistance among others. However, the Municipality is trying to beset these challenges through employing a number of strategies such as budgeting, cash flow forecasting, auditing, financial reporting, creditor management, debtor management, internal control systems and strategic planning and management. The recommendations include maximize revenue collection, improve and strengthen internal control systems to deter fraud and other forms of corruption, practice participatory budgeting, explore new ways of revenue generation (income generating projects), human resources developing (training and capacity building), formulation of the revenue generation and expenditure monitoring committee, computerization of the finance department (e-government), lobby government to put debt recovery instruments in order to strengthen the cash management systems of local authorities.

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List of Abbreviations

CM	Chegutu Municipality
LA's	Local Authorities
MSU	Midlands State University
MLGRUD	Ministry of Local Government, Rural and Urban Development
UCA	Urban Councils Act [Chapter 29:15]

Glossary

1. **Budget:** A formal statement of the financial resources set aside for carrying out specific activities in a given period of time. A statement in monetary terms of management's plans for operating a business over a future period of time and their plans for the position of the organisation at the end of that time.
2. **Budgeting:** It refers to the identification, designative appropriation and distributive allocation of scarce monetary resources to sectors and activities with a view of achieving efficiency and equity.
3. **Cash Management:** It refers to the planning , organizing and implementation of ways that ensures adequate cash resources at any given time and the best use of the money.
4. **Local Authority:** means a decentralized, representative institution with general and specific powers, devolved upon it and delegated to it by central or regional government in respect of a restricted geographical area within a nation or state and in the exercise of which it is locally responsible and may to a certain degree act autonomously.
5. **Minister:** Means the Minister responsible for Local Government, Rural and Urban Development.

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CHAPTER I

INTRODUCTION

1.0 Introduction

Working capital (cash) is the life blood of every organization. The success of a Local Authority relies on its ability to raise and manage its cash which is crucial in financing its day to day operations. Cash management is a crucial component of public financial management practice and it is a complex process that needs to be treated with caution as it is influenced by environment, technology and the prevailing economic climate of the day.

This chapter forms the background of the study on the cash management systems in Zimbabwean Local Authorities. The chapter provides the research problem, the purpose of the study, the research questions, justification for the study and delimitation of the study and the rationale of the study.

1.1 Background of the study

Chegutú was founded in the late 19th century as a village called Hartley. In 1903 it attained the Village Management Board status and went on to become a Municipality in 1974. At independence in 1980 the Municipality changed its name to Chegutú.

The Town is located 107 km south west of Harare, along the highway to Bulawayo. It is 31 101 square kilometres in extent and has an official population of 120 000 according to the census of 2002. Economic activities in the hinterland centre on gold and platinum mining and commercial farming. Chegutu Municipality has a total of 12 administrative wards.

Cash management as a public finance discipline has changed significantly over the years. According to Corinne (2005), before the 1970s, most cash management activities involved paying bills and collecting fees, fines and other revenues. Excess funds sat idle in bank checking accounts or were invested in local bank certificates of deposit. Beginning in the 1970s citizens began demanding more services from local governments while concurrently rebelling against increased taxes. The demand for more services and shrinking revenues caused finance officials to develop ways to maximize the use of their funds (Miller 1999). At the same time, interest rates began to rise and eventually reached a peak on March 30, 1980, when the federal funds rate (the rate banks charge one another for overnight loans) rose to 20 percent. As noted by Miller et al (2002) higher interest rates made more effective cash management practices worthwhile because the extra effort that went into actively managing cash balances was offset by increased investment income. Conversely, the new millennium saw interest rates fall to historic lows. The federal funds rate in America fell to 1 percent on June 30, 2003. In Zimbabwe Tibaijuka (2010) observed that there is need to manage funds effectively because many local governments depend on investment income as an important revenue source, and lower interest rates significantly reduced investment earnings, causing many local governments to suffer severe budgetary constraints. The evolution of technology also has played an important role in changing cash management practices over the past two decades. The banking industry has created new products that allow depositors access to real time account balance information and the ability to move

funds electronically. All these factors have combined to make cash management an important part of the finance function creating the need for a research to investigate how best cash should be managed in local authorities. According to the Urban Councils Act [Chapter 29:15] the cash management function is generally housed in the finance office and can be the responsibility of a finance director or a treasurer, depending on the size and structure of the local government. One employee may handle the entire treasury function or several employees may be assigned to portions of this function. Larger local governments, for example, may have treasury staff devoted to collecting revenues and other staff focused on investing funds, and assign disbursements and accounting and record-keeping functions to other staff members in the finance department. The observed variance across local government sector has thus created a need for a research to observe how best cash can be managed.

The objectives of cash management involved bringing funds into local government's treasury as quickly as possible, paying the funds out as efficiently as possible, and making effective use of those funds until they are needed for operating expenses (Corinne 2003). Today most local government institutions find themselves with a revenue shortfall during the fiscal year, leading to the need to borrow funds to bridge this gap. The amount and timing of the borrowing is heavily controlled creating further liquidity problems.

Another related objective of cash management is to provide accurate and timely records to document the activities such as recording, reporting and controlling the local government's cash management activities and those calls for expertise which most local authorities may find difficult to attract. Hence the need to investigate how cash management is going on.

1.2 Statement of the problem

Overall, the observation is that most Zimbabwean Local Authorities are facing insurmountable challenges in raising sufficient funding to ensure effective service delivery ever since the dollarization of the Zimbabwean economy in 2009. Most of these challenges revolve around the failure to ensure effective cash management systems resulting in poor revenue collection systems, levying of sub-economic tariffs, failure to ensure cost recovery on essential services such as water and sewer provision, failure to recover debts owed in hyper inflationary environment, poor creditor management and generally poor financial accounting systems. This has led to failure in provision of effective service delivery system and bad reputation among most Councils. Given the ever shrinking revenue base Chegutu Municipality is failing to meet its obligation of paying its creditors on time and salaries of employees. Hence the need for a research focusing on cash management

1.3 Research Objectives

Broad Objective

- ❖ To analyze the cash management systems used by Zimbabwean Local Authorities.

Specific Objectives

- ❖ To identify the purpose of cash management in Local Authorities.
- ❖ To show the implications of cash on service delivery.
- ❖ To outline the challenges faced by Local Authorities in cash management.
- ❖ To highlight strategies, policies and measures that can be used by Local Authorities to alleviate cash flow problems.

1.4 Research Questions

- ❖ What are the cash management systems employed by Zimbabwean Local Authorities?
- ❖ What is the rationale for cash management in Local Authorities?
- ❖ What are the challenges faced by Local Authorities in cash management?
- ❖ What can be done to address these challenges?
- ❖ What is the link between cash management and service delivery?

1.5 Rationale of the Study

Carrying out this study will be of great importance to Chegutu Municipality in that it will help council reorganize itself and refocus on achieving effective service delivery so that it achieves its vision of being the best local authority in terms of service delivery as perceived by its clients by employing cash management systems.

The experience gained and strategies employed in Chegutu Municipality will also benefit other local authorities in their cash management practices and improve service delivery system. Findings from the study will also benefit those in the academic field who might want to pursue related research.

The study will also help the researcher to acquire a Bachelor Of Science Honours Degree in Local Governance Studies. In addition to this, the findings will also become university reference material to be used by other researchers in local governance and development studies.

1.6 Limitations

The time allocated for the research is short for a comprehensive collection, analysis and evaluation of the required information, particularly given other competing needs like school

work demands to the researcher. To minimize the effect of limited time, the researcher will take both weekends and holidays to ensure more concentration on this research.

1.7 Delimitation of the Study

This study will mainly be focused to cash management systems in Chegutu Municipality. The period of study covers 2009 to 2012

1.8 Chapter Summary.

This chapter was concerned about giving an overview of what had act as a driving force for the researcher to do the research or study since it is driven by a problem, objectives as well as research questions. The chapter went further to highlight limitations to the study, delimitation of the study and how the research can be beneficial to both the researcher and the interested stakeholders. The subsequent Chapter will look at the Literature review which further explores deeper insights on the cash management systems used by Zimbabwean Local Authorities.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

This chapter presents literature on the relevant themes of the research. According to Bless and Smith, (1995), literature review is a process of reading what other researchers have published that appears relevant to the topic. They point out that literature review aims at finding out what other researchers have written about the problem being researched on. In this chapter, the literature on cash management is reviewed. The review further focuses on views of various writers and scholars on cash management systems in the Local Authorities.

According to Fisher (2007) the purpose of a critical literature review is to ensure that the concepts, theories and arguments that one takes from the literature enable the research to be robust so as to; remove the need to rediscover knowledge that has already been reported; build upon the work that has already been done in the field of one's research ; and ensuring that things have not been missed in the research by showing one has searched the literature thoroughly and

have identified most of material that could be useful in the project. The characteristics of the main themes are identified in order to operationalize theme for the empirical research.

2.1 DEFINITION OF CASH MANAGEMENT

Cash management is the process of raising funds for an organization and protecting them from abuse by council employees and councilors. Conradie and Fourie [2002] "...cash management may be defined as the responsibility to acquire the needed financial resources and to ensure the best use of these resources over the short and long term". The definition of cash management by Conradie et al (2002) accords two critical responsibilities to the field of financial management. Firstly, cash management has the responsibility of acquiring the needed financial resources for an organization. LA`s have many financial needs and also many financial acquisition ways. Secondly, cash management also has the responsibility of ensuring the best use of an organization`s financial resources .Corinne (2005) defined cash management as a strategy that aims to cover the cash budgeting or forecasting, managing cash flows through a) organized collection management, b) proper disbursement management, optimum cash level and investing surplus cash. According to Corinne Larson et al (2005) cash management`s responsibility goes beyond raising the needed financial resources for an organization to managing or ensuring the best use of the raised financial resources which is the missing part in the first definition provided by Conradie and Fourie (2002). Hence it involve bringing funds into the local government`s treasury as quickly as possible, paying the funds out as efficiently as possible, and making effective use of those funds until they are needed for operating expenses. Another interesting

dimension of defining cash management is offered by Nickels, McHugh and McHugh [2005] defined cash management as “...the job of managing the firms resources so it can meet its goals and objectives”. The definition by Nickels et al (2005) gives a rather restricted role of cash management as compared to Corinne (2005) definition of cash management but however, raises or introduces an important dimension of cash management. Cash management is practiced so as to enable organizations to manage their resources to meet their goals and objectives. One of the major goals of LA is to deliver services such as education, health, roads among others effectively, efficiently and economically to all residents.

The definitions discussed above seem to concur on some features or characteristics of cash management. Firstly, cash management involves the management of an organization’s resources. Secondly, cash management should raise the much needed financial resources for an organization. Cash management that is compatible with the environment of the concerned local authority should result in a LA that is well resourced and that spends its resources on activities basing purely and solely on prioritization. Misuse of resources is eradicated or mitigated because the best use of resource is ensured.

For this research the definition provided by Corinne (2005) will be adopted since it is the most plausible one and holistic since cash management is not only restricted to the raising of cash for the organization but it goes beyond that, it aims to cover the aspects such as cash budgeting or forecasting, collection management, disbursement management as well as investing the surplus cash.

2.2 CASH MANAGEMENT: CONCEPTUAL FRAMEWORK

Cash Management can be best defined to mean the planning, organizing and implementation of ways that ensures adequate cash resources at any given time and the best use of the money (Corinne Larson 2005) .Van Horne (2002) “cash management involves managing the monies of the firm [organization] to maximize cash availability”. Proper cash management should increase the availability of cash at an organization. It strives to address cash flow problems and related problems such as failure to pay for other organizational expenses such as salaries (ibid). Moyer, Guigan and Kretlow (1994) “financial managers have the primary responsibility for acquiring funds needed by the firm and for directing those funds into projects that will maximize the value of the firm.”

Cash Management is not only limited to raising cash but also involves controlling the cash balance to maintain the desired levels or range of cash balances (Larson 2003). Different LAs and institutions will most likely have different desired cash levels basing on the complexity of the operations of the LA or institutions. Thus Harare City Council will most likely require a higher cash balance than Chegutu Municipality because Harare City Council is a much bigger LA in terms of geography, operations, and employees among other factors. A number of models have been advocated for by a variety of scholars but the upper and lower limit model is the most popular. Atrill (2003) “the most common and popular model of controlling cash and inventory balances is the upper lower limit model”.

The model can be better shown on the diagram below

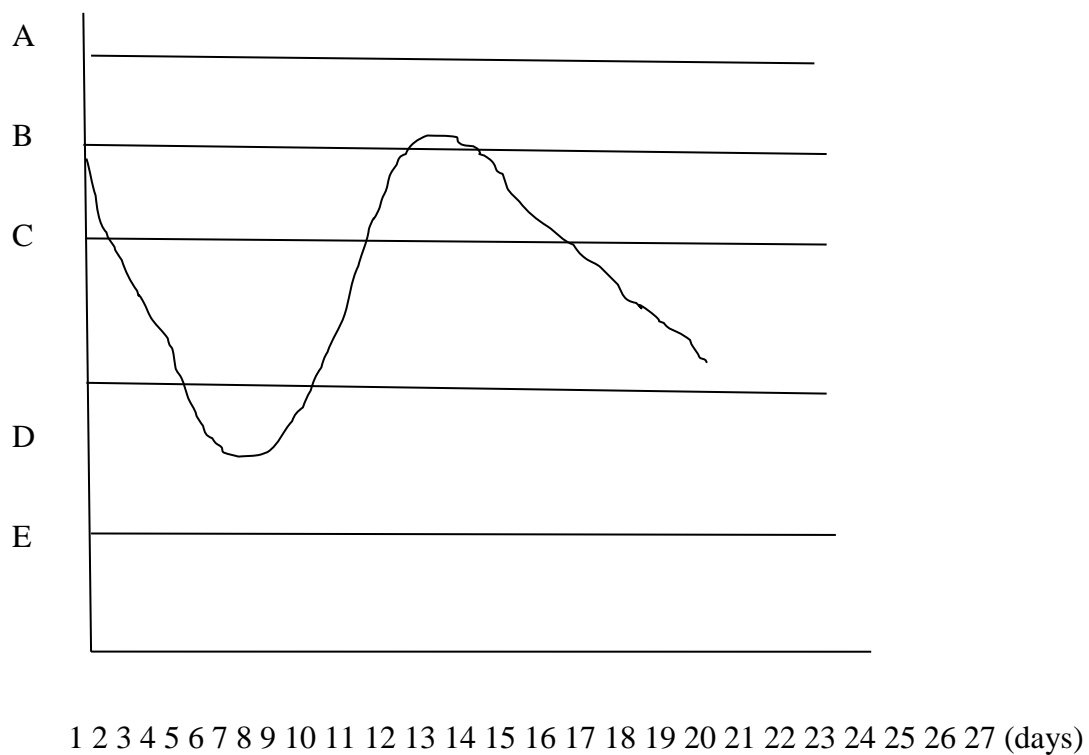


Figure 1: controlling the cash balance

Source: Atrill (2003, 328)

KEY

A -upper outer limit

B- Upper inner limit

C-desired cash level

D-lower inner limit

E-lower outer limit

In the lower limit (E) the organization is likely to face cash flow problems since there is less revenue as compared to the expenditure, whereas in upper out limit (E), a lot of cash will be idle since there will be a lot of cash at hand hence investment alternative should be taken into considerations. According to Artill (2003) effective cash management system calls for a balance between income and expenditure and any excessive cash should be invested. Artill (2003) argues that the desired cash level (C) should be maintained. According to Srinivasan (1999) cash is needed transaction motive, precautionary motive and speculative motive, too much cash holding will be unproductive and too little cash may lead to liquidity crisis. Using the above model a prudent finance manager should strike a mean between the two conflicting goals of reasonable return on idle cash, vs. avoiding cash crunch situation. The research seek to observe whether Chegutu Municipality practices the upper – lower limit theory in cash management.

Corinne (2005) noted that a cash management cycle has collections, disbursements; short term borrowing and investments all rooted at the heart of local government's general funds. (Ibid) alludes that these components are interlinked and a distortion at a single factor affects the whole cycle. The cash management is illustrated in the figure 2 below;

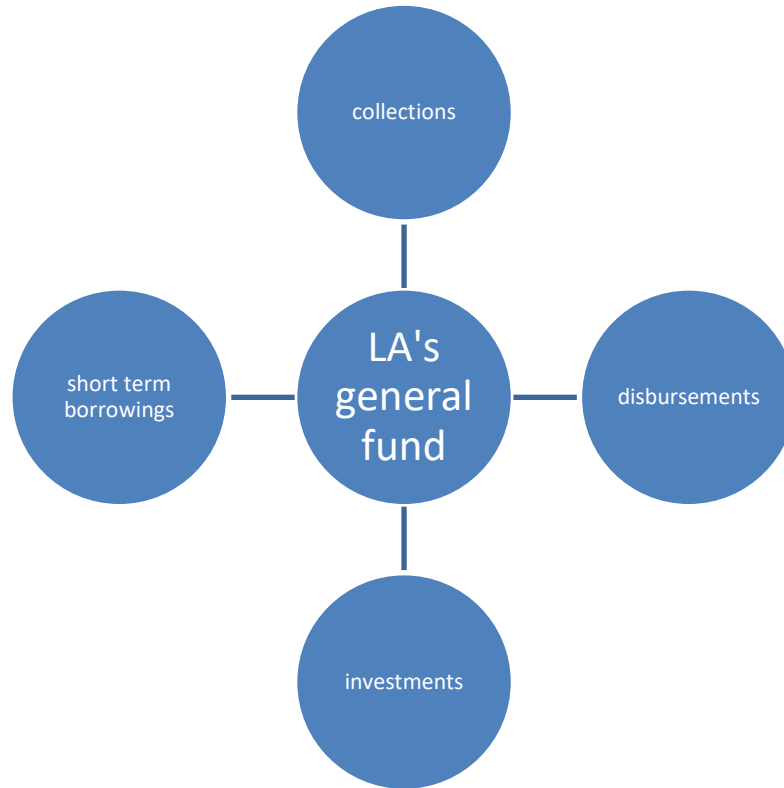


Fig 2: Cash management cycle

source: Corinne (2005)

According to Corinne et al (2005) cash management cycle constitutes of four aspects which are short term borrowings, disbursements, investments and collections all connected to the general fund hence a balance should maintained in order to maintain an equilibrium.

For the purpose of this research the conceptual frameworks provided by Corinne (2005) and Atrill (2003) will be adopted since they complement each other. This will seek to clarify the function of cash management as a financial management function.

2.3 EVOLUTION OF MODERN DAY CASH MANAGEMENT

According to Srinivasan (1999) modern day cash management practice evolution is rooted in America. Cash management as a public finance discipline has changed significantly over the

years. Before the 1970s, most cash management activities involved paying bills and collecting fees, fines, and other revenues (Corinne-Larson 2005). Excess funds sat idle in bank checking accounts or were invested in local bank certificates of deposit. Beginning in the 1970s, citizens began demanding more services from local governments while concurrently rebelling against increased taxes. The demand for more services and shrinking revenues caused finance officials to develop ways to maximize the use of their funds. At the same time, interest rates began to rise and eventually reached a peak on March 30, 1980, when the federal funds rate (the rate banks charge one another for overnight loans) rose to 20 percent.

Higher interest rates made more effective cash management practices worthwhile because the extra effort that went into actively managing cash balances was offset by increased investment income (Corinne et al 2005). Conversely, the new millennium saw interest rates fall to historic lows. The federal funds rate fell to 1 percent on June 30, 2003. The need to manage funds effectively was once again highlighted because many local governments depend on investment income as an important revenue source, and lower interest rates significantly reduced investment earnings, causing many local governments to suffer severe budgetary constraints. The evolution of technology also has played an important role in changing cash management practices over the past two decades. The banking industry has created new products that allow depositors access to real-time account balance information and the ability to move funds electronically. All these factors have combined to make cash management an important part of the finance function. The cash management function is generally housed in the finance office and can be the responsibility of a finance director or a treasurer, depending on the size and structure of the local government. Cash management systems help local governments to meet their obligations and provide efficient service delivery system which is effective in manner.

In Zimbabwean Local Authorities, the Urban Councils Act (Chapter 29:15) provides clauses that seek to promote modern day cash management in the Part XX of the Act. According to the Urban Councils Act (sec284-307), cash management function is seen in the financial provisions, audit, loans and accounts to be maintained by local authorities as per se. These provisions were not enshrined in the legislation which was used in pre-colonial Zimbabwe, in which cash management was only limited to paying bills and collecting fees, fines, and other revenues.

2.4 COMPONENTS OF CASH MANAGEMENT

Corinne-Larson (2005) identified 6 main components of cash management function which are all aimed at managing the effective use financial resources which are as follows;

- ❖ Raising the revenue by establishing sources
- ❖ Effective revenue collection system
- ❖ Effective disbursement system
- ❖ Providing timely and accurate records to document Local governments cash management activities
- ❖ Investing idle cash
- ❖ Safeguarding/ protection of financial resources (Internal Controls)

Therefore the research seek to find out whether Chegutu Municipality practices any of the above cash management components.

2.4.1 COLLECTION MANAGEMENT

Revenue collection is central to local government's functions. Local governments collect funds from a variety of revenue sources, including fines, fees, taxes, licenses, permits, and special

assessments (Coutinho 2010). Revenues should be received in a timely manner, credited to the proper fund, and deposited into the correct bank account as quickly as possible (Corinne 2005). In addition, local governments should strive for high collection rates for all revenues owed and keep the payment-making process simple and easy for citizens. In Zimbabwe, Local governments collect monies owed in a variety of forms, such as coin and currency, paper checks and electronic banking (e-commerce). Each form of collection has its own merits.

According to Corinne (2005) the objectives of a collection system are to accelerate the receipt of available funds, safeguard the government's cash while it is in the local government's possession, and keep banking costs to a minimum by having an appropriate account structure and restricting the number of bank accounts managed by outlying locations. To set up an effective collection system, local governments should understand the concept of float and how float affects the availability of funds, and should produce timely and accurate reports (Artill 2003).

This research will seek to observe and enquire the revenue collection systems (methods) used by Chegutu Municipality.

FLOAT

Float is the time it takes for a payee (the local government) to receive funds available for use from a payer (the taxpayer) (Corinne 2005). Corinne (2005) goes further to identify float types which are- Mail float is the time it takes for a check mailed by the payer to be received by the payee, processing float is the time between receiving a check and depositing that check in the bank, check-clearing float is the time between depositing a check and the check clearing the payer's bank account, availability float is the time it takes for a deposited check to become usable funds.

The research seeks to find out whether Chegutu Municipality practices float management in its operations.

Accuracy and Timeliness of Reporting

One of the most important components of any collection system is accurate and timely reporting. Local governments need financial management software that allows collection staff to update records frequently. Coutinho (2010) argues that accurate, up-to-date information allows local governments to pursue delinquent collections and avoid alienating citizens by eliminating outdated or inaccurate account information. The Urban Councils Act (Chapter 29:15: 306, 309) spells out that local government should report to the stakeholders on the manner in which the finances of the organization had been used in time. This is aimed at promoting transparency and accountability. The research seeks to observe whether Chegutu Municipality is being transparent and accountable to its stakeholders by producing accurate and timely financial reports.

2.4.2 ACCOUNTS MAINTAINED

After the revenue is collected it is the function of cash management to see that the cash is banked into proper accounts and it is crucial to concentrate the funds in the local authority's general account (Corinne et al 2003).

According to the Urban Councils Act (1996): section 289), a council shall open in its name with a commercial bank registered in terms of the Banking Act [Chapter 24:01] such banking accounts as it may consider necessary. However, the number of bank accounts maintained by a local government should be kept to a minimum. The Urban Councils Act (1996: 289, 300,301) maintained that Council should have an Estates account, Housing account and the general purpose account. Sometimes, however, a local government must maintain separate bank accounts

for a variety of reasons, such as segregating monies designated for specific funds or to make accounting for different fund types easier (Corinne 2005). When separate bank accounts are used, a local government often will move funds in those accounts into a concentration account, commonly referred to as a general account. Concentrating funds into one account allows the local government to make the most effective use of its cash by pooling funds for investment purposes, thereby reducing transaction costs related to investments (ibid). The thrust of the research is to investigate whether Chegutu Municipality maintains the stipulated accounts.

Concentrating funds effectively is an important cash management function (Luft 2003). He further noted that, how funds are concentrated depends on the number and types of accounts and the number of banks used by a local government. Funds must be moved as inexpensively as possible (Coutinho 2010). Once funds are concentrated, they should be invested (ibid). Funds left in a concentration account as idle balances are not productive and incur an opportunity cost of lost earnings (Corinne 2005).

Generally, the concentration account is maintained with the local government entity's primary bank. Depending on how a local government has its accounts structured, any disbursement accounts are funded by the concentration account and any deposits made are moved at the end of the day to the concentration account (Corinne et al 2003). Local Governments can use a number of the available bank products to concentrate funds. Bank products are becoming increasingly sophisticated as technology improves and are becoming more affordable for smaller local governments (ibid). This research intends to investigate whether Chegutu Municipality maintains the stipulated accounts and observe the funds concentration systems used.

2.4.3 DISBURSEMENTS MANAGEMENT

According to Srivivasan (1999) the objective with reference to disbursement management is just the opposite to that of collection management, viz, to slow down disbursement as much as possible without jeopardizing the credit image of the organization. The Urban Councils Act and local ordinances outline general disbursement procedures, including methods of approval and responsibilities of local government officials. It is advisable to centralize all payments to creditors and others from a central disbursement account (Coutinho 2010). Cash management is concerned with the most effective and efficient way to pay approved disbursements. Hence it calls for alertness and care in striking payment terms with suppliers. Meyers (2005) argues that it is important to pay only on the last due date; make due dates of large bills to coincide with the dates of peak inflows.

The main objective of a disbursement system is to pay the obligations in a timely and cost-effective manner (Luft 2003). As noted by Artill (2003), an equally important objective is to provide the finance officials with information on funding requirements and to take the guesswork out of managing the government's liquidity. According To Artill (2003) the liquidity position of an organization can be measured using the liquidity ratios. These include the quick ratio, current ratio and the acid test ratio. By knowing the disbursement requirements, the finance official can make effective investment decisions or know with certainty if any funding shortfalls will occur and make the necessary arrangements to cover those shortfalls cost-effectively. Another objective is to reduce or eliminate opportunities for fraud and theft.

The finance director must work with other departments to determine the timing and amount of payments that need to be made. The finance official makes decisions such as whether to take

advantage of vendor discounts when offered. Effective cash management practices involve setting up a disbursement schedule that allows a government to pay bills timely but eliminates frequent check runs (Corinne 2005). Many local governments issue checks once a week or even twice a month (ibid). By issuing checks in batches, the local governments can manage their cash flows more effectively and save on banking transaction costs, check supplies, and postage.

Some local governments have a centralized disbursement system while others have a decentralized system (Mushamba 2010). A main advantage of a centralized disbursement system is that bill paying can be matched to cash inflows. This payment is particularly important if local governments have large expenditures and seasonal cash flows. A centralized disbursement system also allows a government to streamline the number of checking accounts that must be maintained, reduces the number of transactions and checks issued, and limits the amount of oversight needed to monitor account activity.

The standard disbursement process usually requires the receipt of an invoice that must be matched to a purchase order (if required) and receipt of goods and services (Corinne et al 2003). Depending on the nature of transaction Local authority can choose to pay by cash, check or electronic transfer (e-banking). The many advantages to direct deposit according to Larson (2005) which include; reduced check-processing charges; reduced staff time preparing checks, replacing damaged checks, and making special arrangements for absent employees; reduced employee time for cashing checks; reduced account reconciliation time; reduced storage costs for canceled checks; and reduced lost or stolen checks.

Disbursement procedures are designed to safeguard the local government from incorrect claims and to keep spending within budgetary guidelines. The research seeks to find out the methods of disbursement used by Chegutu Municipality.

2.4.4 INVESTING SURPLUS CASH

Another important component of cash management is the investment function. Van Horne (2002) “..., one of the most important functions of cash management is the responsibility of deciding on how much to invest and how to invest” Cash management also concerns itself with an investment of an organizations’ financial resources. Effective cash management practice should be able to device mechanisms within which a firm can invest its financial resources to earn the best return from the investment. Over the years, local governments have been granted increased authority and latitude in how they can invest their funds. Expanded investment laws have allowed many governments to increase their investment income and help ease their fiscal constraints (Corinne 2005). However, with this expanded authority have come some catastrophic losses of funds. Local Authorities are allowed by the Act of Parliament that governs them to engage or invest in income generation projects. The Urban Council’s Act Chapter (29; 15) section 131(1) and 302 covers how LAs invest money. Thus councils, though not profit making, are legally allowed to invest their financial resources. It becomes the responsibility of the financial manager to ensure that money is invested in the best way possible to gain the best return of the investments. LAs can also invest in income generating projects. For example, Harare City Council invested some resources for the Rufaro marketing. If any LAs money that is invested somewhere else are yielding higher returns then the cash management system will be working effectively. The research seeks to investigate how Chegutu Municipality is investing its funds.

According to Corinne et al (2003) investing can be thought of as a three-step process. In step one, the investor must become familiar with and understand the various risks of investing before making any purchases. Step two involves the purchase of an investment instrument that complies with the local government's written policies and procedures and results in a market rate of return on the local government's funds. Step three recognizes the trade-off between risk and reward by producing investment reports that summarize the government's investment program, publishing the performance results, and recapping economic activity for the period (ibid)

Interest earnings are often an important revenue source. Finance officials must try to earn the best return possible without sacrificing the safety of the funds. As noted by Artill (2003) finance officials must also perform this function within the constraints of state statutes, local laws, ordinances and charters, and internal policies and procedures. In addition, finance officials must make their decisions based on the principles of safety, liquidity, and yield (ibid).

Certain risks are inherent in any investment instrument. Even the safest, most conservative investment has some risk associated with it. The investment of public funds requires that the finance official understand the risks of a particular investment option (Corinne 2005). Corinne (2005) further identified five (5) types of risks which are credit, liquidity, market and interest rate, reinvestment and reputational risks. These are discussed below;

➤ **Credit risk**

Credit risk is the risk that the issuer will be unable to redeem the investment at maturity. According to Coutinho (2010), credit risk can be controlled by carefully screening and monitoring the credit quality of the issuers, limiting investments to those of the highest credit

quality, and holding collateral with a third-party custodian against certain investments, such as certificates of deposit and repurchase agreements.

➤ **Liquidity risk**

According to Corinne (2005), when making investment decisions, finance officials must also look at a security's liquidity risk. Liquidity risk involves the ability to sell an investment before maturity (ibid). Closely related to liquidity risk is marketability risk, or the ability to sell an investment before maturity without incurring a significant loss in price. Exposure to liquidity risk can be reduced by restricting maturities for operating funds, purchasing investments that have an active secondary market so the security can be sold before maturity if the government needs the funds to meet operating expenses, and preparing a cash flow forecast so that investment maturities can be scheduled to coincide with operating needs. By scheduling investments, the finance official can avoid selling an investment early to meet unexpected cash flow needs and possibly incurring a loss on a security.

➤ **Market and Interest Rate risk**

Market risk is the risk that the value of an investment will decrease because of movement in the financial markets (Corinne-Larson 2005). With fixed-income securities, market risk—changes in the market price—is confined to interest rate risk. If the going market interest rate falls during the holding period, the market price of the security will increase. (The price of the security at maturity is always the same.) However, if the market interest rate rises, the security price will fall, and an investor might incur a loss if the security is sold before maturity. Because of the effects of the discount rate over time, the prices of longer term securities vary more than those of shorter-term securities when there are changes in the market rate. Therefore, longer-term

securities as alluded by Artill (2003), generally carry a higher yield than short-term issues to compensate the investor for committing funds into the future.

➤ **Reinvestment risk**

According to Corinne (2005), reinvestment risk occurs when interest from an investment cannot be reinvested to earn the same rate of return as the original funds invested. For example, falling interest rates may prevent bond coupon payments from earning the same rate of return as the original bond. This is a risk when investors buy callable securities that is securities that give the issuer the right to redeem a security on a given date or dates (known as the call dates) before maturity. Essentially, an option to call the security is sold by the investor to the issuer, and the investor is compensated with a higher yield. Issuers typically exercise call options in periods of declining interest rates, thereby creating reinvestment risk for the investor.

➤ **Reputational risk**

In the public sector, another risk associated with investing is reputational risk, or the risk that government officials will lose stature by making investment mistakes. Reputational risk harms the local governmental entity as well as the investment official. The best protection against this risk is a well-manage investment program (Mc Leod 2003).

Since public sector managers are entrusted with the stewardship of the rate-payers money, they can no longer afford to risk the public funds. As noted by Association of Financial Professionals (2003), it calls for a comprehensive investment policy which identifies investment objectives, defines risk tolerance, assigns responsibility for the investment function, and establishes control over the investment process, it does not tell the finance official what investment instruments to purchase, how much to invest, or how long to invest funds. Corinne (2005) proposed the following criteria which help public sector managers achieve their investment goals;

❖ **Legality**

Is this investment an allowable investment option? Most state statutes contain specific language that outlines what types of securities are allowable investment options for local governments. Some state statutes are less clear and leave room for interpretation. Finance officials must understand their states' statutes and their local investment policy restrictions and make sure their investment decisions comply with these guidelines.

❖ **Safety**

How safe is the investment? What is the credit risk? Is there any possibility the local government can lose its principal? Generally, the higher the yield, the greater the risk an investment instrument carries. Therefore, high-yield investments with a great degree of credit risk are unsuitable investments for local governments.

❖ **Liquidity**

How easily can invested funds be converted to cash without a significant loss in value? The more liquid an investment, the easier it will be to obtain funds if unanticipated cash needs arise. Some investments, such as non-negotiable certificates of deposit, are highly illiquid. If a government does not have good cash flow projections, illiquid investments should be avoided. The local governments should keep a portion of their portfolios in readily available assets, such as investment pools, to ensure that they have cash on hand to meet unexpected needs and invest a portion of their portfolio in longer-term securities in Treasury notes, to take advantage of higher yields in a normal yield curve environment.

❖ *Yield*

What is the return on the investment? Finance officials should seek to earn the highest return possible after balancing concerns for legality, safety, and liquidity. By establishing a benchmark for performance, finance officials can evaluate the effectiveness of their investment programs.

This research seeks to observe how Chegutu Municipality invests its surplus cash in terms of provisions of the Urban Councils Act (section 302).

2.5 TOOLS FOR EFFECTIVE CASH MANAGEMENT

Various authors and authorities in the field of cash management have at some point attempted to list or give some notes on the tools for effective cash management. However, for the purpose of this research, the research will zero in on the seven tools for cash management that were suggested by Van Horne (2002) and are supported by a number of other authors such as Atrill (2003) and Corinne (2005). Van Horne (2002) came up with seven tools for effective cash management that include budgeting, auditing, debtor management, creditor management, investment of excess cash, internal controls, cash flow forecasting and timely financial reporting. The Urban Councils Act highlighted only five of the tools which are budgeting (estimates: sec288), auditing (sec304-5), debtor management (sec303), investment of surplus cash (sec302) and financial reporting (sec287, 309). The research seeks to study the cash management system of Chegutu Municipality with those given by Van Horne (2002).

2.5.1 CASH FLOW FORECASTING

According to Corinne (2005), a cash flow forecast is a schedule of expected receipts and disbursements for a given period. Cash flow forecasting as noted by Srivivasan (1999) outlines

cash needs- amount needed, surplus cash and when and how long surplus. Based on the same, repayment schedule for overdrafts can be worked out (ibid). Although accurately predicting the peaks and valleys of cash flows is one of the most difficult aspects of cash management, a timely and accurate cash flow forecast is the basis for a sound cash management system (Lockhart 2004). An accurate forecast can strengthen an investment program by allowing the finance official to determine how much money will be available for investment, when this money will become available, and how long it will be available. These considerations are important because yields are often linked to the size and maturity of an investment. Accurate cash flow forecasts can also aid local government officials in making prudent decisions about the timing of major purchases and in estimating if and when short-term borrowing in the form of revenue anticipation or tax anticipation notes may be necessary. As noted by Corinne (2005) cash flow forecasting is critical in local governments since it aids to proper planning and prudent decision making aimed at effective and efficient service delivery system. The purpose of preparing a cash flow forecast is twofold. Local governments need to have enough liquidity on hand to cover anticipated and unanticipated cash needs, and local governments need to invest idle funds to generate interest income (ibid). According to Srinivasan (1999) cash flow forecasting is an excellent planning and controlling tool which reflects the real operational situation and actual can be compared with the projected for control purpose using a properly made out cash budget report.

According to Artill (2003) the preparation of a cash flow forecast can benefit from identification of major routine transactions, such as accounts receivable collections, accounts payable disbursements, payroll and related expenses, and debt-service payments, and from a schedule for these payments throughout the fiscal year by month. The current annual budget document can

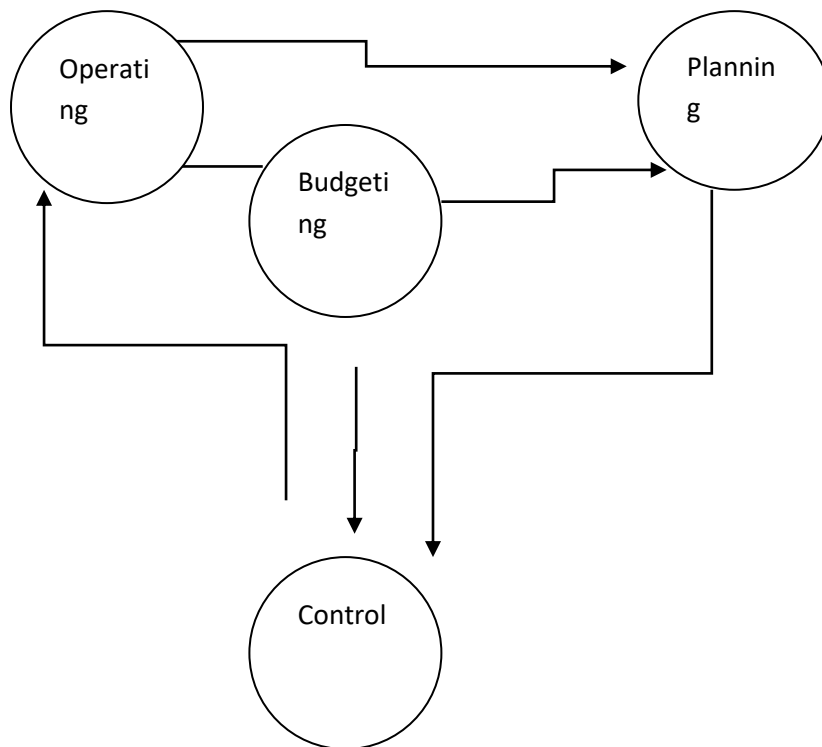
provide an estimate of anticipated revenues and expenditures while historical data from the general ledger will help identify infrequent receipts and disbursements. He further noted that cash flow forecasting can be done in two major ways that is by (1) using historical data and (2) by adjusting historical data.

2.5.2 BUDGETING

The cash management function is closely aligned to the budget function (Miller 1999). The budget provides the master plan for spending. Linked to the cash management function, the budget provides the data for the cash flow projection that then determines when and in what form money will be available for expenditure (Corinne 2005). A budget is a financial document or just a financial plan that shows how an institution or an individual intends to raise and use money. Jackson and Swayers (2001) “Budgets are plans dealing with the acquisition and use of resources over a specific time”. Anderson and Nemah (2000) defined a budget as a plan done to forecast sources of revenue and how it would be used during a certain period, usually a year. Put simply a budget is a financial plan. It can also be defined as a financial statement that shows the sources of revenue and how it will be used. So the budget should vividly stipulate how the organization will acquire the financial resources of an organization this is also the thrust of financial management. The definitions show that a budget should show where an organization expects to collect revenue and how it will be used. Therefore in Local Government a budget provides the basis for taxation (revenue collection). Furthermore the two definitions show that budgets should have a time line that is clearly defined. Anderson et al (2000) vividly states that budgets are usually done to cover a one year period. Cohen and Eimicke (1988) alludes that every budget process requires the public manager to accomplish three distinct tasks which are (1) obtain

resources from the organizational units, (2) distribute these resources among the organizational sub-units and (3) track spending to ensure that resources allocations are heeded.

Budgets are also a requirement of the law. The Urban Councils Act chapter (29;15) section 288 (1)” before the expiry of any financial year the finance committee shall draw up and present for the approval of the council estimates in such detail as the council may require of the of the income and expenditure on revenue and capital accounts “. Thus a budget as a financial plan is being practiced by every LA in Zimbabwe because it is statutory requirement and is mandatory for all LAs to comply. Budgets save a number of purposes that include improving planning and operations and general control activities. Jackson et al (2001) “Managers use budgets as they go about their planning, operations and control activities”. The roles of budgets can be presented in a way that is easy to understand through the diagram below;



Source; Jackson et al (2001:270)

Fig 3: Budgeting an integral part of the planning, operating and control activities of managers

On the other hand budgets have been categorized under the pre-Action controls by Stoner and Freeman (1992) described” Pre-Action controls that seeks to prevent problems from occurring rather than fix them after their happen, they ensure that the necessary human, material and financial resources are set aside before action is undertaken”.

Budgets as a tool for effective cash management helps to know the sources of revenue at a particular time create room for cash flow forecasting. The research seeks to investigate whether Chegutu Municipality prepares its estimate as stipulated in the Urban Councils Act.

For the purpose of this research the concept of cash budget will be used. As noted by Srinivasan (1999) the success of cash budget would largely depend on reliable forecasts of receipts and payments. Cash budgets (sales forecast) is the starting point since revenue projections are based on this and the ratio of cash sales to credit sales (ibid) hence it plays a pivotal role in the cash management function of the local authority since it is the starting point. The research seeks investigate how Chegutu municipality prepares its cash budgets which aids the cash management practice which is the major thrust of the study.

2.5.3 TIMELY FINANCIAL REPORTING (FINANCIAL STATEMENTS)

Financial statements are documents that seek to show an organization’s profitability, credit worthiness and financial position at a given period. There are a number of financial statements and these include the balance sheet, income statement and cash flow statement. Westerfield and Jordan (2003) “financial statements are a set of documents that are usually prepared annually to show the credit worthiness and profitability of a firm among other uses.” The Urban Councils

Act (chapter 29:15) makes it clear that the preparation of financial statements is mandatory for all LAs. Storner et al (1992) states that financial statements can be used to evaluate performance, for planning purposes and to monitor trends. Evaluating performance of departments and even individuals can help in detecting some mal- practices such as theft. As noted by Miller (1999) financial reporting provides the basis to monitor the revenue and expenditure in line with the budgets. Hence financial statement provides vital information needed in the cash management function which is a critical success factor for every entity especially in this environment characterized by an ever shrinking revenue.

2.5.4 AUDITING

Auditing is regarded as one of the critical tool for effective cash management system. A number of scholars have put forward some definitions of auditing but Smith and Smith (2002) definition stands out as one of the most comprehensive ones. Smith et al (2002) defined auditing as a process by which a competent independent person accumulates and evaluates evidence about quantifiable information related to a specific economic entity for the purpose of determining and reporting on the degree of correspondence. On the other hand Wallace (2004) defined auditing as a systematic process of (1) objectively obtaining and evaluating evidence regarding assertions about economic actions of events in order to ascertain the degree to which such assertions correspond to established criteria, and (2) communicating results. The two definitions above seem to agree on a number of things including evaluating evidence regarding assertions, auditing involves economic actions of events, establish the extend or degree of compliance to laid down rules and regulations and the need to communicate results. Smith et al went on to state that auditing should be done by an independent person. This person or organization should not be biased if the results or findings are to be reliable hence the auditor should be independent.

However, most organizations especially public institutions have internal audit departments or sections which cannot be totally independent from their organizations. This brings out another important aspect about audits-there are two types of audits.

There are external auditors and internal auditors. Jackson et al (2001) “External auditors are those that are independent of the organization that there are auditing “On the other hand internal auditors are those that are employees of the organization their auditor hence cannot be exclusively independent. Smith et al (2002) outline some of the reasons that propel the need for audits and these include to detect errors, fraud and to prevent errors and fraud by the deterrent and moral effect of the audit.

Urban LAs in Zimbabwe are mandated by the act that governs their operations to have an audit committee that will supervise the functions and operations of the audit department or section. The Urban Councils Act Chapter (29; 15) (97) provides for the creation of an audit committee which has a number of responsibilities within the operations of a council. The Urban Councils Act Chapter (29; 15) “to inquire and report upon the manner in which the finances of the council and human resources are being used”. According to the above quotation, the audit committee should work as a watchdog over the activities and operations of councils. The definitions of cash management given above indicate that one of the responsibilities of cash management system is to ensure the best usage of an organization’s financial resources. The function of making sure that the financial resources (cash) of an organization are being used correctly has been entrusted to the audit committee. The audit committee then works as a cash management tool.

The Urban Councils Act Chapter (29;150) (98) (lb.) “to ascertain whether the funds and assets of the council are applied to the purpose intended and are consistent with any regulations and

standing orders issued by the council’’. The audit committee should monitor the activities of a council and ensure that there is consistence with the laid down regulations and standing orders. Activities that are not in tandem with the laid down regulations should be detected and recommendations be detected by the audit function of the council.

The audit committee as a control mechanism under cash management system is closely linked to the steering controls that were propounded by Storner and Freeman (1992). Storner et al (1992) “... steering controls are designed to detect deviations from some standard or goal and to allow corrections to be made...”.As noted by the two roles of the audit committee outlined above, the audit committee should detect deviations and recommend corrective measures to the responsible possible adoption and implementation.

Section 304(1) of the Urban Councils Act (Chapter 29:15) provides for the appointment of external auditors to audit the books of the council. The auditor will perform a number of functions that include checking on the compliance to regulations and make examinations of the council books. It is important to note that auditing is not only confined to financial matters only but goes on to include even non financial matters. Urban Councils Act (Chapter 29; 15) (306) (1) “The auditor shall have power at any time and without notice to make an examination of any records and assets of a council’’. Besides the external auditors, LAs also have internal auditors to also ensure that all the organization resources are put to the best use and are protected from abuse and theft (Mushamba 2010).

2.5.5 DEBTOR MANAGEMENT

According to Hopkins (2001) debtor management is an extremely important part of any business organisation in that the slow paying of accounts will almost invariably put stress on the working capital ratios of the organisation. He goes on to say that the poor stress on working capital ratios may lead to a further need of capital injection by the proprietors or the taking on of increased debt. According to a Journal by the Commonwealth Secretariat (2003) in its debt management department debt is often an organisations (or government's) largest financial portfolio comprising complex financial structures that can generate substantial risk to the organisation's financial stability. Sound debt management will ensure the level and rate of growth of public debt are fundamentally sustainable and the debt structure is not exposed to significant market risks to business organisations, amongst other risks so that debt can be serviced under a wide range of circumstances (Musgrave and Musgrave 1989; Stiglitz 2000). This generally means debt will be manageable in a way that it will be kept as minimum as it needs to be and as maximum as it does not affect the revenue base and bring any other risks to the local authority (Miller and Gerald 1996).

Debtor management processes of local governments are governed by the statutes and policies of the central government (Moak 1982). The Urban Councils Act (sec303) provides for writing off of bad debts. Defaulting debtors has been one of the worry some challenges that the local authorities have been facing for some time. Debtor management has also come into play so as to rescue faltering revenue base of the local authorities and to keep a favourable liquidity level for the organisation. Debtor management is quite important to the organisation if implemented in a manner that compliments the area of business the organisation is into and may greatly assist into efficient recovery of money due in respect of goods and services provided, Isaac (2010). Moak

(1982) further stresses the importance of debtor management in cash management systems by saying “money-in-hand and money promised to be paid at a future date or dates”. In debt management certain terms and conditions at some point have to be made clear to both parties, that is the organisation and the clients. There has to be a relationship between the identified customers or clients and the business organisation and this relationship has to be carefully documented in building agreement which defines the terms and condition of supply. The agreement should include the following information: Terms of payment, period of payment, what constitutes a default, collateral securities, what remedies are available to the council upon default.

To secure its debt local authorities come up with a plan called a debt management plan (Coutinho 2010). It is a formal agreement between debtors and the local authorities. The debt management plans help reduce outstanding, ensured debts at a reduced level over fixed period of time to help regain control of finances and boost their revenue, Manning (2010).

Moore (2003) asserts that there is need to control the debts level so as to provide a balance on the working capital and liquidity level since debtor management is all about money at hand and that amount promised to be paid at a later date (Moak 1982). Therefore every local authority should come up with a comprehensive debtor management plan and policies and ensure that it is being adhered to (Petersen et al 2004). Debt management involves managing all transactions relating to external loans and also serves as the mechanism for calculating the future cost of servicing debts hence it is useful to the cash management function for planning and forecasting purposes that determines the cash levels at a particular point in time for the local authority. The research seeks to find out whether Chegutu Municipality does have a comprehensive debtor management plan and policies in place to manage its debtors.

2.5.6 INTERNAL CONTROL SYSTEMS

Internal control is a process that is designed and intentionally implemented by an organization to achieve a number of objectives such as compliance to an entity's or national laws (Jones 1996). Pizzy (1998) defined internal control as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

On the other hand Hughes (2004) "Internal control is the organizational plan and all the related measures adopted by an entity to;

- Safeguard assets
- Encourage adherence to company policies
- Promote operational efficiency, and
- Ensure accurate and reliable accounting records.

Different organizations can develop different control mechanisms. The control mechanisms are influenced by a number of factors which can include the operations of the organization, frequency of handling cash or other organizational valuables. Thus an organization like a bank is more likely to have much more stricter and tighter internal controls than when compared to a construction company. According to Institute for Internal Auditor (IIA) (2004) internal controls

have three major functions which are to ensure compliance to laws, reliability of financial reports and effectiveness and efficiency of operations.

There are three major types of internal controls. Edmonds et al (2002) states that the three major types of internal controls will include detective controls, corrective controls and preventative controls. According to Edmonds et al (2002) the purpose of detective controls is to detect errors and frauds and activities that are not consistent with the expected. Detective controls should detect or pick errors, frauds or inappropriate use of funds before it grows to astronomical levels. Corrective measures are meant to provide remedial services to the errors that would have been picked by the detective controls. On the other hand preventative controls seek to avoid the occurrence of uncalled for practices. All these controls will work hand in hand rather than in isolation and is not the responsibility of one person. Harrison et al (1998) “internal control is a management priority not merely a part of the accounting system. Thus it is not a responsibility of accountants but of managers and other employees as well. It is the responsibility of everyone within an organization to ensure that internal controls succeed. Hughes (2004) proposes general and specific principles of internal control system which are as follows;

2.5.6.1 GENERAL PRINCIPLES

Organizational structures

- ❖ Work should be organized to maximize efficiency, avoid duplication, achieve objectives, and maintain a disciplined control environment.
- ❖ Good internal communication is needed to ensure that systems continue to be adequate to meet changing circumstances.

Management review and monitoring

Financial performance should be monitored to ensure that

- ❖ Personnel understand the systems;
- ❖ Records and systems are maintained accurately and effectively;
- ❖ Policies, timetables, and targets are met;
- ❖ Areas of weakness are identified for action;
- ❖ Errors and fraud are deterred and detected; and
- ❖ Appropriate anticipatory and remedial action is taken.

Management supervision and control

Procedures should ensure that

- ❖ Internal checks are performed
- ❖ Weakness in controls are identified and reported to senior management.

Segregation of duties

Roles and responsibilities should be defined to ensure that

- ❖ Areas of activity involving risk are separated, for example, the person responsible for authorizing a payment should not be the person inputting the data, making the payment, checking the transaction, or destroying documents;
- ❖ Every area of work is independently supervised, validated, or reconciled;
- ❖ The opportunities for collusion are reduced; and
- ❖ Unintentional errors have a higher chance of being detected.

Authorization and Approval

Appropriate authorization and approval procedures should ensure that

- ❖ Management policies are adhered to,
- ❖ Only legitimate activities are performed,
- ❖ There is clarity about what approvals are needed for what levels of expenditure,
- ❖ The use of systems and assets are controlled, and
- ❖ The operation of authority is documented and a clear management and audit trail is maintained.

Physical safeguards

Appropriate physical safeguards should

- ❖ Limit access to systems, assets, and records;
- ❖ Establish clear control of the use of assets and custodial responsibility for them; and
- ❖ Enable records to be reconstituted in the event of a system failure.

2.5.6.2 Specific Internal Control Principles

The general principles set out above should be applied in the areas that follow (Hughes 2004).

Each section refers to certain specific applications of those principles that are relevant to each area. They are designed to be appropriate to large institutions. Smaller institutions may require simpler internal control systems, but they still should conform to the general principles listed above and to the specific application of those principles as set out below. The inability to provide adequate segregation of duties because of small numbers of staff may be offset by close

involvement of supervisors. Control risks may be accepted because improvements in control might cost more than the losses they are aiming to prevent (ibid).

Accounting and budgetary systems

Accounting staff should not be involved in other finance-related operational tasks. Procedures should ensure the following:

- ❖ Statutory requirements are observed to maintain proper books of account.
- ❖ Balances and reconciliation procedures are carried out to ensure transactions are correctly recorded and processed with agreement between the general ledger and subsidiary records.
- ❖ The status of accounts in the statement of assets and liabilities should be externally verified.
- ❖ Systems provide the information to enable source documents to be traced to financial statements and vice versa.
- ❖ Journal vouchers are authorized and bear appropriate explanatory narrative.
- ❖ Financial regulations should specify budget preparation methods, approvals needed for changes in budgets, system of budget execution reports, need for financial implications reports for revenue and capital projects.
- ❖ Every budget head should be administered by one, and only one, named budget holder.
- ❖ Senior managers should supervise the budgetary management of those reporting to them

Ordering goods and payment of invoices

- ❖ Only authorized officers may order goods and ordering procedures must be controlled.
- ❖ Before payment, all invoices must have an authorizing signature and a signature for goods received.
- ❖ Persons responsible for processing invoices for payment must not also be authorizing officers.
- ❖ Payment procedures must provide for checks on quantities delivered, quality, delivery of services, part orders, payments, and taking of discounts.

Cashiers and income

- ❖ Two persons must be present when the post is opened and cash received and recorded.
- ❖ All cash paid out must be authorized by someone other than the cashier and must be signed for.
- ❖ The person responsible for raising accounts receivable must not be responsible for the receipt of the cash.
- ❖ A maximum amount of cash to be held by a cashier must be specified.
- ❖ Arrangements for the physical security of the cash must be agreed on and documented.
- ❖ Periodic checks on cash should be carried out by independent persons.
- ❖ Systems must be in place to record all types of income due.
- ❖ There must be written procedures for raising accounts for income due and following up on debts.
- ❖ The maximum amount of cash to be held overnight must be specified.
- ❖ The public must be informed at sales point that receipts must be obtained.

- ❖ Ticket stocks must be independently ordered and controlled.
- ❖ Reconciliation of ticket sales to cash should be done by an independent person.

The internal controls are crucial in the cash management since these mechanisms that seeks to safeguard cash and other financial resources from the collection, concentration, disbursement, to investment phases.

2.5.7 CREDITOR MANAGEMENT

Creditor management is another tool for effective cash management system. Moore (2003) points out that cash management is only concerned with raising cash only but it further stresses the it is concerned with payment of creditors so that it can meet its obligation. As noted by Bass (1979), it is a cash management function to see that the local authority's creditors are paid their dues in time and that they are no false claims hence they is need to verify the receipts and orders before payments are made. According to Miller (2004) proper creditors' management helps to prevent false claims and fraudulent activities and payment must be done after proper verification and authorization from the Town treasurer. The research seeks to explore ways in which Chegut Municipality manage its creditors in line with cash management function.

2.6 CHALLENGES FACED IN CASH MANAGEMENT.

According to Tibaijuka (2010) African Municipal Councils are facing insurmountable challenges when it comes to effective cash management systems. She further stresses that these challenges varies depending on the size and nature of the local authority. In the context of this research challenges such as problems of revenue collection at the local level, mismanagement and corruption, rising poverty levels, public resistance, lack of qualified staff, poor internal control systems and use of obsolete technology are discussed.

2.6.1 Problems of revenue collection at the local level

Municipal governments' ability to generate revenue through taxation is severely limited because central governments insist on the prerogative of imposing taxes and determining tax rates. The only substantial revenue source, which is almost universally at the disposal of local authorities, is property taxation (Tibaijuka 2010). Local Authorities in Zimbabwe are failing to maximize their revenue collection at local level due to administrative incapacities since they operates without a proper and updated data base showing all the properties in its jurisdiction. Collection problems may stem from inadequacy of staff as well as from the structure of the tax (Smoke 2001). Smoke (2001) asserts that most local authorities use a centralized revenue collection contrary to the much needed decentralized system which is ward based resulting in poor revenue collections.

2.6.2 Mismanagement and Corruption

In a study carried out by Smoke (2001) in most municipalities in Africa, the problem of finance has been due to mismanagement of the resources allocated for development and from corrupt practices. Many projects either do not get started at all or those that are started get stalled due to funds having been siphoned off by corrupt officials acting alone or in collusion with people in the private sector. In other instances cash (finances) are poorly managed due to lack of managerial skills among council administrative officials (Coutinho 2010).

2.6.3 Rising poverty levels

In all African countries, urban poverty as well as rural poverty is growing as a result of declining economic performance, political instability and growing marginalization of the region in the global economy (Tibaijuka 2010; UN Habitat 2010). Until the beginning of the 1980s, poverty

was largely rural, but now it has moved to urban areas at high speed, forcing municipal government to suffer a shrinking revenue base due to inability of the ratepayers to pay their dues.

2.6.4 Public resistance

With the raising levels of poverty and enlightenment of residents in the affairs of the municipal business, most of them are now resisting owing up their rates sighting poor, ineffective and inefficient service delivery system making it difficult to raise enough money resulting in acute cash flow problems (Chakaipa 2010).

2.6.5 Lack of qualified staff

The success of every organization is in its human resources (Armstrong 2004). According to Hieman (2007) lack of skilled personnel in Zimbabwean local authorities due to brain drain as the economically active qualified staff migrate from one country to another in search of better working conditions that prevailed. This had negatively impacted the cash flow of most Zimbabwean local authorities since most of them are still using primitive cash management system in this 21st century characterized by an ever shrinking revenue base. Cherrington (2001) noted that loss of skilled personnel due to poor remuneration has resulted in poor accounting systems leading to poor service delivery system characterized by corruption and mismanagement of cash.

2.6.6 Poor Internal control systems

Harrison and Hongren (1999) defined internal control as the organizational plan and all related measures adopted by an entity to; safeguard assets, encourage adherence to organization's policies, promote operational efficiency, and ensure accurate and reliable accounting records.

Coutinho (2010) pointed out that poor internal control systems in Zimbabwean local authorities has resulted in cash flow problems due to poor cash management systems. In 2011 the Local Government, Urban and Rural Development Portfolio Committee Report pointed that the billing system at Chinhoyi Municipality was defective. It was noted that residents continued to receive bills that varied each month, despite the fact that they had never received any water.

2.7 LINK BETWEEN CASH MANAGEMENT AND SERVICE DELIVERY SYSTEM

According to Tibaijuka (2010) effective and efficient delivery depends on the availability of funds to finance the programs and activities. The more quickly funds can become available funds, the sooner the local government can make use of those funds in service provision. There is strong link between cash management systems and service delivery system in the sense that the funds raised and maintained under the cash management function are used to purchase necessary equipment needed in service provision. Matovu (2007) explained that poor cash management systems in Zimbabwean Local Authorities which results in chronic budget deficits and fraudulent activities has led to service delivery slippages. For examples the solid waste removal services of many local authorities have suffered serious problems due to lack of funds to buy vehicles or even to maintain and repair the existing ones which is a negative implication of service delivery system.

For service delivery to be effective and efficient there is need to practice modern cash management systems which results in preparation of more realistic budgets and mechanisms of improving revenue inflows (Chakaipa 2010). Hence there is need to practice cash management in order to have enough funds in the coffers on the right time to finance the operations.

2.8 EMPIRICAL EVIDENCE

Cash management is a critical issue in the administration of local governments and not only to Zimbabwean Local Authorities but to other local governments in other countries as well. Case drawn from Botswana's Gaborone City Council (GCC).

2.8.1 Cash Management Systems in Gaborone City Council

The cash management function in Gaborone City Council (GCC) is housed under the finance department under the auspices of the Director of Financial Services. GCC is funded through the Revenue Support Grant, known as Deficit Grants, Own Revenue Sources and Development Grants. Currently the Deficit Grant accounts for 64% of the Council's revenue. In addition, Council receives 100% of their development funds in form of grants from the Central Government. GCC has legal powers to collect certain taxes, levies and fees in order to defray their operating expenses as spelt out in the Local Government (District Council) Act; Chapter 40:01). The GCC cash management system consists of four functions which are revenue collection, disbursement, funds concentration and investing although investing of funds is discouraged due to foreseen challenges. GCC's cash management function is responsible for raising funds, controlling the cash balance to maintain the desired levels or range of cash balances and the disbursement of cash as well as cash flow forecasting. The system employ water tight control systems and procedures aimed at reducing corruption and fraudulent activities. In terms of budgeting GCC practice participatory budgeting and the books of accounts are up to date as noted by Tibaijuka (2010). Each year GCC books of accounts are audited by external auditors.

2.9 Summary

In this chapter, the relevant literature on the topic “Cash Management Systems in Zimbabwean local authorities” was discussed. The literature covered various aspects (functions) of the cash management concept, the challenges faced in the practice as well as the effective tools for cash management system. The link between the cash management and service delivery was also covered and cases studies were drawn from other countries.

The next chapter focuses on the research methodology followed in gathering data needed to answer the research questions mentioned in chapter one

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the research methodology used. According to Denscombe (2007), research methodology is an analysis of the principles of methods and rules employed in a discipline of study. The chapter reviews the research design, strategies, population, sampling, and data collection and instruments. It looks at various techniques, methods and procedures that have been used in the collection of relevant data. The data sources used include both primary and secondary ones. The chapter will also discuss pretesting of the instruments, practical and ethical issues as well as data analysis.

3.1 Research Methodology

Bell (2001) defined methodology as various methods used in collecting and analyzing data in order to detail precisely how one intends to achieve research objectives. In this research, both qualitative and quantitative approaches were used. According to Dominowsk (1980), qualitative research “is a process of systematic enquiry into the meanings which people employ to make sense of their experiences and to guide their action”. According to White (2005), qualitative research is more concerned with understanding social phenomena from the perspectives of the participants. In the quantitative approach, the results of the research are amenable to quantification (Maranda 2004).

3.2 Research Design

Orna and Steven (1995) define research design as a means of critical investigation in order to discover something specific about a problem/phenomenon. They further noted that it is blue print for a study that guides the collection and analysis of data. It involves an inquiry, collection and finding of relevant information with the aim of solving the problem. In order to achieve this, there must be an orderly, objective and systematic way of collecting data. Bell (2001) defines research design as an arrangement for data collection with the aim of combining both relevance and purpose of the study. According to De Vos (1998), the quality of any research project will be enhanced by a good understanding of the research design. This will inform the thinking and lay the foundation for the design of the project. This research used a case study method in order to deduce the real scenario and identify the problems and suggest solutions for the purpose of combining and addressing identified challenges. Robson (2002) defines case study as a ‘strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence’. A research design of this nature requires specific steps in gathering of data necessary to the realization of objectives presented by the research problem which included the instigation of descriptive research, appropriate sampling methods, corresponding data collection instruments and congruent data presentation and analysis as shall be illustrated. The information gathered will help Chegutu Municipality to determine ways of achieving effective cash management in quest to improve service delivery and promote good governance. In this research a descriptive survey is adopted. Best and Kahn (1993), Schaefer (1993) contends that a descriptive design entails collecting detailed data by posing questions that seek to establish the current state of issues under study, for the purpose of making judgments or decisions. This research is both qualitative and quantitative.

By choosing the descriptive survey, the research was guided by Best and Khan (1993) and Schaefer (1993) who all concur that the survey enables the researcher to conduct the study in the natural setting.

This research was carried out through use of instruments such as questionnaires and interviews to the targeted respondents.

3.3 Research Population

A population is a group in which the researcher would obtain results from. It is comprised of individuals or organizations with specific characteristics. “A population is the sum total of all the cases that meet our definition of the unit of analysis” (White 2005). Bless (1995) defines population as all possible elements that could be included in a research that have one or more characteristics which are of interest to the researcher. In this research, the population refers to Chegutu Municipal area residents which comprises of +/-120 000 people in 12 wards. Due to time, distance and budget constraints, the researcher was carried out the study in three wards which are ward 1, 7 and 12. In this research, the population refers to Chegutu Municipal area residents comprising of Councillors, Council officials, the District Administrator and ordinary citizens.

3.3.1 Sampling Techniques

According to White (2005), a sample is described as a portion of the elements in a population. The key concept in sampling is representativeness. Brown and Dowling (1998) defined sampling as the selection of some units to represent the entire population from which units are drawn.

3.3.1.1 Types of sampling techniques

In this research, simple random sampling, stratified sampling and purposive sampling techniques were used. Random selection includes any technique (such as drawing names placed in a hat) that provides each population elements an equal probability of being included in the sample (White 2005). In stratified random sampling the population is divided into non overlapping groups or strata. Samples are then drawn from each stratum and results pooled (Rakotsoane and Rakotsoane 2007). Purposive sampling is based entirely on the judgment of the researcher's knowledge of the population; a judgment is made about which subjects should be selected to provide the best information to address the purpose of the research (White 2005).

3.3.1.2 Sampling Procedures

3.3.1.2.1 Sampling of Ordinary Residents

The first step was to select council wards from which respondents were drawn. This was done using a stratified random sampling technique. Wards in Chegutu Municipality were drawn up in such a way that each ward represents a specific category of respondents. This was done to minimize bias. The population was categorized into three classes of respondents. These are high, medium and low density areas. The selection of the wards was done by the researcher. During data collection, a simple random sampling technique was used to select the respondents within the selected wards.

3.3.1.2.2 Sampling of Councillors Councillors from wards in which the sample of ordinary residents was drawn, were also selected plus other two special interest councillors as well as 1 other councillors. The sample size of councillors was 6.

3.3.1.2.3 Council employees

Purposive sampling was used to come up with the sample of and council employees.

3.3.1.2.4 The District Administrator

The District Administrator was also selected using purposive sampling since the District Administrator is a key informant. Table 2 below shows the population and sample proportions of each of the various categories of respondents.

Table 1: Sample Selection

Category	Population	Sample Size
Council Official	30	10
Councilors	12	6
District Administrator	1	1
Residents	+/-120 000	43
Total		60

Source: Fieldwork 2012

3.4. Data Collection Tools

3.4.1 Primary Data

This is data that is collected by the researcher for the specific purpose of answering the problem on hand. Interviews and self-administered questionnaires were used to collect data from respondents.

3.4.1.1 Questionnaires

According to Laws (2003), a questionnaire is a written list of questions either given or posted to respondents who fill it in themselves; information is gathered directly from people through a series of questions. Dominowsk (1980) defines a questionnaire as a set of questions that is presented in written form to the respondent in order to obtain the people's views, opinions and ideas.

In this research, different questionnaires were developed for each category of respondents. One was intended for those individuals who are participants in the policy formulation and implementation stages. These include Councillors, Council officials and the District Administrator. The other questionnaires were administered to ordinary residents in the municipal area. These residents were either ratepayers or recipients of Council services. They were categorized into high, medium and low density residents.

Advantages of questionnaires

- It can be used in the absence of the author hence the researcher was able to use questionnaires in his absence.
- It can be conducted to many people simultaneously, thereby saving time. The researcher administrated questionnaires to many people at once and collected them after 7 days. This

gives the research time to concentrate on other activities such as interviews thus saving critical time resource.

- Absence of interviewer bias
- There is no psychological discomfort that can be experienced during the face to face interaction. The research just administers the questionnaires to the respondents only for them to fill the details on their own.

Disadvantages of questionnaires

- Misinterpretation of questions. This can be minimized by the use of simple and easily understood language. Ambiguous questions should be avoided. The researcher used simplified terms and language to avoid ambiguity which might distort the meaning and scope of subject matter.
- Chances of low return of the completed questionnaires. Some respondents may not return filled questionnaires. As a remedy, a follow up will make sure all questionnaires are filled and returned. Hence some of the questionnaires were not retained although the occurrence was very low.
- The distribution of the questionnaires is costly and this may compromise the sample. As a solution, the researcher will take advantage of events where many people will be gathered to administer the questionnaires. Such events may include agricultural show days and commemoration meetings, council meetings and ward assembly meetings.

3.4.1.2 Interviews.

According to Frey and Oish (1993), an interview is a purposeful conversation in which one person asks prepared questions (interviewer) and the other answers them (respondent /interviewee). This is done to gain information on a particular topic or particular area to be researched. An interview and questionnaire are similar in that they both have prepared questions. However, interaction between interviewer and interviewee, whether face to face or voice to voice as over the telephone, is what differentiates the interview from a questionnaire even when the questions and possible answers are identical (Russel, 1996). Interviews can be carried out in many ways. These could be person to person or group interviews. According to Pratt and Loizon (1992), the aim of group interviews is partly to encourage a collective response and identify differences of opinion as well as areas of consensus within a group.

Interviews, in this study, will be mainly conducted to those categories of respondents who are likely to encounter problems in responding through questionnaires.

Advantages of interviews

According to White (2005), the following are the advantages of interviews.

- **Flexibility:** Interviews can probe for more specific answers and can repeat a question when the response indicates that the respondent misunderstood the question. In the event of question misinterpretation the research clarified the questions to his respondents.
- **Response rate:** The interview has much better response rate than the mailed questionnaire. The response rate was very satisfactory high since it was almost 80% as compared to below 80% obtained from questionnaires.

- **Non-verbal behaviours:** The interviewer was able to observe non-verbal behaviour and to assess the validity of the respondent's answers and probe more when not satisfied with the answers given.
- **Control over environment:** An interviewer can standardize the environment by making certain that the interview is conducted in privacy and that it is relatively quiet. Due to a conducive environment the respondents feel free to express their views without any fears and this was also coupled by the fact that the researcher assured them that the research is purely academic.
- **Question Order:** The interviewer has control over question order and can ensure that the respondent does not answer questions out of order. This helped the research to take the needed scope by confining it to answer the research questions and objectives.
- **Spontaneity:** Spontaneous answers may be more informative than answers about which the respondent has had time to think.

Disadvantages of interviews

According to White (2005), the following are some of the disadvantages of interviews:

- **Time:** Interviews are often lengthy and may require the interviewer to travel distances. To minimize this problem, the interview schedule should not contain too many questions. There is also the need for time management. Hence the researcher tried to be precise and short.
- **Interview bias:** The interviewer may misunderstand the respondent's answer or may understand it but make a clerical error in recording it. The solution is that the interviewer should develop good listening skills and be accurate in recording information.

- **Inconvenience:** A person's reasoning ability is adversely affected by facts such as fatigue stress, illness, heat and so on. The respondent may give answers in an interview situation that are less than his best effort because the interviewer came at the wrong time or when the interviewee was attending to other issues. It is therefore critical for the interviewer to make concrete arrangements with the interviewee before the interview.
- **Psychological discomfort:** The interviewee can experience psychological discomfort during the interview which may compromise his/her responses. The researcher tried to create a friendly atmosphere so that the respondent can feel relaxed.

3.4.1.3 Observation

Observation is another research instrument that was used to collect data. Kumar (2003) asserts that, observation is a purposeful, systematic and selective way of watching and listening to an interaction or phenomena as it takes place. Observation means seeing things with a purpose (Robson 2003). The researcher had an opportunity to observe the behaviour of councillors and council employees in terms of cash management during his Work Related Learning as he was part of Chegutu Municipality employees. Through interaction, the student was able to observe how cash management function is performed in relation to financial management.

3.4.2. Secondary Data

3.4.2.1. Literature Search

According to Rakotsoane and Rakotsoane (2007), secondary sources are any material (books, articles etc.) which have been previously published. Saunders et al (2009) indicated that it is data which has been already collected for some purpose and could not be less current. Considering that secondary data is historical and does not give current information the researcher verified the present development. This was extracted from Chegutu Municipality organizational structure,

business plans, strategic documents, financial statements, audit reports, minutes of board and management meetings. The internet provided useful cash management cases by other local authorities.

According to Fisher et al (2007) secondary data sources included journals, books, published and unpublished papers and the World Wide Web (Internet). Data on the organization for Saunders et al (2009) say the advantages of secondary data are that it may have fewer resource requirements, longitudinal studies may be feasible; can provide comparative and contextual data; can result in unforeseen discoveries and also permanence of data. The disadvantages noted by Saunders et al (2009) are that the data may be collected for purpose that does not match one's need; access may be difficult and costly; aggregations and definitions may be unsuitable; no real control over data quality and initial purpose may affect how data is presented.

3.5 Data Collection Procedures

The researcher informed the Council through the council chairman and the Town Clerk on the intention to undertake this study. This section gives information on how the questionnaires and interviews were administrated.

3.5.1 Instruments Pre-testing.

A pretesting of the instruments was conducted in order to determine the validity, suitability and reliability of the research instruments. A pre-test is a brief preliminary survey often using a small, convenience sample conducted to test the research instruments and data collection methods (Masons 2002).

The researcher selected two council employees, one councillor and five ordinary residents. These were adequate to cover the broad spectrum of would be respondents in the final exercise. The

pre-testing was done to check the respondents' understanding of the instructions in the questionnaire as well as the proper sequencing of questions. The pre-testing responses were also checked for the clarity and relevance of questions. In brief, the purpose of the pre-test was to determine and address the loopholes in the research instruments.

3.5.2 Administration of Data Collection Instruments

After necessary amendments were made in the questionnaires after the instruments pre-testing, a plan was then draw outlining how the questionnaires and interviews will be conducted. Questionnaires were distributed by hand to Council employees and the District Administrator who were all available within the Chegutu Municipality administrative centre. Councillors and residents in selected wards were visited as per plan. These categories of respondents were given one week during which they answer the questionnaires. The researcher helped respondents in shading light on the information needed in answering the questionnaires and also guaranteed them that the information will remain confidential and will be used for academic purpose only. At the end of the week, a follow up was made to collect all the questionnaires in person.

3.5.3 Face to Face Interviews.

Interviews were conducted at the Municipal offices with council management and at the District Administrator's office with the D.A. These ranged from twenty to thirty minutes avoiding disturbing council employee's schedules.

3.6 Ethical Considerations

Names and respondent were not used anywhere in the research during and after interviews so as to retain confidentiality. The researcher assured the respondents that the research is strictly for

academic purposes as some of them were not willing to respond due to the researcher's position at work and other personal reasons. This clause was included in the questionnaires.

3.7 Data Presentation and Analysis

Data analysis consists of running various statistical tests on the data, often by hand computation or by means of desk calculators, but frequently via computer (Bailey 1978). In this research, data variables most central to the study was analyzed. These variables were generally analyzed for presentation in the form of tables, pie charts and graphs. The contents of these tables include percentages, frequencies and some statistical measures.

3.7.1 Pie charts

The researcher used pie charts in the presentation of the data collected

3.7.2 Tables

All quantities of data were tabulated first before it was further refined through means of data presentation. These were used to present responses made to the questionnaires as to how many respondents answered positively, neutrally or negatively.

3.7.3 Graphs

Bar graphs and column graphs were used to present the data. This enhanced effective interpretation of the data.

3.8 Chapter Summary

This chapter outlined the methodology employed in carrying out the research, data collection tools, research population, sampling techniques and data collection procedures.

In this research, both qualitative and quantitative methodologies were used. The kind of information needed to answer the research questions was both quantitative and qualitative. The research used a case study method in order to deduce the real scenarios identifying the problems and suggest solutions for the purpose of combining and addressing identified challenges. This research was carried out through use of questionnaires and interviews to the targeted respondents. These instruments were deemed more relevant to the study because of their ability to capture both numerical and descriptive data.

The population, in this research, referred to residents of Chegutu Municipal area, comprising of councillors, council officials and ordinary heads of households. Stratified sampling was used in the selection of target wards, based on three categories in Chegutu Municipal area namely, high, middle and low density areas. Using this criterion, three wards were selected, with one ward being selected from each category. Simple random sampling was used in the selection of respondents within wards. Purposive sampling was used to come up with population samples of councillors and Council employee respondents. A sample size of 60 people was drawn from a population of +/- 120 000 residents in the Chegutu Municipal area using sampling techniques such as probability sampling, simple random sampling and stratified random sampling to get the most relevant data on the cash management systems in Zimbabwean Local Authorities.

The next chapter focuses on how the collected using these instruments is presented, its analysis and the interpretation of findings.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter deals with findings, presentation and analysis of data collected through interviews and questionnaires administered to respondents. Issues pertaining to Cash Management in Chegutu Municipality are also presented and analyzed. Findings are presented in charts, graphs and pie charts.

4.1 Responses

4.1.1 Responses through questionnaires

The table below shows the questionnaire response rate

Table 2: Response Rate to Questionnaires

Category	targeted No of Respondents	Frequencies of Responses	Response Rate as a percentage
D.A	1	1	100%
Councillors	6	5	83%
Residents	43	35	81%
Total	50	41	82%

Source: Fieldwork -2012

An overall response rate of 82% was achieved. All targeted respondents in form of councillors, residents and the District Administrator returned the questionnaires. A response rate of 81% was attained from residents, 83% was attained from Councillors and 100% from the District Administrator. This high overall response rate was attributed to the physical follow-up by the researcher on questionnaires distributed.

4.1.2. Responses through Interviews

Table 3: Responses Rate to Interviews

The researcher held interviews with the Council employees.

Category	targeted No of Respondents	Frequencies of Responses	Response Rate as a percentage
Council Management	10	8	80%
Total			80%

Source: Fieldwork 2012

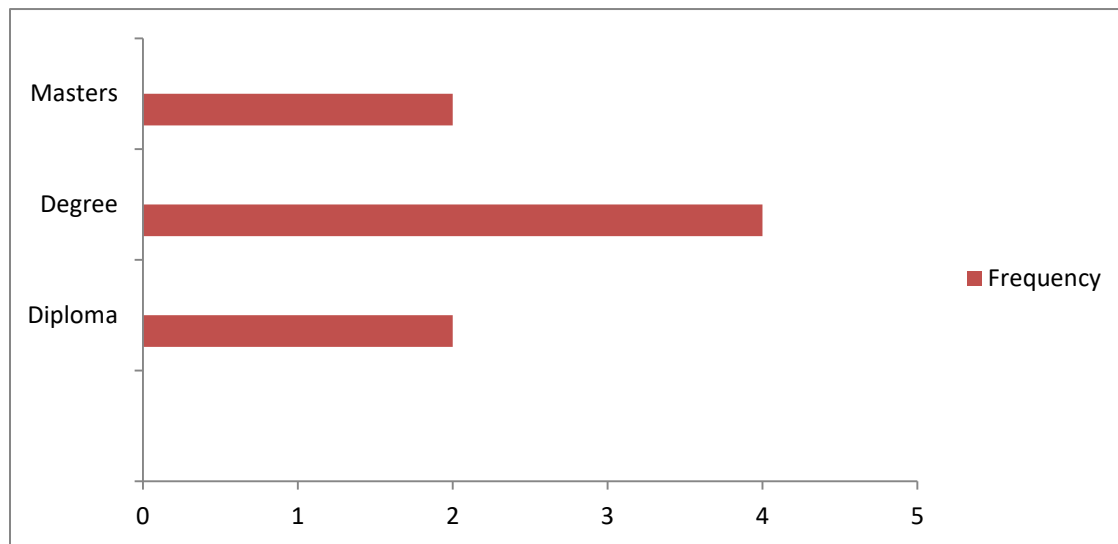
Out of the targeted 10 respondents from the Council management only a frequency of 8 was achieved giving a response rate percentage of 80%. This was caused by the fact that other 2 respondents were away doing other Council business on the interview date. However, the response rate was satisfactory.

4.2 Levels of Education of the Respondents.

4.2.1 Chegutu Municipality employees' level of education

The bar graph below presents the levels of education for Chegutu Municipality employees.

Figure 4: Educational levels of council employees

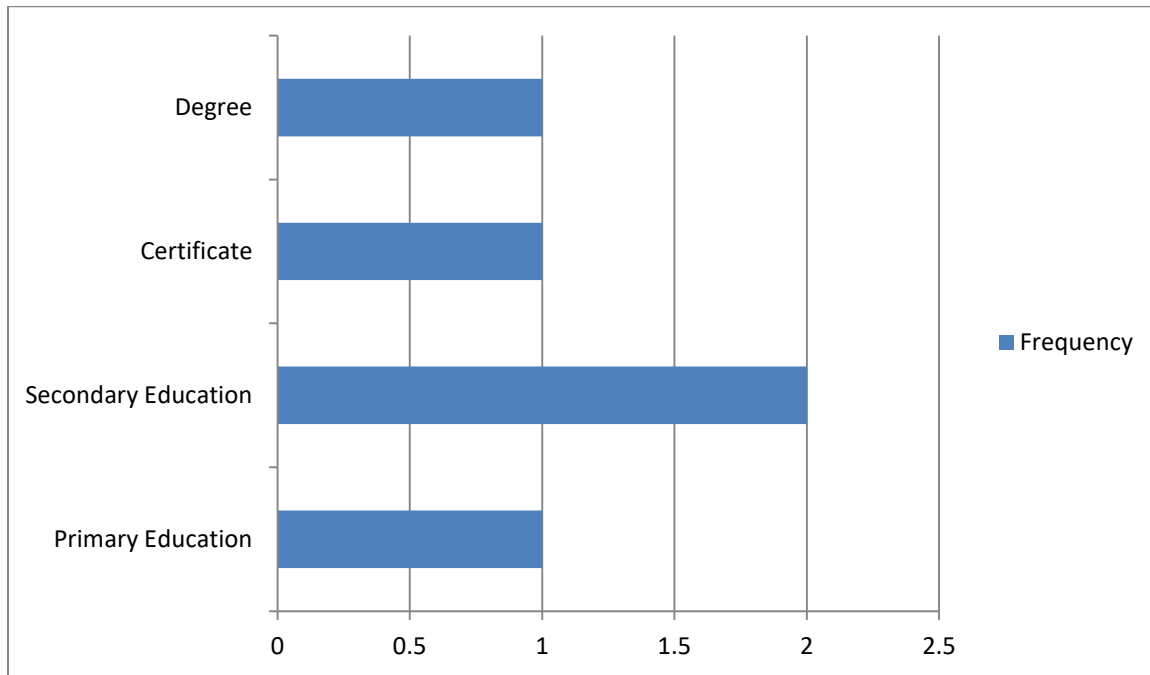


Source: Research data 2012

25% of the employees have attained master's degrees, 50% have attained first degrees and 25% of the employees have diplomas. The levels of education of Chegutu Municipality employees provide a good opportunity for implementing cash management in Council as the majority of employees are enlightened. Armed with these levels of education and experience in local government, there should be a better understanding of the benefits of cash management as a financial management function. They should easily understand cash management as an approach of achieving effective financial management.

4.2.2 Education levels of Councillors

Figure 5: Education Levels of Councillors

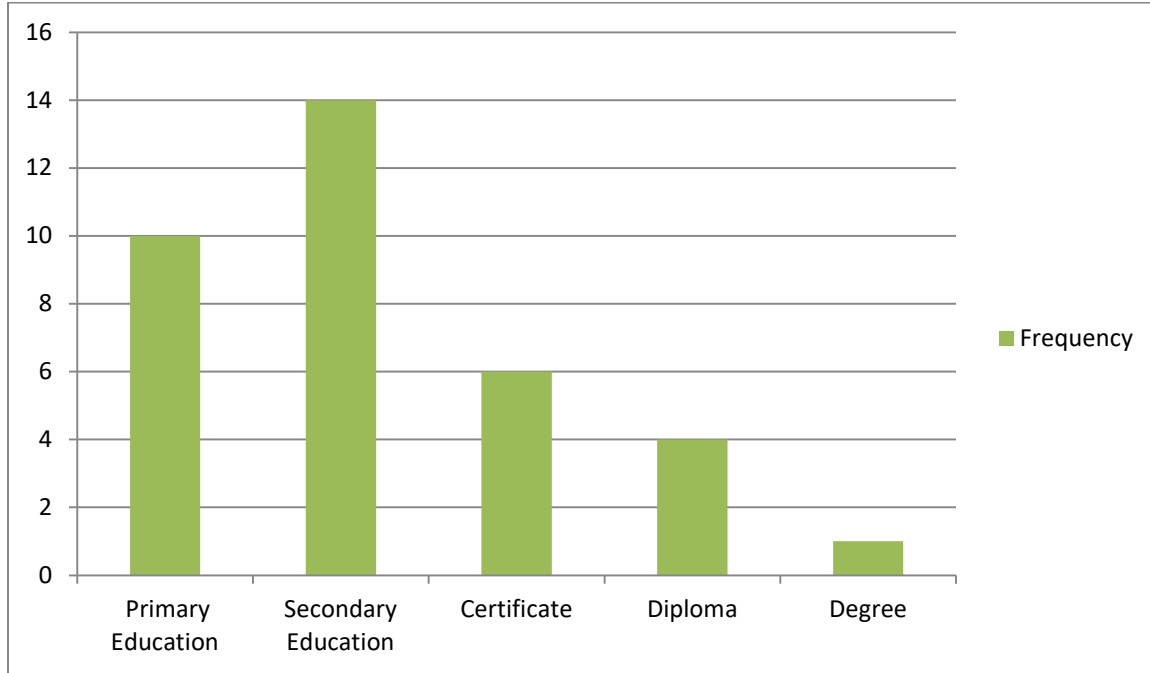


Source: Fieldwork 2012

The graph above shows the educational levels of Chegutu Municipality Councillors. 20 % of the councillors have degrees. A further 20% of councillors have attained certificate level whereas 40% of the councillors have attained secondary level of education. Primary education was attained by 20% of the councillors of Chegutu Municipality. One of the weaknesses of the Zimbabwean Local government is that both Urban Councils Act and Rural District Councils Act do not stipulate any qualifications for Councillors. This presents challenges to local governance as some councillors fail to comprehend some issues pertaining to the operations of council such as cash management systems. However, Chegutu Municipality is fortunate in that it has councillors who have gone through at least secondary education level and this should contribute to their understanding of cash management and service delivery issues.

4.2.3 Education levels of Residents

Figure 6: Education Levels of Residents



Source: Fieldwork 2012

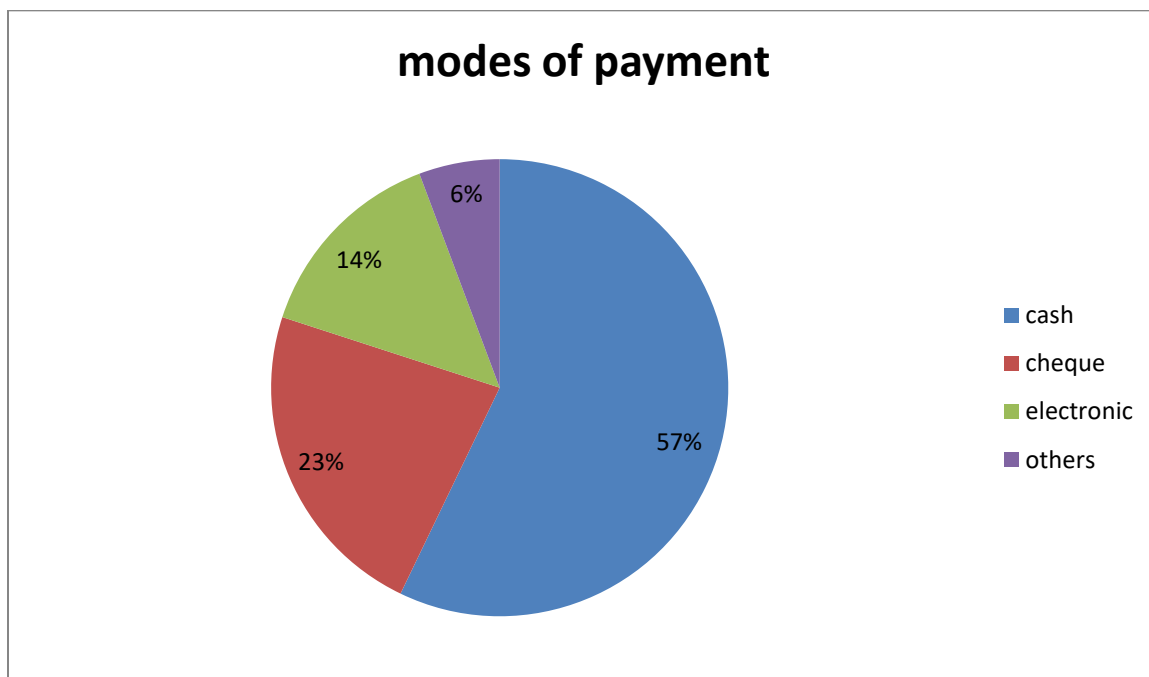
The graph above shows the educational levels for Chegutu Municipality residents. The highest level attained is degree level which is represented by 3% of the residents, followed by diploma with 11%, then certificate with 17%, secondary level with the highest percentage of 40% and finally the primary level being the least level attained but with the second highest percentage of 29%. The research findings show that the larger population of Chegutu Municipality residents attained primary and secondary level thus being a challenge to the council for better understanding of the cash management practice.

4.3 Residents understanding on the term cash management and its importance to Chegutu Municipality

Several views about the term cash management were brought up by different respondents. Most of the residents noted that it is all about raising and disbursing cash within an organization. Just a few went a broader way defining it as a process which is noted only restricted to the collection and disbursement of funds but it has a broader spectrum as it involves investment of idle cash. Generally most residents failed to understand the term cash management but showed a shallow understanding about the functions and components of the practice. Most of the residents noted that cash management aids the planning process of the local authority.

4.4 Modes of payment used by residents

Fig 7: Mode of payment used by residents



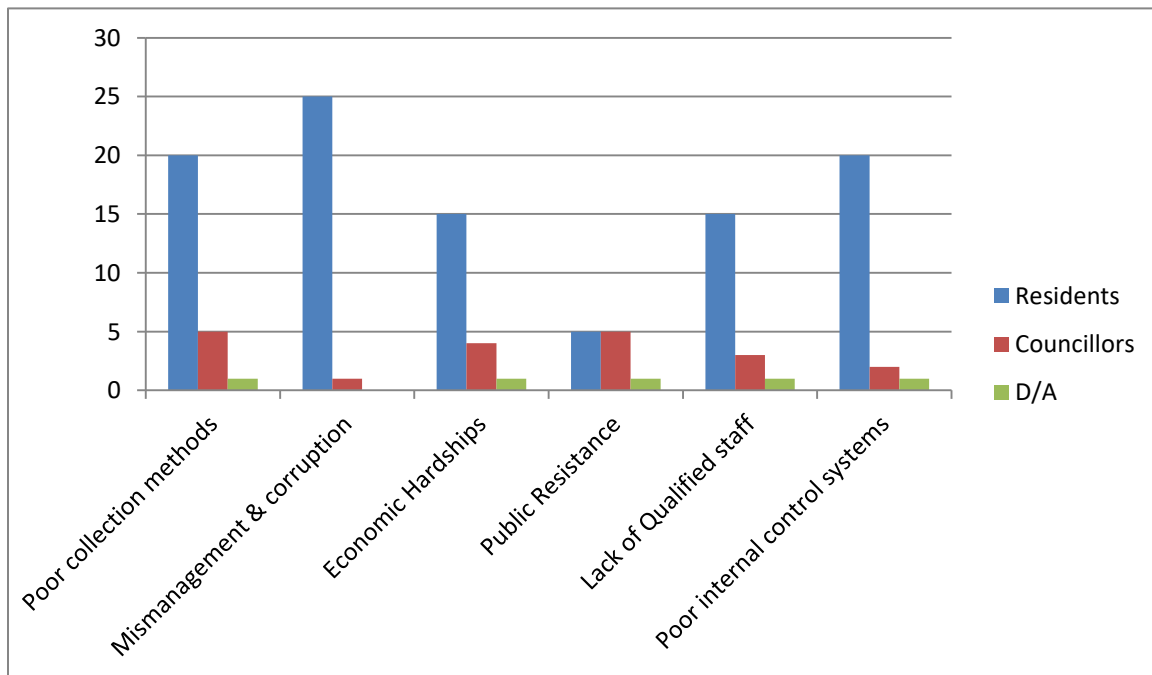
Source: Fieldwork 2012.

Corinne (2005) noted that payment of funds to the local authority by the residents and other stakeholders can be done in form of cash, cheques, electronically or through other means such as

leveraging. The research find out that Chegutu Municipality uses three main forms which concur with what has been mentioned by Corinne (2005). From the chart above, it is clearly noted that 57% of the respondents pay their bills to council in cash. 23% of the respondents use cheques while 14% uses electronic means to pay their dues to the local authority and only 6% of the respondents use other means such as leveraging to pay their bills to council. From the findings of the research it can be noted that Chegutu Municipality has put in place ways of payment to make the payment of bills by residents simple and easy therefore increasing the receipt of available funds.

4.5 Challenges faced by Chegutu Municipality in cash management.

Fig 8: Challenges faced by Chegutu Municipality in cash management



Source: Fieldwork 2012

According to Tibaijuka (2010) most African cities are facing insurmountable challenges in managing their cash resources (cash management). Tibaijuka (2010) and Matovu (2007)

identified challenges faced by African local authorities in cash management and these include poor collection mechanisms, mismanagement, corruption, economic hardships, public resistance, lack of qualified staff, poor internal control systems, critical manpower shortages, use of obsolete technology and weak legislative mechanisms as well as weak data management mechanisms. From the challenges identified by Tibaijuka (2010) and Matovu (2007), Chegutu Municipality is facing some as shown in figure 8 above. The graph above shows the challenges faced by Chegutu Municipality in terms of cash management. The research findings revealed the challenges which include poor collection methods, mismanagement and corruption, economic hardships, public resistance, lack of qualified staff and poor internal control systems.

The research revealed poor collection methods as the major challenge faced in cash management as this mentioned by 53% of the population. This highlighted that Chegutu Municipality is failing to maximize its collection by poor collection methods such as few revenue halls.

Mismanagement and corruption was also identified as one of the challenges faced in cash management. This was mentioned by 53% of the sample population. Findings show that the council lacks internal control systems, in place to curb corruption and mismanagement such as water tight policies like code of ethics and an effective internal auditing team. Respondents mentioned that some petty and grant corrupt activities just went unquestioned thereby defrauding council its cash and resources.

Economic hardships were also mentioned as another challenge faced by Chegutu Municipality in the cash management process as this was identified by 40% of the sample size. Respondents noted that the economic hardships resulted in higher rates of unemployment hence people will not be in a position to pay their bills to council. This resulted in reduced funds in the council

coffer therefore the needs of the society will overwhelm the revenue resulting in service delivery slippages.

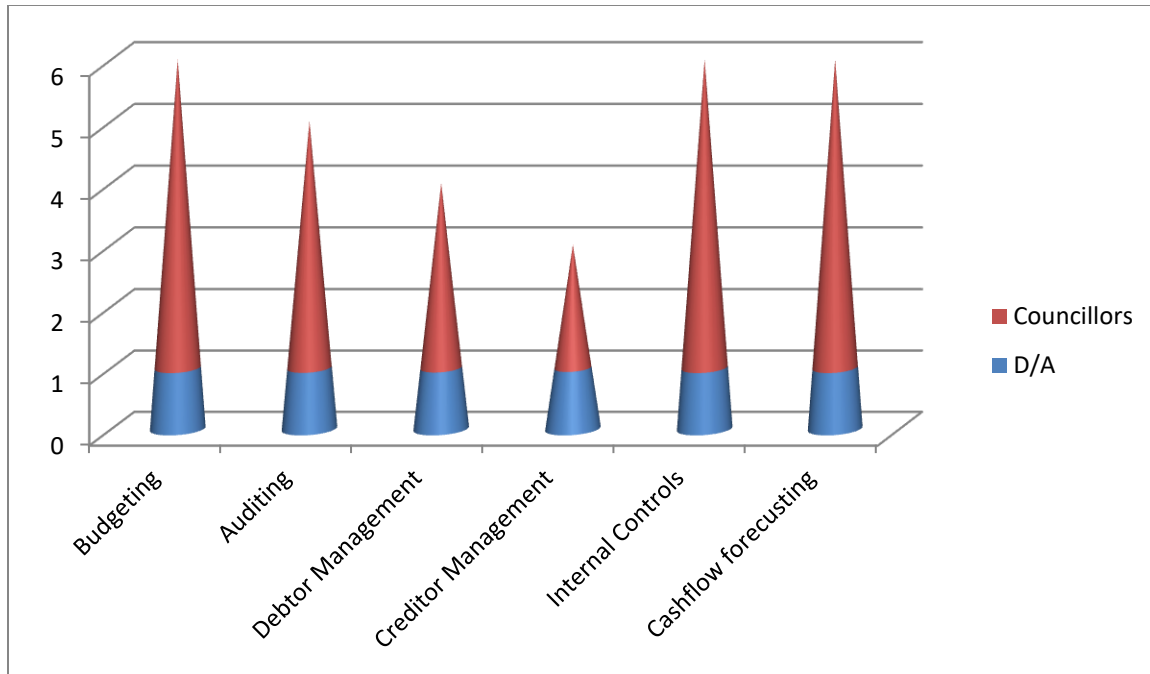
The other challenge noted in the research findings is the lack of qualified staff for the proper execution of the cash management practice as it was mentioned by 39% of the population. It was noted that the council was understaffed hence giving technical problems for example the council was working with only one accountant instead of at least two and without a bookkeeper. This has resulted in compromised standards especially in the finance department where most of the cash management aspects are carried out. The researcher discovered that what was referred to by respondents as lack of qualified staff at Chegutu Municipality was actually staff shortages since the Municipality is understaffed. The findings showed that most of the staff left during the economic meltdown. Today there is a freeze on all council posts making it difficult to fill the vacant posts hence most local authorities are understaffed giving problems which end up compromising service delivery system.

Poor internal control systems were another challenge noted by the respondents as it was mentioned by 47% of the sample size. It was noted in the research findings that the council lack policies which are aimed at safeguarding council cash and assets hence great losses were being experienced making cash management difficult as some unanticipated things like theft will be happening on regular bases. As noted by Hughes (2004) internal controls are adopted by an entity to safeguard assets, encourage adherence to organizational policies, promote operational efficiency and ensure accurate and reliable accounting records. Respondents noted that they is need for council to put control mechanisms in place so as to protect council assets which concurs with what was prescribed by Hughes (2004) and Pizzy (1998).

Ratepayers' resistance was also pointed out as a challenge faced in the cash management by 9% of the population. This is so due to disgruntlement with the quality of services rendered by the council. As noted by Tibaijuka (2010) an active civil society had led to an enlightenment of the residents in matters of governance and this had led to the formation of strong and effective residents associations lobbying for effective and efficient services. Ratepayers resist paying their bills as they fall due to poor service delivery. This has a negative implication of the cash flow forecasting hence council will have an under-estimation of its revenue thus making the budgeting process a complex one. Failure to estimate the cash flows will result in spending more than what they can raise hence suffering liquidity problems. The findings revealed that the resistance by the ratepayers is as a result of strong and influential civil societies.

4.6 Strategies used to overcome cash management challenges

Fig 9: Strategies used to overcome cash management challenges



Source: Fieldwork2012

A number of strategies which includes budgeting, auditing, creditor management, debtor management and internal control systems. Most of the strategies noted by respondents concur with those given by Van Horne (2002) who identified budgeting, auditing, debtor management, internal controls, cash flow forecasting, creditor management, ward base revenue collection, participatory budgeting and strategic planning.

The research findings revealed budgeting as major strategy that is being used by Council to overcome challenges faced in cash management as this was mentioned by 100%. Budgeting is a tool that can be used since it assists in the obtaining resources from the organizational units; distribute these resources among the organizational sub-units and track spending to ensure that resources allocations are heeded. According to the Urban Councils Act [Chapter 29:15 ,sec 288) requires Councils to prepare budgets for every financial year and it is illegal to operate without a

budget. Budgets as noted by Jackson and Swayers (2001) are plans dealing with the acquisition and use of resources over a specific time.

Cash flow forecasting was also highlighted as another strategy that is being used by Chegutu Municipality in overcoming challenges faced in cash management. 100% of the sample size acknowledged the usefulness of this strategy. According to Corinne (2005) cash flow forecasting outlines cash needs- amounts needed, surplus cash and when and how long surplus. The respondents noted that although cash flow forecasting is effective it is cumbersome aspect of cash management since it involves a lot of quantitative management techniques which involves a lot of figures and calculations thus giving so many problems to the managers hence the full benefits are not realized. However, all the respondents underscored the usefulness of the strategy in cash management since it aids proper planning and prudent decision making aimed at effective and efficient service delivery system. The District Administrator noted that the strategy permits the council to know if there has enough liquidity on hand at a particular point in time to cover anticipated and unanticipated cash needs and to invest idle cash or arrange for short term borrowing with financial institutions and the parent ministry.

The research findings revealed internal control systems as a strategy that is being applied by council in overcoming cash management challenges such as fraud and corruption. As noted by Coutinho (2010) most local authorities are facing cash flow problems due to poor internal control systems. This mentioned by 100% of the total sample. The findings show that the Municipality is experiencing a lot of grant corrupt activities from the senior council officials as well as petty corruption by junior staff due to weak internal control mechanisms. The respondents noted that council is putting internal control systems in place in order to deter the malpractice among its official which has become a norm characterizing most Zimbabwean local authorities.

Auditing was also identified as a strategy being used by Chegutu Municipality in overcoming challenges faced in cash management. 83% mentioned this strategy. The respondents noted that the Municipality is engaging External auditors to have its books audited and pointed out this will result in enhanced service delivery system since it encourages accountability and transparency which stimulates civil participation and erodes public resistance resulting in increased revenue inflows. According to the Urban Councils Act section 97 requires the formation of an audit committee and section 304 mandated the appointment of the external auditors to examine the books of council on not more than 120 days after the end of a particular financial year. The respondents noted that auditing goes a long way in regulating financial management.

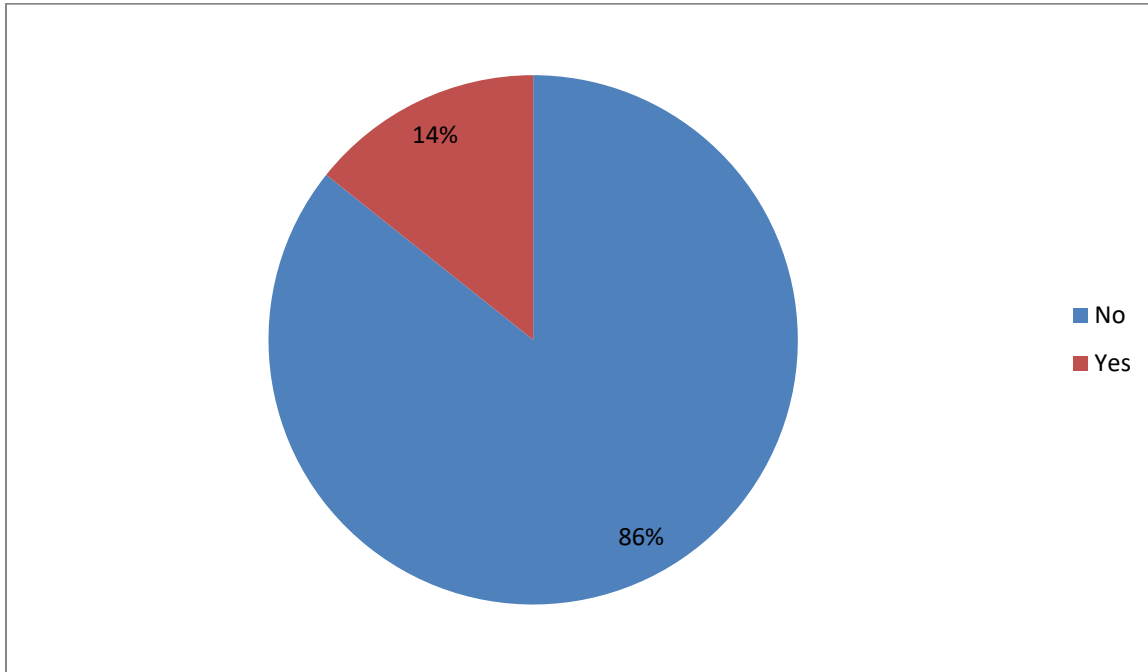
Debtor management was also highlighted by 67% of the sample size. The respondents noted that debtor management is an extremely important part of any business in that the slow paying of accounts will almost invariably put stress on the working capital ratios of the council. However, pointed that lack of instruments (such as use of sanctions) is hindering them from collecting their monies owed by ratepayers making it difficult to practice proper cash management. They called upon the parent ministry to put mechanisms in place that help councils to use legal power in a bid to recover their monies owed by ratepayers. The respondents noted that debtor management as a strategy helps to keep debtors at a manageable rate since defaulting debtors has been one of the worrisome challenges that council has been facing for some time hence council has put a debtor management policy in place .

Another strategy noted in the findings is creditor management as it was mentioned by 50% of the sample size. The respondents noted that the council has a negative image in the eyes of its creditors since it is struggling to pay in time. It was underscored that creditor management can ease the cash flow challenges faced by Chegutu Municipality. As noted by Issac (2010) effective

creditor management helps to maintain reputation of the organization since it will be in position to pay its creditors on time.

4.7 Council and Residents needs

Fig 10: Council and Residents needs



Source: Fieldwork 2012

From the chart above, it clearly shows that 86% of the residents in the sample size of Chegutu Municipality are not satisfied with the service delivery. Many respondents mentioned that though the service delivery has improved due to dollarization, it is still far from their expectation as the Council is failing to offer serviced stands, poor roads, erratic water supply and poor health provision. 14% of the respondents mentioned that they are satisfied with the services rendered by Chegutu Municipality.

4.3 Interview Responses

The interviews took about 30 minutes each. The interview helped the researcher to gather the necessary information that might have been left out in the questionnaires as the researcher had an opportunity to probe more questions and ask for explanations where necessary.

4.3.1 Importance of cash management.

Several ideas were given by respondents. Most of the respondents mentioned that cash management is a critical financial management tool for the local authority since it is a process of planning, organizing and implementation of ways that ensures adequate cash resources at any given time and best use of money. However, most respondents restricted cash management importance to raising and disbursement of funds leaving out the aspect of investing excess cash but noted that it is the life blood for the survival of the council. During the conversation the Finance Director noted the importance of controlling the cash and inventory balances and highlighted the usefulness of the upper-lower limit model by Artill (2003). The respondents acknowledged the importance of cash management in the operations of council but noted that it is a complex process which needs the technical capabilities to get most out of it.

4.3.2 Revenue collection methods.

All the interviewees revealed that the local authority collects its revenue in cash, cheques, electronically and in some instances practices leveraging when dealing with parastatals like ZESA. The research findings show that most residents pay their bills in cash using the council rates halls in their areas of residence and corporate entities uses either cheques or electronic means to pay their bills. It was noted that this function is housed under the custodian of the Finance Director.

4.3.3 Why are such methods of collection used?

Respondents agreed that the above methods are used with the objective of accelerating the receipt of funds from the clients. Some respondents noted that the council is striving for high collection rates for all revenues owed and keep the payment-making process simple and easy for citizens thus collecting monies owed in forms such as coin and currency, paper cheques and electronic banking as well as leveraging although it happens rarely and with big institutions which involve a lot of cash.

4.3.4 Float management

The interviewees noted that council practice float management which is a pre-requisite in proper cash management. The Finance Director highlighted that the Municipality uses four types of float management which are mail float, processing float, check-clearing float and availability float. The Town Clerk noted that float management is a crucial component of cash management.

4.3.5 Accounts maintained

A number of bank accounts are maintained by Chegutu Municipality and these included Housing account, Estates Account and General purpose fund account. It was noted that these accounts are maintained with different commercial banks which are registered in terms of Banking Act [chapter 24:01]. The Accountant highlighted that the Municipality maintain different accounts with different banking institutions for a variety of reasons such as segregating monies designated for specific funds and to make accounting for different fund types easier. The Finance Director underscored the need to maintain a minimum number of bank accounts although the legislation gives local authorities the flexibility to maintain bank accounts they see necessary or desirable as it allows concentration of funds. The research findings noted that the Municipality is complying

with the legislative regulations in terms of the accounts to be maintained as spelt out in the principal Act-the Urban Councils Act [Chapter29:15].

4.3.6 Disbursement methods.

The respondents noted that the Municipality uses a centralized disbursement system which centralizes all payments to creditors and other from central disbursement account which is controlled by the expenditure accountant. This system allows the Council to streamline the number of checking accounts that must be maintained, reduces the number of transactions and cheques issued and limits the amount of oversight needed to monitor account activity. The Accountant alluded that the main objective of a disbursement system is to pay councils obligations in a timely and cost-effective manner. The Finance Director works with other departments to determine the timing and amount of payments that need to be made.

4.3.7 Investment of excess cash

The respondents noted that the manner in which the local authority invests its monies is spelt out by the Urban Councils Act (section 302). The Town Clerk noted that Chegutu Municipality though not profit making organization, it is legally allowed to invest their financial resources to overcome over reliance on ratepayers money and government grants. Currently Chegutu Municipality is into commercial farming at its Risboro Farm where it produces fresh farm produce at a commercial scale and running of beer-halls around the Town so as to consolidate its revenue base. However, the Finance Director highlighted that there are a number of factors that needs to be taken into account before the Council decides how and where to invest. He stated that the there are a number of risks which needs to be noted and these include, credit risk, liquidity risk, market and interest rate risk, reinvestment risk and reputational risks. The officials

noted that as public sector managers are entrusted with the stewardship of the rate-payers money, hence they cannot afford to risk the public funds.

4.3.8 Challenges faced in cash management.

A number of challenges were mentioned during the interviews which the council was facing in terms of cash management which include problems of revenue collection, mismanagement and corruption, rising poverty levels, public resistance, use of obsolete technology, lack of qualified staff and legislative restrictions among others.

4.3.9 Strategies to overcome cash management challenges.

A number of strategies which includes cash flow forecasting, budgeting, financial reporting, auditing, creditor management, debtor management and internal control systems. Most of the strategies noted by most respondents concur with those given by Van Horne (2002).

4.3.10 The relationship between cash management and service delivery.

The Heads of Department explained that there is a closer correlation since they depend on each other that is to say if there is no proper cash management systems the local authority will suffer cash flow problems hence there will be little funds to be availed to service delivery and vice versa. The Finance Director further explained that the availability of funds has a bearing effect on the service delivery system and many local authorities in Zimbabwe are experiencing service delivery slippages due to cash flow problems experienced by local authorities. He stated that these challenges can be eased by practicing modern cash management system and exploring new revenue sources.

4.4 Summary

The chapter focused on presentation and analysis of the findings. Data presentation was done through use of tables, graphs and pie charts. The research revealed that Chegutu Municipality was facing cash management challenges which include includes problems of revenue collection, mismanagement and corruption, rising poverty levels, public resistance, use of obsolete technology, lack of qualified staff and legislative restrictions from the period of 2009 to date. Most members of the community felt that the Council is having service delivery slippages due to the cash flow challenges faced by the local authority hence raising the need for council to employ sound cash management systems so as to improve service delivery system and avoid liquidity crunch.

The next chapter gives a summary, conclusion and the recommendations.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter summarizes the previous chapters and conclusions are drawn from the research findings. Recommendations how Chegutu Municipality can effectively raise and manage its cash (finances) are then given.

5.1 Summary

Using Chegutu Municipality as a case study, the study focused on Cash Management systems. Chapter 1 gave an insight of Chegutu Municipality, specifically its location and size, the brief background of cash management systems in local authorities. The problem statement being that Chegutu Municipality is failing to raise and manage its cash resulting in ineffective and inefficient service delivery system. Objectives and research questions were also covered in this chapter. These helped the researcher to determine the cash management systems employed by the local authority, challenges faced in cash management, strategies that can used to overcome these challenges as well as the link between cash management and service delivery system. The objectives also worked as a guideline to the study as a whole. The chapter further looked at the limitations that time constraints as well as financial hick-ups. Delimitations were that the research focused on Chegutu Municipality and covered the period 2009- 2012.

Chapter II dealt with the literature review of the research topic. This chapter focused on the evolution of cash management, its conceptual framework and the components or salient features of cash management. It further highlighted the challenges associated with cash management in Zimbabwean Local Authorities.

Chapter III deals with the research methodology and research design. In this research, both qualitative and quantitative research designs were used. Questionnaires and interviews were used to solicit data from respondents. The research population consisted of the District Administrator, councillors, council officials and ordinary residents. A stratified random sampling technique was used to select wards from which respondents were randomly drawn. Purposive sampling was used to select respondents from the District Administrator, Residents and Council employees as well as the ward councillors.

Data gathered was then presented and analyzed in chapter IV. The research find out that the cash flow challenges being experienced by Chegutu Municipality are a result of poor cash management systems being used by the local authority. The research found that Chegutu Municipality collects its revenue from rate payers in form of cash, cheques and electronically mostly although it sometimes uses other methods like leveraging when dealing with parastatals and other government departments. The Municipality practices 4 types of float management in revenue collection and concentration which are mail-float, processing float, cheque clearing float and availability float. In terms of cash disbursement it uses a centralized disbursement system and the finding revealed that this system is effective since it matches bill paying to the cash inflows. It was revealed that Chegutu Municipality maintained accounts as spelt out by the Urban Councils Act and some of the accounts include housing account, estate account as well as general purpose fund account. The research found out that the Municipality invests its surplus cash in line with the legislative requirements and it was revealed that the council is carrying out farming activities at its Risboro farm as a commercial enterprise to overcome heavily reliance on rates payers' money. A number of challenges faced by Chegutu Municipality in terms of cash management were also revealed by the findings. These challenges include poor revenue

collection methods, mismanagement and corruption, economic hardships, public resistance, lack of qualified staff and staff shortages, poor internal control systems and the use of obsolete technology. Being faced with these multi-faceted challenges Chegutu Municipality is using a number of strategies to beset the organization's cash flow challenges. These strategies include budgeting, auditing, debtor management, creditor management, internal control systems, cash flow forecasting and participatory strategic planning and management. Furthermore, the research found out that residents of Chegutu Municipality are not satisfied with the quality of services being offered by the Municipality since there is a strong link between cash management and service delivery. Residents noted that the poor service delivery system being experienced in Chegutu is caused by cash flow challenges and staff shortages since most council posts are vacant especially senior management posts due to a vacancy freeze directed by the minister of Local Government. The research finding identifies the gaps that need to be filled for the effective implementation of cash management in Zimbabwean Local Authorities.

5.2 Conclusion

The research concludes that the cash flow challenges that are being faced by Chegutu Municipality are as a result of poor cash management systems in place. There is evidence that councillors, council management and residents of Chegutu Municipality are facing challenges in terms of sound cash management practice. It was noted that residents are not satisfied with the service delivery being rendered by the local authority. Residents are not aware of the concept of cash management and its impact on service delivery.

The research identified poor revenue collection methods, mismanagement and corruption, economic hardships, public resistance, lack of qualified staff, poor internal control systems and legislative impediments as challenges affecting council cash management. As a remedy, urged that council should use tools for effective cash management such as budgeting, financial reporting, auditing, creditor management, debtor management and internal control systems. It was noted that Chegutu Municipality was operating without a creditor's management policy and debtor's management policy respectively for a long time and only of late that's when they realized the importance of these instruments in cash management. Managers are facing challenges in using quantitative techniques in decision making processes such as budgeting due to lack to the required skills since the techniques involves a lot of calculations hence there is need to train managers to keep them abreast with current decision making techniques so as to get most out of the cash management paradigm which is a crucial component of financial management.

Residents are not aware of the broad spectrum of service that a local authority should be doing. They view council as there to reap them off their hard earned cash thus resisting or boycotting payment which in turn affects service delivery system due to reduced council coffers. In attending to this, council should engage its stakeholders in the planning processes (budgeting) and hold feedback meetings and publicity materials.

5.3 Recommendations

From the above analysis and conclusions, the following recommendations are made to assist Council to achieve its vision to be the best local authority in service delivery according to its stakeholders through improving its cash management system which is crucial in financial management.

- Council should ensure maximum revenue collection through use of legal mechanisms against defaulters and other revenue collection strategies such as ward base revenue collection system.
- Chegutu Municipality must improve its internal control systems so as to deter fraud and corruption by putting controls such as counter signing of cheques and improving its tendering procedures and procurement practices. If these are put in place it will serve council a lot of revenue.
- The local authority should practice participatory budgeting process in good faith where all the stakeholders are involved and their input is taken into consideration. This will reduce stakeholder resistance and encourages their buy-in. The results are increased cash inflows and assists in proper cash flow forecasting.
- Chegutu Municipality must consistently explore new ways of generating funding to desist from over reliance on rates. It could consider creating independent strategic business units that operate on commercial bases and not subject to bureaucratic procedures of council.
- Council must consider the option of put a revenue generation and expenditure monitoring committee in order to help in the generation of revenue as well as minimizing the expenses. This will goes a long way as it is a cost reduction measure which might cut costs in terms of operations and achieving the 3Es (effectiveness, efficiency and economy

- There is need to equip the workforce with the required skills especially the managers since cash management involves aspects like budgeting and cash flow forecasting which uses quantitative techniques which needs skill.
- The Municipality should consider computerization of the finance department so that all transactions done at various revenue halls will be centralized and consider to effect the concept of e-government where there use e-billing system thus creating an interface with its citizens. This will led to increased revenue inflows.

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APPENDIX 1

OBSERVATION SCHEDULE

The researcher took the Work Related Learning period- January 2011 to January 2012, as the time to observe the activities of Chegutu Municipality in terms management and service provision. The observation schedule for the research under study was from January 2011 to January 2012. During the stated time period the researcher took time to note what was paramount to the research. The observation period awarded the researcher adequate time to know better about the cash management systems of Chegutu Municipality.

APPENDIX 2

QUESTIONNAIRES FOR RESIDENTS

Dear Respondent

My name is Njombolo Share and I am studying for Bachelor of Science Honours Degree in Local Governance Studies with Midlands State University. I am carrying out a study on Cash Management Systems in Zimbabwe Local Authorities. A case of Chegutu Municipality. Your responses will be kept strictly confidential. The results of this research will only be shared with those interested in the study. You are kindly being requested to respond to the questions below.

Instructions

- i) Tick the suitable answers in the boxes provided.
- ii) Write your answers on the spaces provided below.
- iii) Do not write your name on the questionnaire.

SECTION A: BACKGROUND INFORMATION

1. How long have you been staying in Chegutu Municipal Area?

0 – 5 years [] 6 – 10 years [] 11 – 15 years [] 16+ years []

2. Age 20 - 30 [] 31 - 40 [] 41 - 50 [] 51 +

3. Gender: Male [] Female []

4. Educational Qualifications

None [] ZJC [] “O” Level [] “A” Level []

5. Professional Qualifications

Certificate [] Diploma [] Degree [] Others []

SECTION B: CASH MANAGEMENT SYSTEM IN LOCAL AUTHORITIES

6. What do you understand by the term Cash Management?

.....
.....
.....

7. Why is cash management important to your local authority?

.....
.....
.....

SECTION C: CHALLENGES FACED IN THE CASH MANAGEMENT

8. What method of payment do you use to pay your bills to Council? [tick appropriate]

- Cash []
- Cheque []
- Electronically []
- Others []

Please specify.....

9a) Are you facing any problems in payment of your bills?

No [] Yes []

b) If yes please explain

.....
.....

SECTION D: STRATEGIES USED IN OVERCOMING CASH MANAGEMENT CHALLENGES

10. What is Council doing to overcome these challenges?

.....
.....
.....
.....

SECTION E: CASH MANAGEMENT AND SERVICE DELIVERY

11. i) Is the Council meeting your needs in terms of service provision?

Yes [] No []

ii) Give reasons to support your answer

.....
.....
.....

12. i) Do you think cash management has an impact on service delivery?

Yes [] No []

ii) Explain your answer?

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13. What do you think are the challenges faced by Council regarding cash?

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14. What do you think the Council should do in order to improve its cash management systems?

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APPENDIX 3

QUESTIONNAIRES FOR COUNCILLORS

Dear Respondent

My name is Njombolo Share and I am studying for Bachelor of Science Honours Degree in Local Governance Studies with Midlands State University. I am carrying out a study on Cash Management Systems in Zimbabwe Local Authorities. A case of Chegutu Municipality. Your responses will be kept strictly confidential. The results of this research will only be shared with those interested in the study. You are kindly being requested to respond to the questions below.

Instructions

- i) Tick the suitable answers in the boxes provided.
- ii) Write your answers on the spaces provided below.
- iii) Do not write your name on the questionnaire.

SECTION A: BACKGROUND INFORMATION

1. How long have you been staying in Chegutu Municipal Area?
0 – 5 years [] 6 – 10 years [] 11 – 15 years [] 16+ years []
2. Age 20 - 30 [] 31 - 40 [] 41 - 50 [] 51 +
3. Gender: Male [] Female []
4. Educational Qualifications
None [] ZJC [] “O” Level [] “A” Level []
5. Professional Qualifications

Certificate [] Diploma [] Degree [] Others []

6. How long have you been serving as a Councillor at Chegutu Municipality?

.....years

SECTION B: CASH MANAGEMENT SYSTEM IN LOCAL AUTHORITIES

7. Why cash is important to your local authority?

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8. Which revenue collection methods does your council employ?[tick the appropriate]

Cash [] Cheques [] Electronically [] Others [] All []

If others please specify.....

9. i) Does your council practice float management? Yes [] No []

ii) Please explain your answer.

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.....

10 How many bank accounts does your council maintain?

.....

11. i).What method of disbursement does your council employ?

Centralized system [] Decentralized system []

ii) In your own view, explain why a system is important in the cash management function?

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.....

12. How does your council invest its surplus cash?

Treasury bills [] Local securities [] Banks [] Income generating projects []

SECTION C: CHALLENGES FACED IN CASH MANAGEMENT

13. What are the challenges faced by the council in cash management?

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SECTION D: STRATEGIES USED IN OVERCOMING CASH MGT CHALLENGES

14. As policy makers what policies or strategies have you put in place to improve cash management in your council? [please tick]

Budgeting []

Auditing []

Debtor management []

Creditor management []

Internal controls []

Cash flow forecasting []

Investment of excess cash []

SECTION E: CASH MANAGEMENT AND SERVICE DELIVERY

15. i) Is there any link between cash management and service delivery?

Yes [] No []

ii) Explain your answer?

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16. i). Do you think availability of cash is important to the Local Authority?

Yes [] No []

ii).

Why?.....
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APPENDIX 4

INTERVIEW GUIDELINES FOR COUNCIL EMPLOYEES

1. How long have you been working at Chegutu Municipality and in which department?
2. Why is cash management important to your organization?
3. What revenue collection method(s) does your council employ?
4. Why are such methods of collection being used?
5. Does Chegutu Municipality practice float management?
6. What types of accounts does your council maintain?
7. Are they provided for in the Urban Councils Act?
8. What method of disbursement is used by your Council?
9. How does your council invest its surplus cash?
10. Is the council complying with the legislation regarding the investment of cash?
11. What challenges are you facing as management in terms of cash management?
12. What is the council doing to overcome these challenges?
13. What is the relationship between cash management and service delivery?

APPENDIX 5

QUESTIONNAIRES FOR THE DISTRICT ADMINISTRATOR

Dear Respondent

My name is Njombolo Share and I am studying for Bachelor of Science Honours Degree in Local Governance Studies with Midlands State University. I am carrying out a study on Cash Management Systems in Zimbabwe Local Authorities. A case of Chegutu Municipality. Your responses will be kept strictly confidential. The results of this research will only be shared with those interested in the study. You are kindly being requested to respond to the questions below.

Instructions

- i) Tick the suitable answers in the boxes provided.
- ii) Write your answers on the spaces provided below.
- iii) Do not write your name on the questionnaire.

SECTION A: BACKGROUND INFORMATION

1. How long have you been staying in Chegutu Municipal Area?

0 – 5 years [] 6 – 10 years [] 11 – 15 years [] 16+ years []

2. Age 20 - 30 [] 31 - 40 [] 41 - 50 [] 51 +

3. Gender: Male [] Female []

4. How long have you been serving as a District Administrator in Chegutu District?

.....years

SECTION B: CASH MANAGEMENT SYSTEM IN LOCAL AUTHORITIES

5. Why cash is important to your local authority?

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.....

8. Which revenue collection methods does your council employ?[tick the appropriate]

Cash [] Cheques [] Electronically [] Others [] All []

If others please specify.....

9. i) Does your council practice float management? Yes [] No []

ii) Please explain your answer.

.....
.....
.....

10 How many bank accounts does your council maintain?

.....

11. i).What method of disbursement does your council employ?

Centralized system [] Decentralized system []

ii) In your own view, explain why system is important in the cash management function?

.....
.....
.....

12. How does your council invest its surplus cash?

Treasury bills [] Local securities [] Banks [] Income generating projects []

SECTION C: CHALLENGES FACED IN CASH MANAGEMENT

13. What are the challenges faced by the council in cash management?

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SECTION D: STRATEGIES USED IN OVERCOMING CASH MGT CHALLENGES

14. As policy makers what policies or strategies have you put in place to improve cash management in your council? [Please tick]

- Budgeting []
- Auditing []
- Debtor management []
- Creditor management []
- Internal controls []
- Cash flow forecasting []
- Investment of excess cash []

SECTION E: CASH MANAGEMENT AND SERVICE DELIVERY

15. i) Is there any link between cash management and service delivery?

Yes [] No []

ii) Explain your answer?

.....
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16. Do you think availability of cash is important to the Local Authority?

Yes [] No []

Why?.....
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