

MIDLANDS STATE UNIVERSITY



FACULTY OF SOCIAL SCIENCES

DEPARTMENT OF LOCAL GOVERNANCE STUDIES

**INTERNAL CONTROL SYSTEMS IN PROMOTING SOUND GOVERNANCE. A
CASE STUDY OF MANYAME RURAL DISTRICT COUNCIL**

BY

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R142443M

**A DISSERTATION SUBMITTED TO THE MIDLANDS STATE UNIVERSITY
DEPARTMENT OF LOCAL GOVERNANCE STUDIES IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS OF A BACHELOR OF SCIENCE HONOURS DEGREE IN
LOCAL GOVERNANCE STUDIES**

GWERU

NOVEMBER 2017

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DECLARATION

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DEDICATION

In loving memory of my mother Mrs Lizzie Nyawo, your hard work and words of encouragement were inspirational. I also express my deepest appreciation to my sister Ms. Chipo Nyawo and her husband Mr. Morris Nyoka for their overwhelming support throughout my career

ABSTRACT

Delivering effective governance have been identified as a steering wheel for development and developing countries have been encouraged to be effective and efficient in the provision of services. However many developing countries especially in Africa are characterised by poor governance and unethical practices which then impedes development and local economic growth. There have been efforts by international organisations such as the United Nations and SADC to try and reduce the injustices and internal controls among other strategies were regarded as a panacea to sound governance. Thus this study will try to unfold how internal control systems improve sound governance. Furthermore the study aimed at identifying the forms of internal controls systems at Manyame RDC, demonstrating how internal control systems have been used to promote sound governance, examining the core relationship between internal controls and governance, assessing the effectiveness of internal control systems in promoting good governance, examining the measures that have been put in place to strengthen the control systems and also recommending methods that can be used strengthen internal controls and good governance. An integrated internal control model was used in trying to highlight the major components of internal controls. More so, compliance and integrity approaches are used in the implementation of effective controls. There is a strong relationship between internal controls and governance in that the former have negative implications on the latter if the systems and procedures of the organisation are very weak. Thus it is imperative for organisations to solidify their control systems so as to establish a more comprehensive corporate governance framework. Strong internal control systems provide a guiding menu for a more effective, efficient, accountable, and transparent and honesty way of doing business. A comparative analysis of the governance practises in Singapore, Tanzania and Zimbabwe was employed so as to identify effective ways of promoting governance and increasing organisational performance in public sector. The research employed both qualitative and quantitative methods in the collection of data through interviews, questionnaires and observations. The research targeted 32 respondents which comprised of management, technicians, clerks and general employees in the departments of Finance, Administration, Audit, Planning and Engineering. Furthermore the research identified that lack of independence, resources, lack of understanding on the importance of internal controls, failure to implement auditor's recommendations impedes effective implementation of a sound control system in local authorities. The research identified that it is critical to establish a separate reporting structure of internal audit so as to allow its independence. In addition it has been recommended that there is need to foster mutuality between management and internal audit so as for the systems to be effective.

ACKNOWLEDGMENTS

I thank the God Almighty for his blessings and guidance .Without him I wouldn't be where I am today, the road was tough with some swifts and turns but through his blessings I managed to sail through. I express my profound gratitude to my sister Ms. Chipo Nyawo and her husband Mr. Morris Nyoka for providing parental and educational assistance. Without their sacrifices and hard work I wouldn't be this far and accomplishing my dreams. I also thank my other sisters and brothers for their efforts and words of encouragement that I always carry in my heart.

I express my greatest appreciation to Mrs. A. Bosha for her generous guidance and assistance throughout my studies and to all the lecturers in the Department of Local Governance Studies at Midlands State University.I would like to acknowledge MRDC for the opportunity they gave me to acquire professional experience, understanding Local Government dynamics and concepts as well as bestowing confidence in me .I also thank the CEO Mrs. F .Guta for acceding to my request to carry out my research. I express my gratitude to my work related supervisor Mr. Chimbindi for providing parental and professional guidance. I also thank Ms. Ananiah for being like a sister and guiding me through all my work aspects .I would also like to acknowledge the internal Auditor Mr. I .Dzenga, Assistant Executive Officer Social Service and Administration Mr. Magwenzi, the management and other staff council for their support towards this study.

In conclusion, I thank my friends “Team granddad”, Nickson Benhura, Gladmore Breakfast and other colleagues who have been with me through thick and thin, their prayers, support and encouragement helped me a lot. Finally, I'm grateful for inspirational words and sermons by the Midlands State Catholic Society *For: “suffering produces endurance, and endurance produces character, and character produces hope, and hope does not disappoint us”*. Romans 5:3-5

ACRONYMS

COSO	: Committee of Sponsoring Organisation
CPI	: Corruption Perception Index
I.A	: Internal Auditor
IDP	: Integrated Development Plan
IRBM	: Integrated Results Based Management
MRDC	: Manyame Rural District Council
OECD	: Organization for Economic Co-operation and Development
PCB	: Prevention of Corruption Bureau
RBB	: Result Based Budgeting
RBM	: Result Based Management
RBM&E	: Results Based Monitoring and Evaluation
SADC	: Southern Africa Development Community
ZimASSET	: Zimbabwe Agenda for Sustainable Socio-Economic Transformation
ZINARA	: Zimbabwe National Road Authority

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CHAPTER I

INTRODUCTION

1.0 Introduction

The chapter gives an introduction and discusses major components such as the background of the study, unfolding the problem at hand, delimitations and limitations of the study which are used that assist in highlighting of internal control systems in improving sound local governance in local authorities. Furthermore, the chapter gives an insight of the study and exploring some of the key areas of the study.

1.1 Background of the study

Delivering sound governance in public institutions have become a major cause of concern and governments have been encouraged to be effective and efficient in the provision of services so as to stimulate economic growth and development. However poor practices of governance have impacted development in the world especially in Africa where there is high rate of corruption and poor delivery in local governments. Poor governance have become a global phenomenon as evidenced by corporate scandals that have occurred in recent years notably the collapses of a number of large firms such as the Enron and WorldCom in America. This was a result of weak internal control systems that governed the operations of the organisations. Furthermore, Suyono and Hariyanto (2012) are of the view that from independence up to 2009 there was high corruption in Indonesia particularly in Singapore which was attributed to lack accountability and poor financial management in the public sector. Hence as a result the delivery of good governance became a topical issue in the 21st century and Singapore was on the fore front to reduce corruption and unethical practices through some organizational and fiscal reforms.

The International Monetary Fund (IMF) 2012 report indicated that corruption have become a barrier to development and developing countries especially Africa, have been greatly affected. The practice of bad governance is rampant in Southern Africa except for South Africa, as indicated by high levels of corruption and poor administration. Owoye and Bissessar (2012) states that corruption is a major disease affecting development in the Mozambique, Zambia and Zimbabwe. In addition the concept of delivering sound governance in Southern Africa, came to the center stage in the 1990s due to the non-viability of the Economic Structural Adjustment Programmes (ESAP) and as such there was need to come up with new strategies aimed at enhancing efficiency

in delivery of public services by the government (Aly 2013). Thus in order to reshape their economies and performance, many African countries needed to strengthen efforts at reforming service delivery institutions such local government and public service management so as to promote local economic development and economic growth hence the issue of regulatory mechanisms (internal controls) came to the fore.

The Transparency International annual Corruption Perception Index (CPI) of 2014 ranked Zimbabwe at 156 out of 175 countries, which therefore makes it one of the most corrupt countries in the world. This is evidenced by non performing public sector institutions and economic recession. Moreover the local government system is characterised by poor performance in service provision, maladministration, and corruption and surrounded with unethical practices. Corruption cases such as of Chitungwiza Municipality in 2010 and Gweru City Council in 2017, indicates that the systems that govern local government are weak. Corruption and poor governance have had a major impacts in the delivery of effective services as most Local authorities are failing to meet their set objectives and achieving their corporate vision therefore all these sudden negative developments have called for the need for public sectors to be transparent, accountable and honesty in delivering their services. These issues have given rise to the need of coming up with complex systems of checks and balances that have legal implications. Internal controls assist the organisation to achieve its set goals, reduce errors, mitigating risks as well as ensuring compliance to the set rules and principles.

A lot have been done by many global nations in order to revamp service delivery through establishing regulations that ensure effective public sector governance for example the summit initiated by the European Union in 2012 which aimed at reducing unethical practices through putting primary emphasises on setting internal control mechanisms. In addition to the global efforts that were made, Southern African countries signed a protocol in 2001 to combat corruption and improve public sector financial management.

The Zimbabwean government as a signatory to the SADC Protocol on Corruption made stride efforts to reduce these errors and unethical practices by crafting and amending various legal instruments such the Public Finance Management Act 22.19 which highlights the conduct of accounting officers, the 2013 Constitution of Zimbabwe which have its founding principles premised on good governance and set the principles and values that govern public administration.

More so, the Urban Councils Act (29:15) and Rural District Councils Act (29:13) mandates local authorities to establish committees which serves as internal control instruments for the purposes of providing checks and balances, and exercising an oversight role so as to promote accountability and transparency. Furthermore the legal instruments provide various provisions which promotes sound governance in public administration. In addition, various initiatives have been implemented by the government in order to strengthen the control system of public institutions such the introduction of RBM (2004), Zim-Asset (2013), ZIM, which have provisions of public governance and compliance instruments and the Corporate governance framework for public sector (2010).

1.2 Statement of the problem

Local authorities are supposed to function effectively given that they enjoy full discretion to raise their own funds and make policies that suits their operations. The concept of good governance have become a global phenomenon as public institutions are encouraged to ensure quality of services delivery. However local authorities in Zimbabwe are characterized by poor governance which is affecting effective service delivery and this is attributed to weak control systems that govern the institutions. Local authorities are entrusted with public resources and as such there should be mechanisms that ensure that there accountable and effective use of those resources. It is against this context that the study was conducted to examine the effectiveness of internal control systems in promoting sound governance in the Zimbabwean Local Authorities.

1.3.1 Objectives of the study

- ❖ To identify the nature of internal control systems at Manyame RDC
- ❖ To demonstrate how internal control systems have been used to promote sound governance
- ❖ To evaluate the core relationship between internal controls and governance
- ❖ To appraise the effectiveness of internal control systems in promoting sound governance
- ❖ To examine the efforts that have been initiated to strengthen internal control systems
- ❖ To recommend methods that can be used strengthen internal controls and good governance

1.3.2 Research questions

- ❖ What are the forms of internal controls at Manyame RDC
- ❖ Demonstrate how internal control systems are used to promote sound governance

- ❖ What is the relationship between control systems and good governance
- ❖ How effective are internal control systems in promoting sound governance
- ❖ Examine measures that have been put in place to strengthen internal controls so as to enhance good governance

1.4 Significance of the study

Through the findings and recommendations of this study, the local authority in Zimbabwe will be able to establish a more comprehensive framework to solidify its internal control systems thus the researcher will provide new control mechanisms such as treating the internal audit department as a separate entity of the organisation which enjoys full discretion to exercise its function. Furthermore the research will assist both elected and appointed officials to find appropriate measures that can be used in the promotion of sound governance. In addition it is significant to note that the study will enable various stakeholders in the local government set up to establish systems and mechanisms that will assist in improving accountability and transparency in the operations of local authorities for effective use of public resources .

1.5 Delimitations of the study

The research will be confined to Manyame RDC focusing on internal control systems and how they assist in promoting of sound governance in local government .MRDC is one of the ten rural local authorities in Mashonaland East Province of Zimbabwe and is located about 54km along Harare-Masvingo Highway. It incorporates two sub-offices in Dema Growth Point and the other one near the Guzha-Jambanja area in Chitungwiza. The Council shares jurisdiction boundaries with Marondera, Chikomba and Goromonzi Rural District Councils in Mashonaland East Province, and Mhondoro – Ngezi and Chegutu districts in Mashonaland West Province as well as Chitungwiza Municipality and Harare City Council in the Harare Metropolitan Province. Manyame RDC covers an area approximately 344 553 618 hectares. According to ZIMSTAT 2012, the total population of the Council was 100 756 with females accounting for 50.1% of the total population. Moreso MRDC have 72 employees across all its departments and in this context, the research has the target population of 25 respondents from the Administration ,Planning ,Audit ,Finance and Engineering departments. In addition the research targeted the management ,technicians ,clerks and other officials of council. However the research will be delimited to

external factors such as government controls or stakeholders involvement in the delivery of sound governance

1.6 Limitations of the Study

During the course of study the researched faced some impediments such as financial constraints and some of the respondents were committed in carrying budget reviews. However despite some challenges faced, the researcher was highly motivated and desired to achieve the objectives of the study and convinced a few group to cooperate .More so, the researcher obtained numerous support from the Council which enabled him to effectively carry out the study.

1.7 Definition of terms

1.7.1 Internal controls- a set of policies, procedures and systems that is concretely connected to increase organisational performance and achievement of results. It is a management tool that ensures the attainment of results through implementation of interconnected policies (DiNapoli 2009).

1.7.2 Audit function- is an independent board within the organisation which ensures that there compliance, value addition and restoring confidence of achieving missions through the system of checks and balance (The Institute of Chartered Accountants in England and Wales 2004).

1.7.3 Risk management- Coram and Moroney (2007) defined it as the process of identify and analysing the impact of current and potential risk and coming up with proactive measures to reduce errors and ensure that goals are achieved (OECD 2009)

1.7.4 Governance- are the systems, procedures and structures that ensures that there are inter connected relationships between the management and its stakeholders and moreover, which promotes the achievement of results (Marcathy 2004)

1.8 Summary

This chapter provided an introductory approach to the study and gave major highlights of the whole dissertation. In addition the chapter discusses the background of the study making reference to local, regional and global experiences. Lack of comprehensive control mechanism, poor governance and unethical practices in public sector institutions have been identified as the major cause of concern in the study. Furthermore the research gave a brief discussion on the other

components such as research questions, and research objectives, significance of the study, delimitation and limitations .Internal control systems were identified as the most sufficient way to promote accountability, effectiveness, transparency and fundamental principles of good governance. This has mapped the way for the next chapter where secondary data is employed to assess whether internal controls systems is a panacea to effective performance of public sector institutions.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

Internal controls are the driving force towards delivering sound governance in that it brings about accountability, efficiency as well as effective execution of duties in public institutions. There is a strong core existence between internal controls and governance in that effective systems have strong implications towards ensuring good governance. Therefore, this chapter seeks to conceptualise internal control systems and identifying its major components. Furthermore, the practice of internal controls at local government level is highlighted. Internal controls are important to organisations in that they assist in establishing protocols, ensuring compliance, reduce risks to mention but just a few as will be alluded to in this chapter. The concept of governance is discussed in the context of three distinct countries and identify how it is strengthened.

2.1 Literature review

Literature review is the process of investigating, analysing and scrutinising data and information which is related to the topic under review. According to Robertson (2008) literature review is aimed at establishing a comprehensive idea or study through the use of secondary and published data or using different ideas from already established body of research. It is important to research in that it provides the researcher with the ability to identify relevant information to the study.

2.1.1 Defining internal controls

There is no solid definition for internal control systems as scholars have put different scholarly debates in trying to define internal control systems. Internal control systems and internal controls are all premised on the same concepts and components hence they will be used interchangeably in the study. COSO (2013) defined internal controls as a process, implemented by management with the aim to offer assurance towards the attaining goals.

COBIT (2008) argued that internal controls involve the designing of policies, procedures, practices, and organizational structures that are joined together for the achievement of results and in minimising organisational risks. Thus there is need for management to come up with solid structures and effective procedures that assist in the attainment of goals. The International

Standards for Auditing (2009) furthermore supports this notion by arguing that the rules and procedures are maintained and guided by the management so as to assist in ensuring proper financial management and increasing efficiency in the operations of the organisation.

Internal controls involve a system of interlinked strategies, procedures, policies and attitudes that are infused together in achieving organisational goals (Guide for the Small Business Audit Client 2007). Thus policies, procedures and employee behaviour need to be mutually reinforced so that the organisation will meet its intended goals.

DiNapoli (2010) argued that internal controls are systems of integrating planning, procedures policies, behaviours and human resource management, into the performance of the organisations so that there is achievement of goals as well as compliance by the employees. However, Shim (2011) identified internal control as a system established by management in order to safeguard resources and monitoring the performance of employees. This helps the management monitor and controls behaviors hence reducing errors and accelerating performance of the organization.

2.1.2 Historical development of Internal Controls

Internal controls developed in the early times during the Mesopotamian Civilization as early as 3600 B.C. Hacket and Mobley (2000) points out that the system of controls was visible in Mesopotamia in 3600 B.C as they started to record business exchanges on rocks and later on clay. This can be evidenced by the documents of the period reveal tiny marks, dots, ticks, and circles at the side of the figures, indicating that checking had been performed. More so, it also emerged in the Hellenistic Egypt where there was a separation of authority and responsibilities (dual administration) with one section charged with the responsibility of collecting taxes and the other monitoring the transactions.

Furthermore, Hacket and Mobley (2000) argued that the development of internal controls changed during the industrial revolution (1850-1905) as authority and responsibility shifted from the owners to managers (managerial prerogative). To protect their interests and safeguarding their assets the owners introduced internal audit system as an independent board away from the management. However in the modern world and business environment the nature of internal controls changed due to rapid change in the business concepts, anticipations for governance oversight and globalization of markets and operations that have become a major drift, emergence of new approaches to risks and the bureaucratic structures have changed and the complexity in

laws, regulations and standards and have initiated for a change (COSO 2013:2). Thus the nature of internal controls have shifted from a pre era to a new paradigm where the systems have become sophisticated and more complex.

2.1.3 Approaches of internal controls

2.1.3.1 The compliance approach

Maesschalck (2005) identified the compliance approach as a management approach that focuses on ethical management and is greatly affected by external forces (principles of an organization), that influence how individuals interact with the business environment. Furthermore, he argued that the approach is premised on following formal rules and obligations that guides the behavior of individuals to misconduct. The approach promotes adherence to set rules and directs the moral obligation of individual, this is important in that it reduces risks and increase performance as individuals will act according to what is mandated by the law (*intra vires*). The instruments that are used to monitor behavior and performance includes legislation, strict codes of conduct and other rules, extensive control policies such as government directives or ministerial interventions in the public sector. The approach uses more of hard approach of management where employees are encouraged to adhere to certain organizational procedures and systems that ensure achievement of set goals. The approach is critical in managing how individuals behaviour in the organisation. The compliance approach is in line with the Deontological theory of ethics which assert that laws must be adhered to despite the consequences that emerge duties and must be complied with or rights accepted, regardless of the consequences. The Constitution of Zimbabwe provides for the principles that govern leadership and such it forces managers to best observe good corporate governance practices.

2.1.3.2 The integrity approach

Maesschalck (2005) argues that the integrity approach focuses on internal qualities or virtues of self-control exercised by each individual. The integrity approach consists of two components that is the one which focuses on moral judgment capacity which is established through learning and understanding the necessary values and norms and by developing the skills in ethical decision making needed to apply those values in daily practice. The other component of internal control focuses on the moral character of an individual and he will act upon judgments reached through ethical decision-making (Maesschalck 2005:22). The approach supports the Virtue theory of ethics

which focuses on developing internal qualities of an individual .The integrity approach is useful in solving the rampant unethical behaviours that are affecting most local authorities in Zimbabwe as it discourages unethical conduct.

2.2 Internal Control Model/Integrated framework

Fig 1:1 Internal control framework



Source: COSO internal control framework (2013:2)

The COSO identified separated but interrelated components which are used to measure the effectiveness of internal controls within the organisation. The framework is an update of the 1992 and the COSO (2013) argued that there is rapid change in the business environment, expectations for governance oversight, new risk based approaches, the complexity of organizational structures has increased and the complexity in laws, regulations and standards and all these factors have initiated for a change. The framework has seventeen principles which are jointly infused and work as an assessment tool to measure the effectiveness of the control systems of an organisation. The model has a sole responsibility of supporting the achievement of organizational goals and establishing the foundation for sound internal controls through directed leadership, shared values and a culture that emphasizes accountability for control (COSO :2014). The model allows for the identification of risk that are impacting the operations of the organisation and issue mitigating strategies. The risks are identified through using communication channels established in the organisation. Furthermore, the model gives an organisation the platform to regularly evaluate the effectiveness of internal controls through monitoring and evaluation systems.

2.3 Components of Internal Controls

The application and effectiveness of internal control systems varies depending on the size and culture of the organization. Thus in order to determine their effectiveness, they are assessed through fundamental components that is the control Environment, risk Assessment, control activities, information and communication, and monitoring are present and functioning.

2.3.1 Control Environment

According to Christensen, et al (2013), the control environment consists of certain standards, processes, and structures that forms the foundation to instill or establish internal control across the organization. Accordingly, the management have a great role to play in that they set the tone through hierarchical line of command on the importance of internal control including expected standards of conduct. It comprises the of the compliance and integrity approaches of management that shapes the moral values of the organization and set the parameters that enables the management to exercise its governance oversight role. In addition, the control environment consists of the hierarchical structures, chain of command rising awareness and line of authority, attracting, and retaining competent individuals, performance management systems, establishing the reward systems and promoting accountability (Huger 2008)

Internal control are affected by the environment they operate and have an impact on the effectiveness of the control procedures. The control environment is influenced by management philosophy, human resource management, guidance and supervision by management and employees freedom (Gareth 2006)

2.3.2 Risk Assessment

A risk can be defined as the possibility of an event to occur and have high proportion of affecting the attainment of goals and risk assessment therefore consist of identifying and assessing current and potential threats by analysing internal and external factors that impedes the achievement of results(Taiwan Securities(2008) . Risk assessment plays a crucial role in the organisation as it helps management with the strategies that can be implemented or adopted so as to manage and mitigates risks. Furthermore, it helps management to evaluate and assess the impact of the internal and external factors thereby enabling the implementation of suitable changes that ensures effective

services. Thus assessment help organisations to craft, redesigning and establish accurate control mechanisms.

2.3.3 Control Activities

Control activities consist of the application of precise control components at all levels of the organisation and the establishment of a comprehensive control framework (Brown 2007). According to the COSO Integrated Framework (2013), control activities can be defined as a system of establishing policies and procedures that assist managers in risk management. In addition control activities are the activities and efforts that are implemented to erect risks through putting necessary measures or corrections to reduce risks. Controls can be applied at different intervals depending on nature of the problem at hand. Accordingly control activities can be categorised into three (Preventive, Detective and Corrective) and its examples include segregation of duties, authorisation, asset management and proper financial management.

Maguire (2009) states that the control activities to a greater extent contribute towards the promotion of good corporate governance in that they encourage accountability, transparency, efficiency and safe guarding of resources through the segregation of duties, proper authorisation of transactions as well regular asset management

2.3.4 Information and Communication

Christensen, etal (2013) stipulates that information and communication are important for the organisation to carry internal control responsibilities hence management uses information to supplement other components of internal controls .Communication is essential in communicating the vision of the organisation through top to down approach, this therefore promotes buy in and motivation of employees as they will be aware of what is expected from them. Information and communication can assist in building internal virtues of an individual through the process of socialisation.

.3.4 Monitoring

Monitoring serves the purpose of evaluating whether internal controls have been properly implemented, maintained and well-articulated. Monitoring also assist in determining whether the components of internal controls are effective .Continuous evaluations will greatly contribute

towards assessing the effectiveness of certain principles in reducing risks. Furthermore it is of paramount importance to note that monitoring traces on the effectiveness of internal controls in that it measure where the set control mechanisms is in line with its intended purposes of recuing errors in an organisation.

2.4 Types of Internal controls

There are five distinct groups of internal controls which are preventative, directive, detective, corrective, and compensating however they are interwoven in promoting effective performance and safeguarding resources .However their application is based on the immediate situation within an organisation.

2.4.1 Directive Controls

Directive Controls are actions taken to cause or encourage a desirable event to occur. They are broad in nature and apply to all situations. Directive controls are used to identify potential errors and problems and are normally used to gauge how effectiveness of preventative controls and to strengthen them. Examples of directive controls include: organisation structure, policies, procedures, management directives, guidance statements, circulars, Job\position descriptions.

2.4.2 Preventative Controls

Hinton (2009) is of the view that preventative controls are established so as to reduce the possibility of an undesired event to occur or the emergence of a risk. Preventative controls mostly apply before the occurrence of an event by establishing mechanisms that protect its emergence or its growth. Preventative controls therefore act as a guide to the achievement of the organisational goals in that they remove or control impediments that have strong implications to the organisational performance .Examples of preventative controls are most visible in the division of duties and responsibilities, asset management physical, authorisation signers, reminders of policies, procedures, and expectations.

2.4.3 Detective Controls

Detective controls includes the formulation of policies ,procedures and systems that designed to identify a risk or undesirable event after it occurs but within a specified time so as to permit

corrective measures and creates awareness in preventing future errors to occur (Hinton: 2009). Robbs (2013) argued that detective controls involves the systems of reviewing and monitoring financial transactions or budgets so as to assess loopholes within the system. It is a critical component of internal controls as it allows the organisation to be risk aware and formulate proactive measure. Furthermore, he identified detective control as making reconciliations, making reviews by management, office inventories, approvals and budget reviews.

2.4.4 Corrective controls

Boyle (2012) ascertain that corrective controls are deliberated so as to fix the identified errors that have affected the operations of the organisation. Corrective controls play a corrective role to the issues of abnormalities that are identified by detective controls. He further points out the examples of corrective controls as error communication and reporting, systems documentation or processes, improvement initiative

2.4.5 Compensating controls

According to Hinton (2009) compensating controls can compensate for shortcomings elsewhere, so, at times, what appears to be a weakness in control is not really a problem due to the presence of compensating controls. Compensating controls represent a fail-safe approach to limiting risk exposure. This exposure must be analysed in the context of what could happen, given particular system shortcomings.

2.5 The practice of internal controls in local government of Zimbabwe

2.5.1 Performance management

According to Heathfield (2016) performance management involves setting a conducive working environment which enable employees to effectively execute their assigned duties. More so, it is a measuring tool that many organizations may use to track goals and improvements through performance appraisals. Performance management is a critical tool towards the achievement of results in that the contractual obligation of an employee will force him or her to perform in line with terms of the work plan or contract. The introduction of the RBM in 2004 to Zimbabwean Local Authorities was to strengthen internal controls and performance hence this is done through Personnel Performance Management ,RBM&E,RBB,IDP systems so as to assess how individuals

perform and the overall performance of the organisation, hence achieving the short and long term objectives. The concepts of Results Based Budgeting (RBB) and Integrated Results Based Management (IRBM) ensure that the organisation perform towards the alignment of set targets and goals and carrying out reviews. More so performance management systems are essential in measuring the outputs, results and impact which then allow full utilisation of available resources within a reasonable time frame.

2.5.2 Reporting structures

Most public organisations follow a certain line of authority established through organizational structure for effective communication and decision making. Most Local authorities follow a hierarchical structure or line of command which is in line with the components of Traditional Public Administration (TPA), which gives authoritative powers to management to supervise, command and control from the top. Furthermore local authorities communicate through departmental representation and as a result enables the distribution of authority and proper communication channels. According Suttle (2017) reporting structures are crucial in that it enables evaluating the performance of individuals thus being able to examine whether their intended goal are directly linked to that of the organisation through performance appraisals. More over reporting structures assist organisations in ensuring that there is adherence to rules and procedures that govern an organisation and more so allow proper communication of the organisational mission through the top to down approach.

2.5.3 Segregation of duties

Di Napolli (2010) opines that segregation of duties is the most common and accepted practice of internal controls. Segregation of duties reduces the occurrence of organizational risks and cover errors or frauds without being detected. More over the objective of segregation of duties is to prevent centralisation of responsibility from one person in carrying many tasks which then undermines accountability. In the context of financial management in local authorities of Zimbabwe, the responsibility of receipting, banking and auditing is articulated by different individuals. This however enables the tracing of financial irregularities and errors hence maintaining accountability and transparency.

2.5.4 Code of ethics

Code of conduct or ethics refers to a written notice which guides how individuals behave ,interact with the business environment and act in line with what is expected from them (Kanyane, 2006:134). The code of ethics is important for the survival of the organisation as provides confidence, credibility, reduces errors and manage change. More so, it sets forth the moral obligations of individual and guides in practicing professional standards .Code of ethics helps in shaping ethical values which therefore are a critical importance in shaping ethical behaviours and act in the prevention of fraud and corruption in the public sector .Vanstapel 2004 argued that local authorities as public entities are expected to be fair , transparent in the utilization of public resources serve the public interest with fairness and manage public resources .Hence ethical values are a necessity and establish the cornerstone for good governance.

2.5.5 Audit function

The Institute of Chartered Accountants in England and Wales (2004) identified the audit function as an autonomous board charged with the responsibility of restoring confidence, giving directions, designed to improve performance of an organisations. The audit function helps the organisation to achieve its intended goals by setting systems and comprehensive approaches that assist in promoting effective risk management and good governance. Section 134 of the Rural District Council Act (29:13) and 305 of the Urban Councils Act 29:15 provides for the powers of internal auditors to make examinations of any records and assets at any given time without notice. Furthermore it plays an advisory role to the management on governance risks and controls and with some public financial management controls, conducting budget reviews, ensuring there is compliance with set principle and other external regulations.The audit and management in Local Government complement each other in risk management as well as safeguarding council assets.

2.4.6 Committee System

The Committee system in Zimbabwean local authorities is established in terms Section 271 of the Constitution 2013 of Zimbabwe and act as a mechanism to promote accountability in local authorities. Most of the Local Authorities are composed of committees and they vary according to the locality of the local authority. Elected officials are furnished with reports by appointed officials so as to ensure that there is adherence to the Action plans. The committees plays an oversight role

in ensuring that the set targets and objectives are met and how they were achieved for example the Engineering department furnishing the Roads and Works Committee Chairperson with reports on how the funds allocated by ZINARA were used. Jones (2004) argued that the committees in local government act as strategic leaders for their council and are charged with the responsibility to perform management oversight role, monitoring and coordinating in the implementation of council policy and decisions and more so, in planning and monitoring budget.

The impact of the committee systems in Zimbabwe towards improving accountability is however heavily questionable when one looks at the capacity of local leaders to investigate matters of concern for executives when they lack expertise for example examining financial matters when they lack accounting expertise. There are no specifications on the qualifications of elected officials in the Constitution and other Statutory Instruments. Thus according to Mutema (2010) non qualification of elected officials impacts their ability to have a glimpse of issues deliberated in council meetings hence reduces the capacity to adjudicate complicated discussions. Furthermore the elected officials only play an implementing role in council resolution whilst the appointed officials deliberate matters of concern and present them to the Council, this as a result this does not ensure accountability for local authorities.

2.6 Importance of internal controls systems

It is imperative to note that internal control systems are of great value to most organisations to function effectively. This section will try to highlight some of the benefits of internal controls to the organisation.

2.6.1 Risk management

Internal controls are important as they assist managers to identify and craft responsive measures to potential risks which then enable the organisation to achieve its mandates. Effective risk assessment allows the organisation to respond to risks which then provide reasonable assurance for the achievement of the intended results (Vanstapel 2004).

2.6.2 Achievement of objectives

Bruce 2007 argued that internal controls systems play a significant role towards the achievement of results in that it brings a systematic and integrated approach in attaining the organizational

mission. Thus it is a process of a web of connected systems that are infused in the organizational missions and guide how individuals perform towards the achievement of set goals.

2.6.3 Promotes Accountability

Internal controls are used as a tool that promotes accountability in organisations. Accountability involves officials to take stewardship of public resources and be able to respond for their actions. This can be guaranteed through setting solid management structures, maintaining proper chains of command and communication and making financial transactions and activities visible (Vanstapel :2004).

2.6.4 Adherence to set rules and regulations

Public institutions are creatures of statutes and as such are mandated by the law to observe these governing authorities and internal controls are there to ensure adherence to the laws .Cheng (2007) postulates that in public organisations are guided by laws and regulations in management of resources, operations and maintaining the budgets.

2.6.5 Establish standard ethical values

Internal controls are very effective in shaping ethical values and controlling the behavior of employees in organisations. Russell (2015) is of the opinion that an effective ethics architecture of an organisation is important in protecting abuse of resources and as a result the traits of moral values will be cultivated in employees to adhere to the set rules, and be able to protect and respect business's assets. Mutema (2016) argued that unethical practices in Zimbabwean local authorities have resulted in ineffective provision of services and discourage local economic development and as a result, internal controls helps to solidify the ethics architecture of an organisation.

2.7 Weaknesses of Internal Controls

Vitez (2017) argued that internal audit control systems are so diverse in their implementation and application and this as a result can force managers to wrongfully place an internal control mechanism which is assumed to serve for a specific purpose and thus creating a weaker internal audit control system. Due to their broadness in application, they therefore tend to be time and resource consuming in trying to protect or reduces certain errors. Furthermore it is critical to note that internal controls can be ineffective when manager lacks the knowledge on the best system to

apply when faced by an ethical dilemma (Brown 2012). In addition Vitez (2017) supported this notion by arguing that this lack of understanding affects the ability of managers to establish effective measures that safeguard the organizational resources. Morgan (2013) is of the opinion argued that some of systems have an impact on employee's independence and as such it creates inefficient business operations.

Loustea (2006) further ascertain that internal controls carry an additional cost in their application and this as a result will limit the implementation of some internal controls. Thus from the foregoing one can say internal controls carry some limitations which therefore question their ability to fully ensure sound governance.

2.8 The concept of governance

The continuous out cry for poor administration globally has resulted in many countries changing their management functionality and focus on a system that ensures that the organisation may operate on a fair and transparent way which then hold officials to be accountable for their actions. Most African states are characterised by poor performance in their public institutions. Olukoshi (2003) points out that service delivery and economic growth in Africa is greatly affected by bureaucratic delivery, weak policies, political obstruction and corruption hence these can be identified as distinguishing characteristics of bad governance in Africa. According to Maune (2015) the financial crisis of 2003 which saw the reduction of public sectors functions as well functions was as a result of bad governance and this can be evidenced by the collapse of large corporates such as the Air Zimbabwe. The local government system of Zimbabwe is characterised by high profiles of corruption, poor service delivery, non performing budgets and poor performance which then pose a threat to deliver sound governance. Thus it is imperative for corporates to use internal controls as a guiding instrument to ensure effective and efficient upkeep of resources.

Governance can be identified as systematic process of governing or managing of a state or entity and can be used interchangeably with corporate governance. Therefore corporate governance can be defined as a web of connected interrelationships between the management, stakeholders and policy formulation process which establishes the structures that set objectives and monitors the performance of the organisation towards the achievement of goals. (Basel Committee on Banking Supervision 2015).

It is therefore for governments to ensure that the entities have sound governance systems. Hilal (2008) argued that weak corporate governance structures or system affect resource usage, management of funds and stimulate corrupt tendencies. Corporate governance is a necessity for the survival of any organisation where public or private which then have a direct impact on ensuring sustainability in economic development of a nation. Corporate governance framework for State enterprises and parastatals in Zimbabwe (2010) has it that sound governance provides the basis for profitability, efficiency and effectiveness of any entity).

2.8.1 Principles of corporate governance

Corporate governance is premised on the fundamental principles of openness, integrity and accountability, transparency, objectivity and transparency.

2.8.1.1 Transparency/Openness: Public officials are encouraged to cultivate the virtue of openness to the public since there are trusted with the responsibility of managing public funds thus there should be transparency in operations. The Isle of Man government corporate governance principles and code of conduct (2009) highlights that the disclosing of relevant information opens avenues for scrutiny and holding officials accountable for their actions. Thus this allows the publics or managers to manage financial transactions .Furthermore, Gitau (2015) postulates that transparency ensures the monitoring of an entity's activities thus creating the room to check and verify processes and transactions .This serves as an important aspect of delivering sound governance in that errors and loopholes are easily identified both internally and externally.

Section 38 of the Zimbabwean Public Finance Management Act clearly highlights that financial statements to be submitted within thirty days in the Government Gazette for public scrutiny so as to reduce abuse of funds. More so, the Urban Councils Act 29:15 and Rural District Councils Act 29:13 in provides for public scrutiny in budgeting making process, borrowing and job advertisement.

2.8.1.2 Accountability .According to the Nolan Committee in Chapman (2000) accountability is a process whereby public officials become responsive or answerable for their actions and decisions they make. Thus accountability allows for the monitoring and supervision of officials and then act as guiding measure in committing corporate crimes. The Parliamentary oversight role as provided for in section 299 of the Zimbabwean Constitution serves as a guiding principle in the management

of public resources and hence holding accounting officers accountable. Section 194 of the Constitution of Zimbabwe 2013 provides a framework for accountable public administration as it ensures that public institutions are accountable to the needs of the people hence promoting inclusiveness.

2.8.1.4 Honesty According to Amundsen and Andrade (2009) honesty is characterised by earnestness or genuineness which demotivates public officials from engaging in unethical practices. Muhamad (2007) argued that honesty is virtue in context of voluntary, trading relationships with people capable of rationality and as such it builds the internal values of an individual. The virtue of honesty prohibits council officials from committing unethical practices and as such the organisation to have a comprehensive systems that allow to build the internal qualities for example allowing group work, ethical training and socialization. Section 196 of Constitution of Zimbabwe provides for the responsibilities of public officers and principles of leadership which then mandates public officials to be honesty in the execution of public duties. This then act as a way to regulate the behaviour of the officials which is cultivated through appreciating these principles.

2.8.1.5 Objectivity: Members of public sectors should uphold professional ethics through making reasonable decisions based on their merit, encouraging an effective rewarding system and recruitment and selection based on merit (The Isle of Man Government corporate governance principles and code of conduct: 2009) .Objectivity allows the management and other employees to give their best reasoning capabilities and allows an effective decision making. Chapter 9 of the Constitution of Zimbabwe amendment No. 20 of 2013 spells out that public officers must abide by the principle of objectivity and impartiality in decision making.

2.8.2 The relationship between internal control systems and governance

There is a direct link or connection between internal control systems and governance in that if the systems are effective and efficient it therefore results in sound governance and the reverse is true. Many cases of corrupt and maladministration such as the Enron Scandal of 2001 are a result to poor systems of control. Good corporate governance is critical factor in public institutions as it helps to restore confidence of the achievement of goals , enhance sources of revenue, and spearheading economic growth hence an effective corporate governance framework requires a sound legal, regulatory and institutional framework that market participants can rely on when they

establish their private contractual relations. According to the Transparency International Policy Position (2009) establishment of clear lines of authority and laws, proper authorization and effective policies and procedures can promote sound governance within an organisation.

Effective internal control systems ensures improved service delivery as it allows the reduction in errors and risks which impact the operations of the organisations. *“Corporate crime, as an example of these risks, has been a disease the world over which strives in environments characterized by weak Corporate Governance.”*(H.E President R.G Mugabe 2010:8).Therefore internal controls will act as solution to these corporate crimes and will assist managers to come up with strategies that can assist in mitigating corrupt tendencies and organizational risks.

The fundamental components of corporate governance are best observed where there is an effective control base for instance the virtues of integrity, openness and objectivity are well articulated by employees where the code of ethics is effective and this will ensure good ethical values. Corrupt cases looming in most urban local authorities in Zimbabwe such as the misappropriation of funds to purchase expensive executive vehicles by Chitungwiza Municipality in 2010 (The Herald 2010) and the recent scandals where the Mayor and 24 Councillors allegedly allocate themselves tracts of land worth \$7 million USD are a result of an ineffective ethics architecture in urban local authorities (The herald 2017) .Thus according the Kasukuwere (2017) the management of Chitungwiza municipality needs an overhaul as the local authority have crumbled due to corruption and maladministration.

Larcker et al., (2007), argued that corporate governance mechanisms influence the decisions made by managers when there is separation of roles and responsibilities, in order to enable accountability and efficiency, and to ensure quality of the financial reporting process. The separation of financial duties in Finance departments of local authorities, such as separating responsibility of receipting, making bank reconciliations and banking to different parts encourages transparency and accountability in the banking of public money. Furthermore the system is effective in that transactions can easily be monitored hence promoting transparency. The structures established by Traditional Public Administration methods encourages proper accountability in that the procedures and systems follow a certain line of authority or chain of command.

2.8.3 Effectiveness of internal controls in ensuring good governance

2.8.3.1 Establish Protocols

The application of internal control assist organisations establish best practices and procedures that are followed by employees. Brookins (2017) argues that the establishment of policies and procedures ensures stability and cohesiveness to companies, as there will be outlined systems that every employee follow. This is in line with the deontological aspect of ethics which then encourages adherence and compliance to set principles and as such the legislative framework for local authority provides guidance

2.8.3.2 Prevent Fraud and Theft

Dauids (2007) argued that by establishing effective internal controls organisations come up with risk mitigation and reduction measures .Fraud and theft act as a barrier to the achievement of goals in that it limits the budget allocation through misappropriation of funds. Most local authorities in Zimbabwe have hugely been affected by corrupt activities such as mismanagement of public funds and as a result internal controls help in mitigating corrupt tendencies.

2.8.3.3 Separation of Duties

Brookins (2017) is of the opinion that the separation of responsibilities brings about the system of internal system of checks and balances. Thus this is important in tracing loopholes or leakages within an operating system of thus for example the separation of receipting and banking enables the organisation to trace where there is a leakage. This can also help reduce internal fraud and theft. Separation of duties is a critical factor as each employees is held accountable for his/her actions hence encouraging effective and efficient services as well as safeguarding resources.

2.8.3.4 Reduce errors

Mitchel It is important to note that internal controls reduce errors by setting procedures and systems that are able to detect and prevent potential errors that may hamper achievement of objectives. This then assist organisation to craft risk assessment strategies which then identifies potential risks and unwanted behaviour

2.8.3.6 Efficient execution of duties

Internal controls play a crucial role in governing of organisations as it allows management with the ability to explain the organisational policies and sets specific management goals. Furthermore they allow the management to carry out regular monitoring and evaluation of the projects and as a result the organisation is realigned and resources are deployed so as to achieve the overall organisational targets and goals in a more effective and efficient manner(Mitsubishi Corporation Sustainability Report 2006) .The bureaucratic structures in most public institutions allows a clear line of authority which promotes accountability and the delegated powers to line managers allows for the accomplishment of set targets through accountability .

2.8.3.7 Compliance

More so internal controls are established so as ensure that there is employees abide and comply with the internal policies and systems of the organisation. According to the Mitsubishi Report 2006 compliance can be defined as adhering to the laws and regulations and acting in conformity with social norms .Systems audits that are regularly carried in public institutions ensures that the organisation are adhering to the rules and obligations, policies and procedures such as adhering to the Generally Accepted Accounting Principles (GAAP) in accounting practices and codes of practice. This however allows the organisation to be realigned to the overall organisational goals and maintaining stability (organisational culture).Furthermore internal controls are essentials to Zimbabwean local authorities in that they ensure adherence to Legislative provisions such the Constitution 2013, Urban Councils Act 29:15, Rural District Councils Act; 29:13 and other various pieces of Legislation.

2.9.1 Comparative analysis

2.9.1.1 Governance systems in Singapore

Singapore is one of the countries with the lowest rate of corruption .This is attributed to its public sector reforms which were meant to revamp the economy. Before the economic crisis that affected Singapore in the 1990s, the public sector was guided by the Registry of Companies and Businesses (RCB), which administers the Companies Act of 1990 which had provisions for maintaining adequate internal accounting controls for public companies, and for listed companies to have an audit committee made up of at least 3 directors. The directors were required to be independent and

this allowed the directors to effectively execute their duties so as to effect checks and balances in the public sector. Mak and Chng (2000) stipulates that transparency is effective in Singapore due to its disclosure principle which require openness in financial management and. provide an appropriate explanation for any action. In order to increase transparency Singapore moved from a merit-based philosophy to regulation to a disclosure-based philosophy to regulation.

In order to enhance accountability and improve risk management practice the government reviewed the Code of Corporate Governance of 2012 which provided for the establishment of a strong independent board of directors and the Companies Act mandates them to act honestly and diligently when performing their task and this is mandatory . Nozaki and Blaschke (2014) points out that enforcement against the violation of the duty of reasonable diligence is deemed feasible in Singapore and this then controls the ethical behaviour of public office bearers and assist them in protecting the public resources. The Securities and Futures Act holds the directors accountable for the actions and decisions and for them to examine omissions and errors in the disclosure systems, on all delegated much work on internal controls and risks management. This then allows them to monitor the performance risk management committees.

The Code of corporate governance allows diversity in knowledge as well as in skills development thus the government encourages regular training so as to be produce competent leaders. Nozaki and Blaschke (2014) argued that to promote competent member and produce better performance officials are encouraged to be trained so as to be objectivity and impartial when making decisions

The 2012 Companies Act establishes a standalone or independent audit committee charged with the exercising the oversight role to the management and organizational policies.. Zimbabwean local authorities operate in the same manner where the audit committee holds the management accountable and is responsible for making reviews and recommendations.

In order to reduce risks and corruption the Singapore government crafted a whistle-blowing policy. The whistle-blowing policy ensures that concerns about possible improprieties are raised and independently investigated, and appropriate follow-up action is taken (Nozaki and Blaschke, 2014). This then act as one best way of internal control which then assist curbing corruption .The Code is not silent on the audit function as in gives its appropriate powers to monitor and investigate on matters of concern

The success of a corporate governance framework is further attributed various pieces of legislation which discourage corrupt activities such as the Prevention of Corruption Act Chapter 241, 1960 (POCA) which defines corruption explicitly in sections 8 to 12 and issue strong consequences to wrong doers. More so the Act establishes the Corrupt Practices Investigation Bureau (CPIB) and again gives it more powers to prosecute, investigate, and charge anyone engaging in corrupt activities. According to Maguire (2009) this gives the board the vigor to investigate as it is independent from the other branches of the government.

2.9.1.2 Governance systems in Tanzania

Sitta (2005) states that Tanzania is one of the most corrupt states in the world and this is supported by the Transparency International annual Corruption Perception Index (CPI) 2003, which rates the East African states as having relatively high levels of corruption with Tanzania rated 92 out of 133 states. The government in its initiative to curb corruption set up the Prevention of Corruption Bureau (PCB) in 1991. Sitta (2005) states that in 1995, the Tanzanian government formed the Public Leadership Code of Ethics to reduce ethical violations. These were some of the initial efforts to reform public service by the government after the independence to bring stability in public sector and reducing high levels of corruption.

Furthermore the policies were assisted by a strong political will such as the Presidential quotes like *“The new era demands a transformed public service. This will be a service that I truly transparent and accountable to the public. The service will have zero tolerance for corrupt behaviour.”* H.E. President Benjamin W. Mkapa 2000. According to Sitte (2004) the President declare a war on corruption by issuing the Presidential Commission Against Corruption 1996 and his means that commitment towards the fight for corruption was fostered downwardly to the lower tiers of government through the democratic elected local government officials who hold appointed official accountable and ensure that they conform to the laws.

In its initiative to promote development the government of Tanzania endorsed the African Peer Review Mechanism (APRM) and as such the principles of democracy and forms of governance (political, economic) where supposed to abide the operations of public services. The Procurement System of Local government in Tanzania is guided by Public Procurement Act 2011, Public Procurement Regulation 2014, and Local Government Authorities’ Tender Boards which are all embedded in the Public Finance Act (2001) ,however the Local Government Performance

Assessment Report of 2016 highlighted that there is weakness in the tendering system as procurement plans are published but without the size of the procurement, procurement complaints register is prepared but not published. Of critical to note is that there is noncompliance as the Local authorities prefer to use manual local purchasing orders (LPOs) outside the scope of the Integrated Financial Management System/module (EPICOR) because it lacks of comprehensiveness and inclusiveness of all the necessary accounting modules. (Local Government Performance Assessment Report, 2016).

The implementation and success of Internal controls at the LGA level in Tanzania lies in the hands of the Internal Audit Functions (IAFs), Audit committees and council management .However there separation of powers and responsibility in that the internal audit and Audit Committee play the oversight role while the council Directors are charged with the responsibility of established internal controls and providing guidelines on the operations of other officials. The Public Finance Management report (2016) states that the Internal Audit Function is responsible for continuously assessing efficiency of the internal controls and make reports and reviews which are then submitted to directors ,then considered in Audit committee meetings which further submit the reports to the finance committee and further the recommendations are deliberated in full council meetings.. This undermines the independence of the Audit function.

2.9.1.4 Comparative analysis and lessons that can be learned

Zimbabwe is most corrupt as compared to Tanzania and Singapore this is attributed to lack political will by public officials in Zimbabwe .High cases of corruption in Zimbabwe are committed by elected officials and council executives who are expected to serve in the best interest of the public and to have the virtue of selflessness (Mutema 2016:103).In Singapore and Tanzania however there high support from the leaders as evidenced by Presidential Corruption Commissions and quotes denouncing corruption. For effective implementation of a control framework leaders should be exemplary to their subjects who are committed and again act selflessly in the execution of their duties. Thus there is need for leaders to be committed in the bid to curb corruption.

Compared to Tanzania and Zimbabwe, Singapore allows and protects whistle blowing which is used as way to eradicate corruption .Furthermore the government protects the disclosure system so as to raise alarm on corrupt activities. Thus it is imperative for governments to promote whistle

blowing as it can be used a most efficient instrument of curbing corruption. Unlike Tanzania and Zimbabwe the Singaporean government allows for part time internal auditors so as to weaken the relationship between the internal auditors and the organisation. Thus it is important for states to use part time auditors who are rotatable so as to reduce familiarity with the organisation and for the auditors to be independent in the execution of their duties. The anti-corruption agent of Singapore is more vibrant and resourceful as compare to that of Zimbabwe which lacks resources and arresting powers which makes it ‘toothless bull dog’.

2.9.2 Research Gap

There are many sources which discusses the concept of governance and internal controls however this study offers a different approach in that it discuss the internal control mechanism at local government set up .It gives managers instruments used to safeguard resources ,reduce errors and improve performance in small rural local authorities

2.9.3 Chapter summary

The chapter provided a useful conceptualisation and approaches of the topic under study. It identified the components that constitutes internal controls as control environment, risk assessment, control activities, information and monitoring and evaluation, are all interrelated so as to assist organisations to achieve its objectives and achieve sound corporate governance. The chapter also provides that the practice of good corporate governance forms a sound backbone to fight and quarantine corruption. Furthermore the study identified that poor performance, corruption and maladministration are all a result of ineffective systems of control. The section provided a comparative analysis on the practice of governance in Tanzania, Singapore and Zimbabwe and draws lessons that Zimbabwe can adopt so as to have a sound corporate and compliance framework. This chapter concludes that sound governance is blended on an effective internal control system. The next chapter will discuss some of the instruments of the study and more so identifying instruments used to extract data.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

For the purposes of collecting relevant data there is need to analyse research components so that one can arrive at reliable and offer valid data for a research hence this chapter aims giving an in-depth analysis on research methodology. Furthermore and examines and discusses methods and procedures of data collection. Furthermore the chapter describe the instruments used in data collection which are; interviews, questionnaires and observations. It identifies the population size and composition More so, the concepts in a research method such as the design, ethical considerations.

3.1 Research Methodology

According to Muguire (2007) research methodology is a systematic process of formulating corporate decisions through the collection of relevant information and data. Research methodology encompasses many aspects such as research instruments, research techniques, and published research .Raine (2010) argued that research methodology is scientific way used to show the direction of the study and in solving problems. Essentially, the procedures by which researchers go about their work of describing, explaining and predicting phenomena are called research methodology (Rajasekar et al 2017)

Furthermore, Schwardt (2007) viewed research methodology as the way of acquiring knowledge and establishing the aim of the research that is the work plan. Munuire (2009) has it that research methodology is important in that it creates the knowledge base and training in the selection of the materials, instruments, research tools necessary for solving the problem at hand.

3.1.2 Research Design

The research design focuses on how to the researcher is going to address the problem at hand that is finding a more complete strategy which is cemented with other components of the study (University of Southern California 2017online).According to Trochim (2005) research designed provides the foundation that forms the base of the study that is it constitutes of components that

binds the research intact. Thus it is important to note that the research design provides the bases on how different components and tools of the study are conected together in addressing the problem at hand .Thornhill et al (2012) opines that the research design gives the direction how one intends to respond to the research question. Thus for the purposes of examining the effectiveness of internal control systems in promoting sound governance, the researcher used both qualitative approach so as to evaluate the expression ,emotions and perceptions of the targeted population.

3.1.1 Qualitative research design

Borrego et al (2009) viewed qualitative research as a process of planning the research by integrating all the components of study that is the techniques, research instruments and research analysis. More so, qualitative research design involves the process of collecting, interpreting and analysing data extracted from the observations, questionnaires and interviews that were used in conducting a research. According to Tewksbury (2008) qualitative research design gives a deep appreciation of the problem at hand basing on the responses from the data gathered thus using research instruments the research had a better understanding on the relationship between internal controls and governance and how that impacts the performance and achievement of goals .

3.1.2 Quantitative research design

According to Munuire (2009) quantitative research is a process of analysing and interpreting statistical data that has been measured by giving an depth examination of the relationships between different .It is normally applicable in situations where there is large number of respondents and in order to reduce errors and biases, data is scientifically calculated using formulas to determine accepted degree of accuracy.

3.2 Target Population

According to Avwokeni (2006:92) the population is the number of respondents that suit the purposes of the study that is the population that can give relevant information to the problem at hand. Japheth (2012) conceptualised population as to the total number of items and people that are strategically located in the jurisdiction where the researcher intends to carry out the research and identify the problem .That is in general the whole participants of a study. Manyame RDC consist of 72 employees which includes management, technicians, clerks, general employees and general

hands employees however it is difficult to attain information from all the employees hence a sample of 32 council staff who falls within the administration of Manyame RDC that is from the five main departments namely Administration, Finance, Planning, Engineering and Audit .The respondents targeted comprised of management, technicians, clerks and other officials of council.

3.3 Sampling

Jacobs (2008) argued that for the purposes of carrying feasible and more reliable research there is need to have a manageable group or population with same attributes or characteristics .Furthermore it can be a small proportional of the population whom the researcher intends to use to provide reliable information of the study (Awoniyi et al 2011). Field (2007) argued that a sample is a representation of the total population that is selecting a fraction of the population to estimate or assume the characteristics of the whole population. The research used two sampling methods were used which probability and non-probability are sampling.

3.3.1 Sampling methods

3.3.1.1 Probability sampling

Trochim (2008) is of the view that probability sampling is a process of selecting respondents in a haphazard or random way. Furthermore, he argued that there is need to create a systematic way where all the respondents have the same relative advantage or probability of being selected. Probability sampling ensures that all the respondents have a relative advantage of being chosen. The researcher opted for a random sampling method as a form of probability sampling as the all the targeted population had a relative advantage of being selected.

3.3.1.2 Non probability sampling

On the other hand Jacobs (2009) defines non-probability sample as a method where the researcher deliberately favours or select a certain fraction of the populations for specific reasons or in order to accurately respond to certain problem. On probability sampling can also be referred to purposive sampling where for instance in order to understand reliable financial problems one would select members from the finance departments who understand financial management better that the other departments.

3.3.2 Sampling techniques

3.3.2.1 Purposive sampling

According to Blaide (2009) purposive sample uses the concepts of non-probability sample method where the population is selected basing on their qualities and characteristics and are selected on the basis of meeting a specific research objective. Crossman (2017) argued that purposive sampling can be applied in situations where you have limited time and resources or when you want to address the situation quickly.

In addition purposive sampling can be used basing on the judgement of the researcher to select the population that suits the specific area of study that is being able analyse the characteristics of the population before selecting them (Blaide, 2009). In this context the research focused on all officials with higher grades and qualifications and with the assumption that they provide adequate and reliable information and they best understand the control mechanisms of the organisation. However this method is based on assumptions and sometimes might fail to reach to a convincing strategy to apply to the problem at hand in that some of the members are left out and have higher chances of have biases

3.3.2.2 Simple Random sampling

Frerichs (2008) argued that unlike purposive sampling where the people have a lower probability of being selected, simple random sampling offers a more systematic way where all the targeted population under study have a relatively same advantage or probability of being selected. This however reduces sampling errors and bias. The researcher used the simple random sampling so that all members of departments that is the Planning and Land management department, Administration and Socials Services Department, Finance Department, Engineering department as well as the Audit Department have a relative advantage of being selected since they were all equipped with the understanding the corporate practices practice of governance in their execution of duties and understanding the systems and procedures of the organisation. Thus the researcher used a box with categories of 'yes or no' and those who picked yes automatically qualified for interviews and questions .

3.4 Sample size

Sample size measures the total number of population selected for interviews. The sample size helps in establishing reliability and accuracy of data (Zamboni, 2017). The research targeted 25 council officials however the application of simple random sampling and purposive sampling techniques in the study managed to select 18 respondents for interviews using simple random sampling.

Table3.1 Sample size

Category	Population	Population sample	Sampling method
Management	6	5	Purposive sampling
Technicians	4	2	Purposive sampling
Clerks	7	4	Simple random sampling
Employees	55	21	Random sampling
Total	72	32	

Source: Research data 2017

3.5 Primary and secondary

3.5.1 Primary data

.McGregor (2008) stipulates that primary data is the collection of data from set items and population that is through interviews, surveys and questionnaires which then is used to measure analyse and discuss the findings so to arrive at to the final results of research. Primary data is important because data can be measured basing on the emotions and attitudes of the respondents Primary data was collected from the employees and that helped the researcher to be able to understand the practical application of internal controls in ensuring good governance.

3.5.2 Secondary data

Hakim (2004) defines secondary data as the analysis of the existing board of knowledge or sources which then assist in adding additional material such as interpretations and conclusions to the study. Johnson (2013) is of the view that in most cases research base its facts and analysis of the investigations that are carried from what is generally accepted or what is already known that is reviewing previous data collected in the area of interest. Secondary sources are important in that they offer empirical examples to the study and concepts that can be used in analysing primary data. The researchers used minutes of council and other empirical data to buttress the study so that it gives a reliable meaning

3.6 Data Collection methods

Data collection is the process of extracting, and measuring data as well as evaluating the outcomes of the data that is obtained from the targeted population. The study used different sources to collect data which are suitable for the study. The justification of the selection will be discussed below .The primary sources that were used include interviews and questionnaires.

3.6.1 Data collection instruments

3.6.1.1 Questionnaires

A questionnaire is defined by Blacks (2009) as a process of gathering information through providing direct or indirect questions to individuals so that they fairly give an expression on the area understudy. According to Key (1999) a questionnaire gives the same exactness or uniformity in the interpretation of data as the respondents are given the same questions and respondent in a uniform way. Questionnaires were important to the study because they gave reliable information as the respondents are able to respond honestly to the questions without hesitation as they will not be directly in contact with the interviewer. Chambers (2010) argued that the anonymity of questionnaires reduces biases as the respondents will be freely express their emotions to the topic under review. Furthermore questionnaires enabled the researcher to receive a higher response rate as the distribution of questions was high which then gave reliability of the data and unlike interviews which consume time and resources.32 questionnaires were distributed to all council staff.

3.6.1.2 Interviews

According to Koman (2008) interview is a process of obtaining data using verbal communication and the researcher is in direct contact with the respondents. Interviews gives room for clarity on some of the blind areas that may not be revealed by questionnaires and as such the researcher can ask many questions until satisfied (Maguire 2009) .Furthermore, interviews allow the data to be interpreted and analysed in different ways unlike questionnaires which limit responses. Again interviews allows the respondents to express their feelings on certain aspects of work. However, interviews require strong communication skills and as such this can influence the interaction and responses of the targeted population in situations where the interviewer give a wrong impression or approach. More so, there is an element of bias as the respondents may be sensitive to some of the questions hence there is need to have structured and semi structured questions. The researcher was able to get in touch with the respondents of the organisation face to face interaction with them

The researcher selected the method because the quality of data was useful in a qualitative research. The researcher had more room for explanation in order to be given to clarity on some governance related issues. However the interviews were a bit challenging as it consumed resources and failed to interview some of the respondents of lower qualification as they failed to understand many concepts. In addition the researcher failed to meet the set target due to lack of cooperation and time to participate .Therefore interviews require a small and manageable population to be successful. The interviews were targeted on the 12 respondents selected from the categories of management, technicians, clerks and other council staff.

3.6.1.3 Observations

Observation is a process of physically examining and recording the behaviours of individuals and assessing how they interact with the business environment .Observations are done in relation to the research .The researcher selected this method because it has small margins of errors and biases as the findings will be based changing behaviours of the respondents. The method enabled the researcher to have a critical assessment how control systems are implemented in a local authority set up and how they internal controls interlink with governance. During the study the researcher observed that there is transparency in financial transactions as transactions follow the proper channels of authorisations that is from the CEO ,the Finance officer ,Human resources officer

,auditor and the head of department within which the transactions falls. More so, there is separation of duties in the finance department and there is close monitoring of financial transactions.

3.7 Ethical Considerations

According to Kumar (2011:217) ethical considerations in a research is a process where professional ethical values guide the conduct of a research. Accordingly ethics can be defined as performing or acting according certain standards or principles. Thus when conducting a research there is need to abide to certain obligations and principles. Devlin (2006:155) argued that it is important to adhere to what you promised to deliver in the research. According to Davies (2006) there is need to establish a psychological contract or agreement between the researcher and respondents thus during the research process the researcher promised to treat the information with confidentiality and maintain the anonymity of the respondents. Furthermore the researcher considered the ethical dilemma that may rise due to infringing some individual or organisational privacy thus there was need to seek authority to conduct the research from the Chief Executive Officer of MRDC. The fundamental rights of the respondents will be protected and the researcher will abide to the agreements

3.8 Reliability and validity

3.8.1 Reliability

Joppe (2000) argued that results need to be consistent and accurately presented in a similar fashion and in that it can be reproduce using the same research methodology so as to gain reliability of the study .Thus collection and presentation of data should present reputable results over time. According to Nunnally (2007) in order for measurements to be reliable they should be repeated at any given time despite the circumstances. Nolan (2008) argued that accuracy of a research instrument determines reliability thus for instance collecting data through same methodology should produce the same results.

3.8.2 Validity

Monreal (2007) states that validity is the degree to which the research instrument is supposed to measure. Thus in validity the instrument to highlight what is going to be measured .Furthermore

he argued that the researcher should consider the effectiveness of a research instrument in measuring the respondents under study.

3.9 Pre testing

According to Brighton (2008) pre-testing involves a process of testing the variables or data instruments before the final research, to check whether the respondents will be able to effectively respond to the proposed questions. Pre -testing normally involves carrying a feasibility study of the topic under review to check how the respondents will respond or understand the topic. The researcher pretested the questionnaire choosing a few respondents from the District Administrator's office .However some of the respondents failed to understand the questions. The pre-test was successful due to the willingness of the respondents.

3.9.1 Data presentation and analysis

The findings obtained in the research was presented using tables and graphs .Conclusions were made basing on the percentage and figures that were obtained in the study. Graphical presentations was vital in highlighting the responses of the respondents .The finding were critically analysed so as to arrive at conclusions of the study. The findings were presented and analysed in a systematic way that was responding to the research objectives .The research used more of a qualitative approach than quantitative in analysing and presentation of data.

3.9.2 Chapter Summary

The objectivity of this chapter was aimed at identified some of the important aspects of the research methodology in trying to find results regarding the effectiveness of internal control systems in promoting sound governance. Furthermore the chapter discussed the research methodology and design as the fundamental steps in a research .Data collection instruments which are interviews, questionnaire and observation were introduced and assessed on their contribution towards a successful collection of data and introduced the instruments used in data collection. The research used purposive and random sampling techniques. Having assessed the data collection instruments the researcher will focus on 32 employees on the criteria of experience and positions and 5 Head of Departments Engineering, Planning, Finance, Administration and Social Services and Audit. The concept of ethics was considered in the study so as abide to the rules and obligations guiding the research. A pre-test was done so as to determine feasibility of the study and gauge

whether they will understand and be able to respond to what is required from them. The chapter concluded by addressing the presentation of data and how it was analysed. In this context the next chapter will analyse and present the extracted data through graphs, tables and pie charts.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

The last chapter focused on mapping the research using different techniques and methods useful for a research hence this chapter gives a summary to the data extracted using questionnaires, interviews and observations in examining the effectiveness of internal control systems in promoting sound corporate governance. The data obtained from the different research instruments is presented in a tabular and graphical format so as to obtain the total percentage per each class and set. For the purposes of assessing the effectiveness of internal controls of Manyame RDC, the chapter will analyse and interpret the data that is obtained from research. The presentation, analysis and interpretation of data is systematic as it followed the sequence of research questions so as to meet the objectives of the study. This chapter is critical as it allows the research to reach to conclusions that will be further expressed in chapter 5.

4.1 Target Respondents

4.1.1 Response rate of questionnaires

Table 4.1 Response rate of questionnaire

Department	Sample Individuals	Respondents	Percentage (%)
Audit	2	2	100%
Finance	8	6	75%
Planning	5	4	80%
Engineering	7	6	86%
Social Service & Admin	10	8	80%
Total	32	26	81%

Source: Research data (2017)

The respondents under this study who were targeted were 32 members, whom the researcher selected from five departments, namely Planning and Land Management, Engineering, Social services and Administration and Internal Audit. However the total number of answered questionnaires was 29 this is because some of the targeted respondents were committed to other critical activities of the council. Furthermore, there was lack of willing to participate in the process

by a few section of the targeted population, as shown in table.4.1 above. The respondent rate of questionnaire was 81%, this give validity of the study as it produced quality and acceptable results as stipulated by Zohrabi (2013).

4.1.2 Response rate of interviews

Table 4.2 Response rate of interviews

Sample Group	Designed interviews	Attendance	Percentage (%)
Senior Officials	5	2	40%
Assistants, Technicians	4	3	75%
Clerks	3	2	67%
Other officials	8	5	63%
Total	20	12	60%

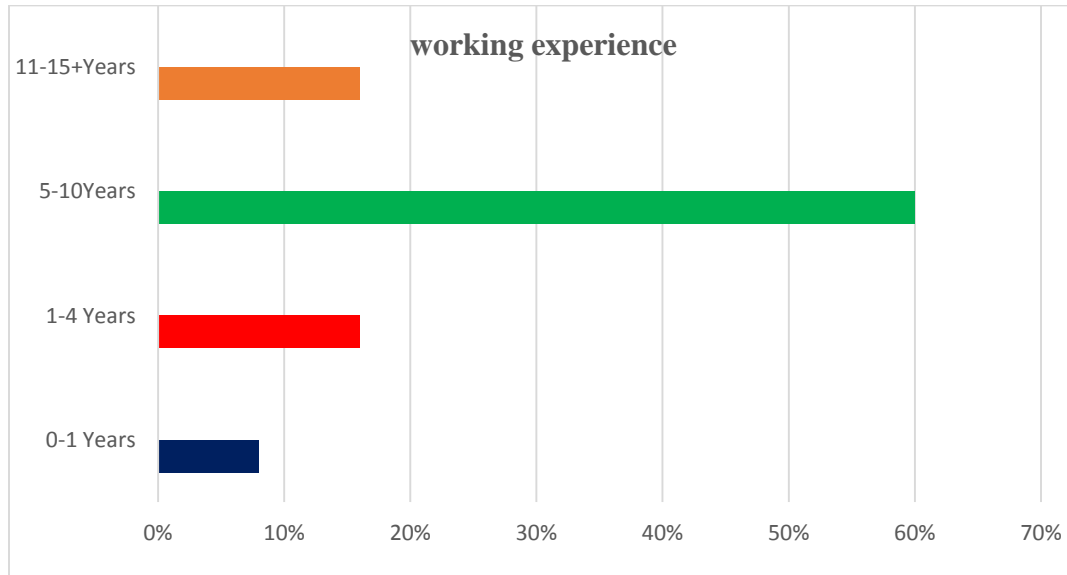
Sources: Research data (2017)

Accordingly out of the 20 designed interviews structured for the management, assistants and technicians, clerks and other officials, only 12 were successful and it gives a 60% rate of the respondents. The above results and analysis gives a positive validity of the research because the questionnaires and interviews yielded 81% and 60% respectively. However the researcher failed to achieve a 100% response rate on interviews because some of the targeted groups were absent from work.

4.2 Respondents by virtue of their working experience

For the purpose of obtaining reliable data the researcher had to examine the data basing on working experience of respondents. With reference to the data collected it indicates that, the duration of work experience ranged from 5 months to more than 15 years. The highest working experience ranged from 11 to above 15 years with a percentage of 16%, followed by 4 to 10 years with a percentage of 60%, followed by 1 to 3 years with a percentage of 16% and the least was 0 to 1 year with a percentage of 8%. Therefore the above findings indicate that the majority of employees, 15 out of 20 are in a range of 5 to above 10 years of work experience. This however gives a positive effect on good corporate governance, since a large proportion of the employees have enough experience and understanding the systems and procedures of the organisation working as shown in figure 4.1.

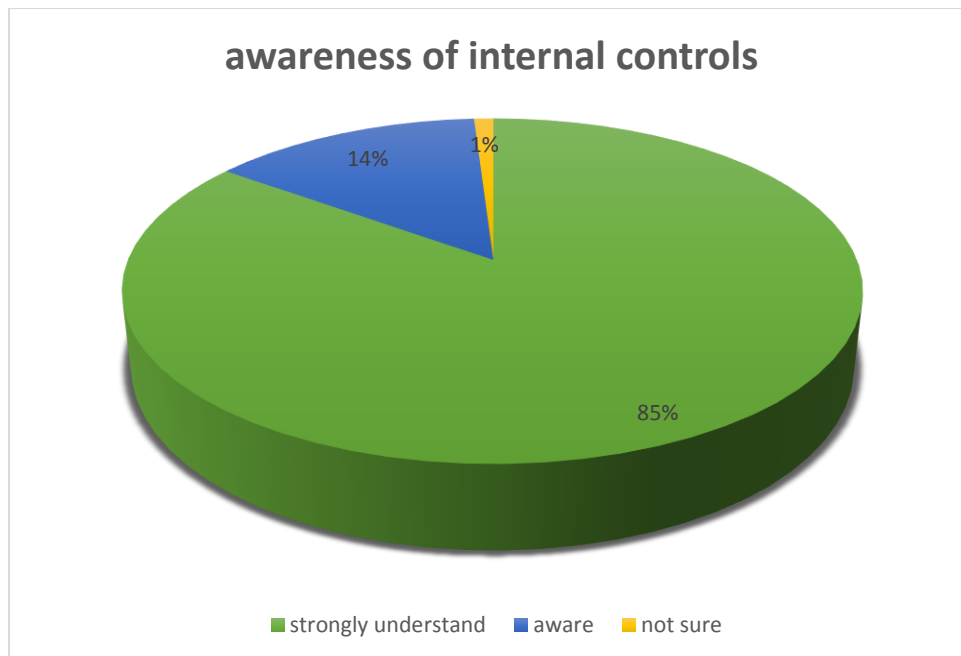
Fig 4.1



Source: Research data (2017)

4.3 Existence of internal control systems at MRDC

Fig 4.2

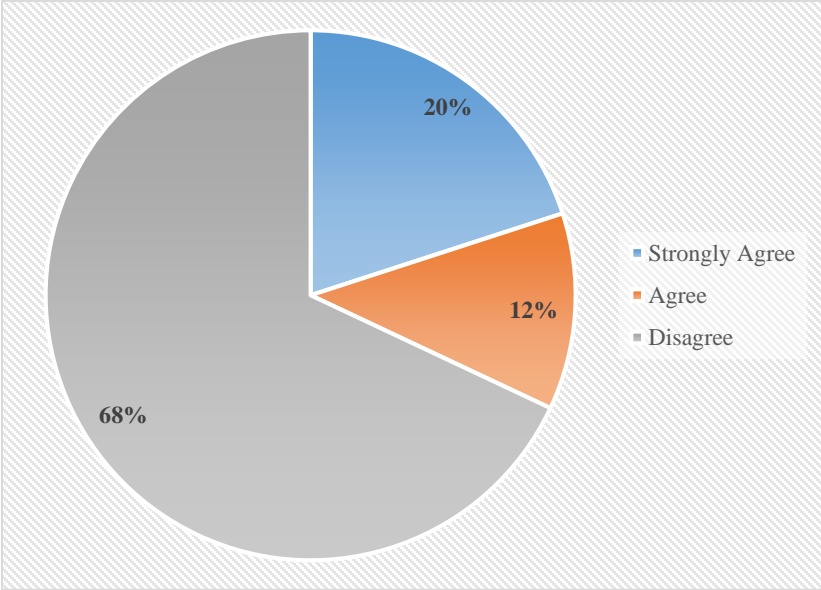


Source: Research data 2017

Figure 4.2 above indicates the responses in the sample from the management to lower level officials of council, on their understanding of Internal control systems in the organisation. The objective was to test the respondent’s understanding and appreciating the existence of internal control systems at Manyame RDC. The findings indicate that there was strong understanding of internal control systems as there was an 85% rate acknowledging their understanding of internal control system and more so, 15% of the officials in the middle grades were aware of their existence in the organisation. However a small proportion of the respondents (1%) who were general hands highlighted that they were not clear or lacked the appreciation of internal controls. This implies that the level of internal control knowledge is attributed to their level of qualifications as well as working experience as the majority of the respondents occupying 60% were in the range between 5 to 10 years of experience. Thus from the above analysis it is imperative to note that the implementation and monitoring of internal control systems can be well articulated and communicated in the organisation and hence ensuring an effective control system.

4.4 Independence of Internal Audit

Fig 4:3 Independence of internal audit



Source: Research data (2017)

The Institute of Chartered Accountants in England and Wales (2004) identified the audit function as an independent, objective assurance and consulting activity designed to add value and improve

an organisation's operations. Hence internal audit independence gives auditors the discretion to effectively exercise their functions properly so as to assist organisations in achieving their goals and also in the reduction of organisational goals. As such the researcher distributed questions so as to analyse the independence of internal auditor in the organisation. However the majority of the findings indicate that internal audit does not fully exercise its discretion as it is placed on the same grade or line of command with other management, which then undermines his independence to audit other organs of the organisation. Out of the 25 respondents only 5 (20%) strongly agreed that there is independence, furthermore 3 respondents agreed that there is an element of independence in the audit's function which gave 12%) and 13 out of 25 respondents with a percentage of 68%, strongly disagreed that the internal audit enjoys its independence.

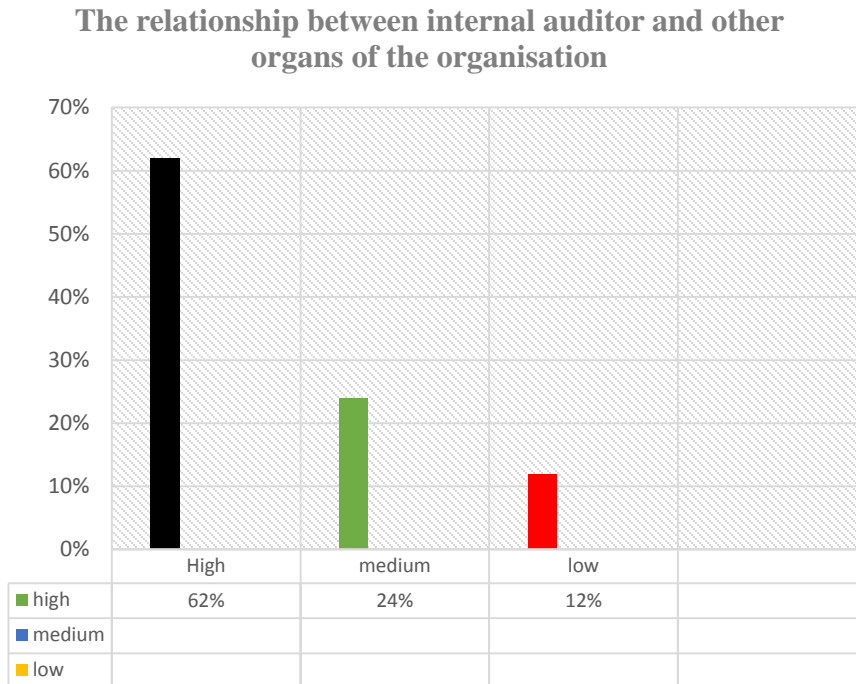
The interviews that were done indicate that the internal audit deliberates policies with other executives in the management meetings which therefore undermines its independence. This results from the fact that the internal audit is regarded as a separate but interrelated with other parts (departments) of the council and is placed on an equal footing with other Heads of Department which makes it difficult to question other executives. Furthermore the role of the internal auditor in ensuring accountability is questionable when one looks at the reporting structures of MRDC where he reports directly to the CEO of the council and this therefore undermines his independence to audit his superior. Therefore the procedures and systems of local authorities differs from that of Singapore where the audit is treated as a separate entity. Thus from the foregoing one can say the role of the internal audit in ensuring sound governance is questionable as there is lack of independence to perform effective audit function.

4.5 The relationship between the organs of the organisation and the auditor

In order for organisations to achieve their goals and mitigating risks there is need for the management and other sections of the organisation to appreciate and support the role of internal auditors. Hence the strong relationship assists in the implementation and monitoring of organizational operations. Thus management and the internal auditor play a vital role in ensuring that there is adherence /compliance to the corporate systems that guides the organisation. The researcher distributed questionnaires so as to examine the extent to which the sections of the organisation supports and appreciates the role the internal auditor. The findings in fig 4.4 reveals that 64% of the respondents that is the technicians and other officials strongly agreed that there is

great support while 24% agree that there is support and appreciation at some extent, and 12% very low support. Thus from the above findings one can safely say that a sound relationship between management and internal auditor, ensures effective monitoring and implementation of systems that promotes good governance

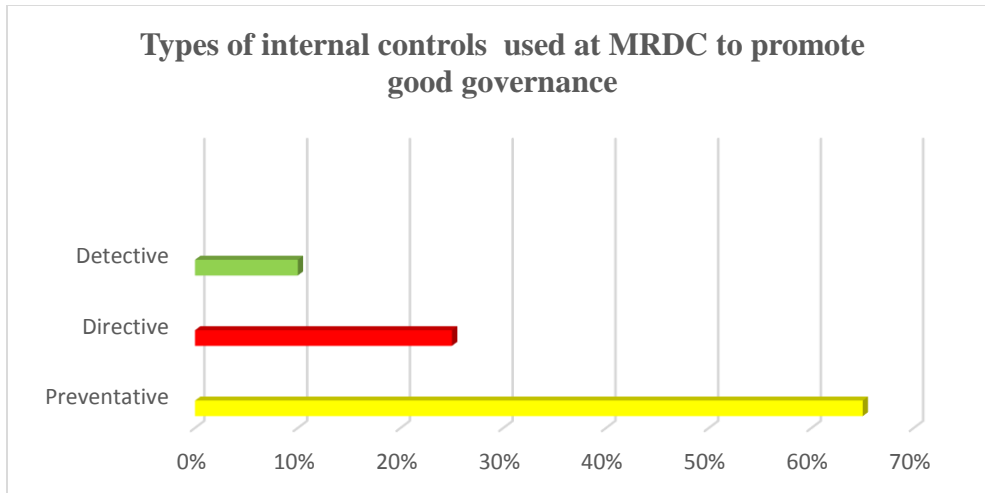
Fig 4.4



Source: Research Data (2017)

4.6.1 Demonstrating how internal controls systems are used at Manyame RDC in promoting sound governance.

Fig 4.5

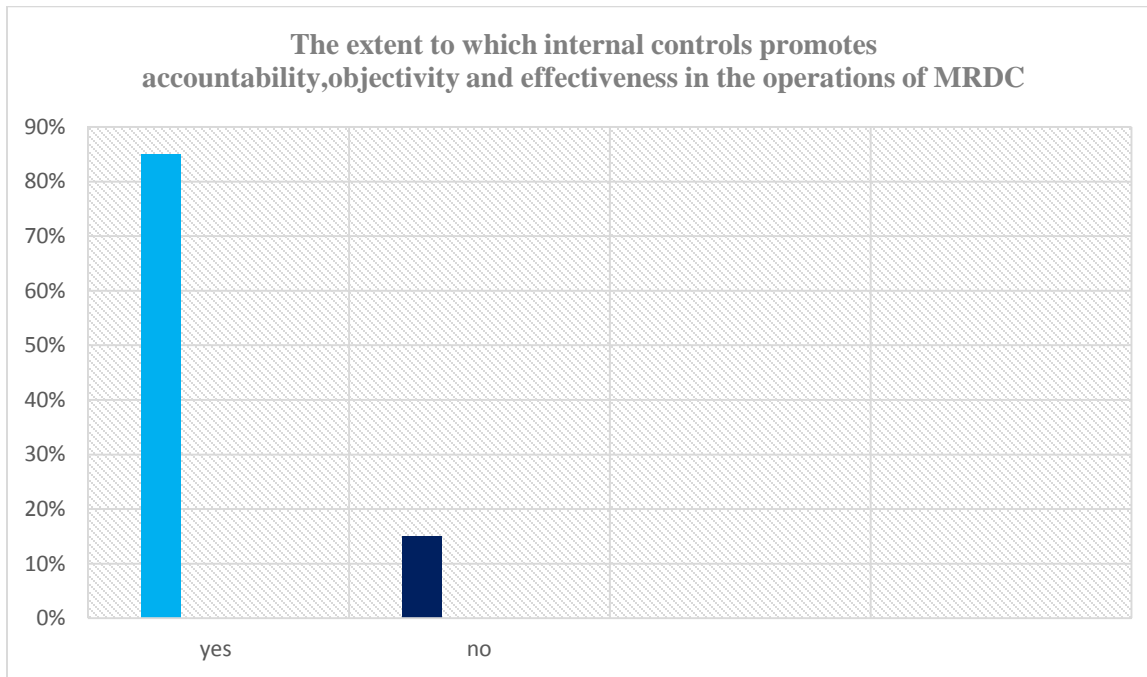


Source: Research Data (2017)

Brown (2008) argued that internal controls are essential to organisation as they ensure accomplishment of goals as well as spearheading organisational performance. This have a positive impact towards ensuring sound governance. The majority of local authorities in Zimbabwe are affected by poor ethical conducts and as a result most of council infuse preventative measures thus the findings indicate that most of the operations of MRDC are guided by preventative controls (segregation of duties, physical controls over assets, authorized signers, reviewing of code of ethics, performance monitoring systems), which then appear regularly in council operations. According to both questionnaires and interviews that were administered, 65% of the respondents highlights that preventive controls are used in mitigating risks and also as a guide to the achievement of the organisational goals. The other 25 % of the respondents states that although preventative controls are most common, the organisation also uses detective controls which are used to assess and identify potential errors and problems. Detective controls which are most common at MRDC include reporting structures, policies, procedures, management directives, guidance statements and circulars.10%of the respondents said there are also directive controls which are used to assess the impact of the identified risk that occurred and examples include bank reconciliations, budget reviews. However all the forms of internal controls are important in ensuring an effective control system which therefore assist in establishing a sound corporate governance framework.

4.6.2 The extent to which policies, systems and procedures promotes accountability, objectivity and effectiveness in the operations of MRDC.

Fig 4.6

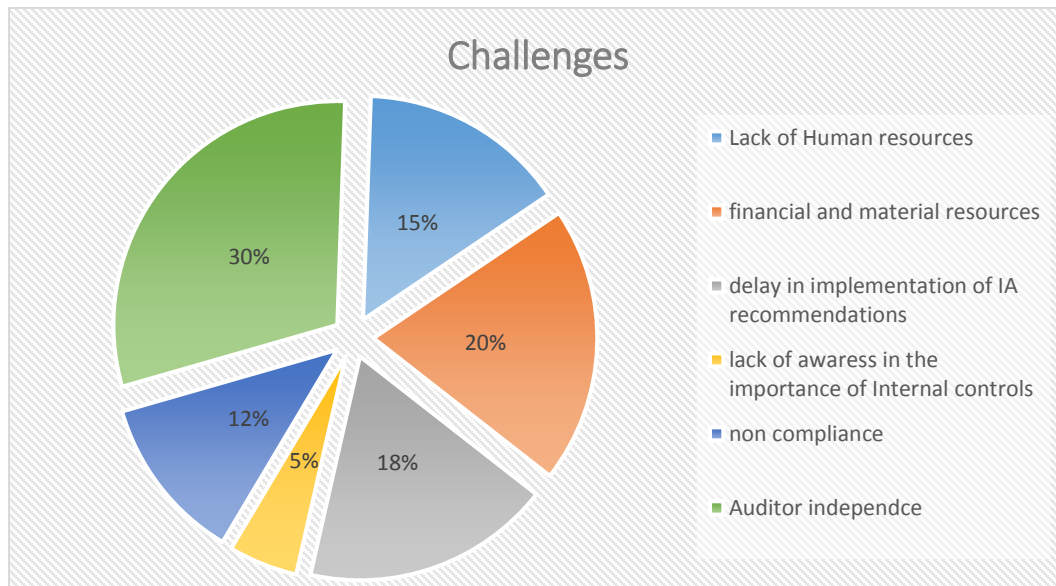


Source: Research data (2017)

The research aimed at examining the relationship between internal controls and good governance and in order to achieve this objective the researcher had to relate it to the extent to which forms of internal controls promote good governance to Manyame RDC. Weak internal control systems pose negative implications on corporate governance which then results in underperformance by the organisation. The research conducted indicates that 85% of the respondents agreed that the operations of MRDC highlights that there is strong core existence between internal controls and governance, while 15% of the respondents repeal this assertion. Furthermore from the observations that were done it can be argued that to a greater extent internal controls ensure accountability, objectivity and effectiveness in the operations of MRDC in service provision. The explanations will be summarized in the graph below.

4.7 Challenges faced in the implementation of an effective control framework

Fig 4.7



Source: Research data (2017)

This variable was to investigate some of the challenges that affect the effective implementation of a control framework of Manyame RDC. The main objective was to identify some of the impediments that have contributed to the uptake of internal controls in the organisation so as to assist in the formulation of strategies that can be recommended to ensure an effective control framework of the organisation. The findings indicate that 30% of the respondents project lack of Internal Audit independence as one of the major challenges affecting the organisation, while other 20% cited financial and material resources as the other impediments. 18% of the respondents highlighted that there is delay in the implementation of auditor's recommendations by the management and this has had a major effect in improving the systems of the organisation. 15% pinpointed that there is lack of adequate Human resources to support the system while 12% cited noncompliance as another impediment and more so, 5% highlights that there is unawareness of the importance of the internal control measures. Vitez (2017) argued that the definition and application of internal control systems is so diverse and this can affect the systems of the organisation which then results in creating weak internal controls. The respondents cited that there is need to train employees on the importance of internal controls, ensuring internal auditor's independence as well as implementing audit recommendations.

4.8.1 Evaluating the effectiveness of internal controls of MRDC in promoting sound governance

Table 4.3 Effectiveness of internal controls

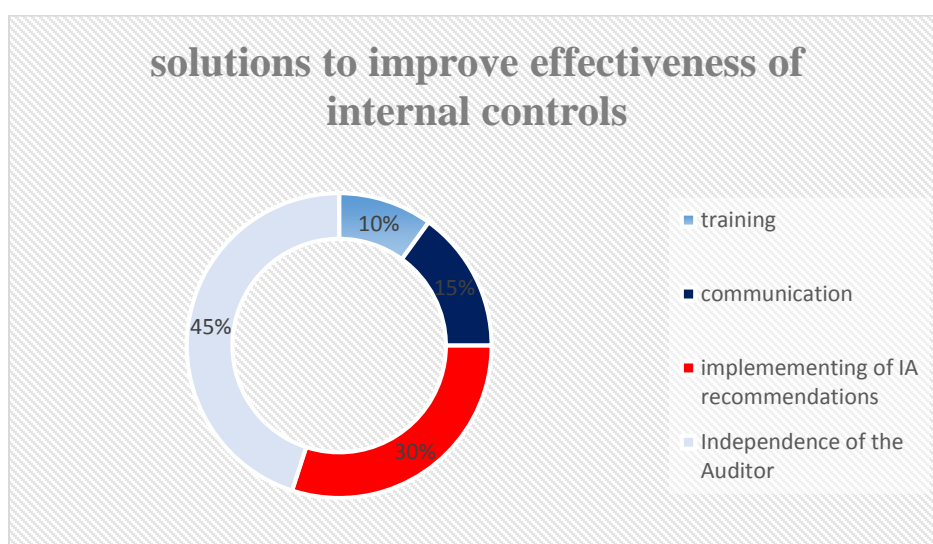
Category	Frequency	Percentage %
Very Strong	20	80%
Strong	4	18%
Very weak	2	8%
Total	25	100

Source: Research data (2017)

This variable was aimed at investigating and evaluating the effectiveness of control systems of Manyame RDC. 80% of the respondents labelled internal control systems as very strong and effective, 18% of the respondents highlighted that the internal controls of MRDC are strong, and 2% of the respondent rated internal controls as very weak. The results obtained indicate that the internal control framework of Manyame RDC is very effective in the promotion of sound governance. Effective internal control systems ensures improved service delivery as it allows the reduction in errors and risks which impact the operations of the organisations hence this have allowed sustainable delivery of good business performance by Manyame RDC.

4.8.2 Measures to strengthen internal controls

Fig 4.8



The findings indicated that although the internal controls of MRDC were deemed to be effective, there are some impediments towards attaining a 100% assurance. The respondents cited that there was lack of training, human resources, financial constraints, and delay in the implementation of the auditor's recommendations, non-compliance and lack of internal auditor independence. However the management highlighted that there was need to offer training to employees so as they understand and appreciate the importance of internal controls. 45% of the respondents excluding management indicated the need to allow independence of internal auditor's independence .In addition 30% of the respondents cited there is need to implement auditor's findings and recommendations as it will assist in reducing organisational risk .There is need to strengthen communication channels as this will assist the employees to understand the mission of the organisation and also to ensure commitment. The interviews that were conducted revealed that MRDC the management offer training and communication through departmental meetings .The observations that were carried revealed that there is proper surveillance of employee performance as well as following lines of command and authorisation.

4.9.1 Chapter Summary

The main goal of this chapter was to give clearly insight of the research objectives through presentation, interpretation and analysis of data. Guided questionnaires, observations and interviews were used to extra data and the response rate for questionnaire and interviews was 80% and 60% respectively. The findings highlighted that despite lack of auditor's independence, the other sections of the organisation supports the audit function. The policies, procedures systems are integrally informed in the promotion of good governance. Furthermore despite the challenges that are impeding the implementation of an effective control framework, the findings cited that the control framework of Manyame RDC is very strong and effective. The next chapter will explode the conclusions, summarises and recommendations for the study and able to reach the main objectives of the study.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter gives an overview of the study that is summarising the findings and all the sections of the study under review. All the components and sections of the study under review were aimed at examining how internal controls can be infused into the operations of MRDC so as to promote good governance. Furthermore this phase will give conclusions to the study and of the findings extracted from the research. Recommendations on how to establish an effective control framework that promotes sound governance will be reviewed.

5.1 Summary

The study was aimed at examining the effectiveness of internal control systems of Manyame RDC. Internal control systems play a significant role towards service provision, accomplishment of organisational goals, increasing organisational performance as well as promoting sound governance. The background of the study was extracted from the local, regional and global experiences of poor governance. Furthermore the background of the study unfolded some of the major challenges affecting performance and with particular reference to Manyame RDC. The research was aimed at identifying and demonstrating how the forms and types of internal controls are used to promote sound governance. More so, to underpin the relationship between internal controls and governance. The researcher wanted to explore how internal controls have an impact on governance.

The first chapter explored the research objectives which were identifying the forms of internal controls systems at Manyame RDC, demonstrating how internal control systems have been used to promote sound governance, examining the core relationship between internal controls and governance, assessing the effectiveness of internal control systems in promoting good governance, examining the measures that have been put in place to strengthen the control systems and also recommending methods that can be used strengthen internal controls and good governance. The chapter also brings the problem into context through providing a background of the problem. The problems facing African local governments particularly Local authorities in Zimbabwe, on effective service provision and performance emanates from poor and weak systems governing

public institutions. Corruption has been the major cause of concern as it impacts the performance of the organisation. Furthermore the research explored some of the challenges facing rural local authorities of Zimbabwe in delivering effective services.

Chapter two conceptualise internal controls and internal control system and identified detective, directive, correctives and compensating control as the major types of internal controls. The chapter also identified the control environment, risk assessment control activities, information and communication and monitoring and evaluation as the major components of internal controls which are separate but interrelated used to monitor and evaluate internal controls of an organisation and they have the sole responsibility of supporting the achievement of organisational goals. These components constitute the compliance framework. The compliance approach which focuses on set of rules and procedures that are enforced by an organisation so as to improve performance of its workforce. It is a hard approach used by management so as to ensure adherence to set principles. To add on the integrity approach can be used by an organisation as it focuses on building the internal virtues that guides the behaviour of individuals in an organisation. Internal controls can be used in local government through performance management, directives, segregation of duties and it helps in ensuring accountability, effectiveness and efficiency in the execution of duties. It is imperative to note that internal controls assist organisations in the mitigation of risks, accomplishment of goals and objectives, compliance and establishing ethical standards. The chapter introduced the concept of governance and the fundamental principles of corporate governance are integrally informed internal controls. The more effective the systems and procedures of an organisation are, the more the organisation achieves its objectives and as a result strong internal controls have a positive effect on governance. However the application of internal controls is so broad and diverse that it can weaken the systems and operations of an organisation. Furthermore the chapter gave a comparative analysis on corporate governance in Singapore, Tanzania and Zimbabwe and it highlighted that for the organisation to achieve sound governance there is need to have policies, systems and procedures which are effective and conducive.

The research used a qualitative methodology because it is corresponding to the type of research questions being asked and answered. Chapter Three focused on elements and components that were applied in collecting data, regarding internal control systems in promoting sound governance. Furthermore the chapter discussed the research methodology and design as the fundamental steps

in a research .Data collection instruments which are interviews, questionnaire and observation were introduced and assessed on their contribution towards a successful collection of data and introduced the instruments used in data collection. Having assessed the data collection instruments the researcher focused on 32 respondents on the criteria of experience and positions and five Head of Departments Engineering, Planning, Finance, Administration and Social Services and Audit. The concept of ethics was considered in the study so as abide to the rules and obligations guiding the research. A pretest was carried so as to determine whether questions and directions of the questionnaire were logical to the subjects. The chapter concluded by addressing the presentation of data and how it was analysed.

Chapter four focused on analysing, presenting and interpreting data. Tabular and graphical presentation of data was used in the research .The validation of data is gained through the work experience and awareness of internal controls by the respondents. There is a negative outcome on the independence of internal audit as 68% of the respondents cited that the independence is undermined. The research also demonstrated that preventive controls are commonly used at Manyame RDC however are also supported by other forms of internal controls.62% of the respondents cited that other structures of the organisation greatly support and appreciate the audit function. Thus a strong relationship between management and the internal auditor is critical in ensuring adherence or compliance to the corporate systems that guides the organisation. The respondents cited that lack of internal independence, human resources, financial resources, non-implementation of IA, which impedes the implementation of an effective control framework of MRDC. Furthermore the findings indicated that the control framework of MRDC is very effective.

5.2 Conclusions

Internal controls are essential to public sector institutions as they assist in ensuring effective organisational performance by linking up plans, attitudes, politics, integration of systems, and management of human resources that assist the organization to achieve its goals and missions. The components of internal controls if were articulated and informed can assist the organisation to accomplish its objectives. In addition the components are important in identifying and mitigating organisational risks.

The compliance and integrity approaches can assist public institutions in curbing corruption and poor performance as they put in place mechanisms that promotes compliance and adherence to set rules and regulations .More so , they assist in building the internal qualities of officials so as to desist from corrupt tendencies .The reason why there are cases of corruption and maladministration it's because public institutions lack personnel with moral ethical values which shape their behaviour on how they interact with the organisation.

The audit function is the most critical factor for the survival of any organisation. Auditors guide the operations of an organisation through monitoring and evaluation of the systems and procedures. Furthermore it is critical to note that internal auditors assist public officials to be accountable through the systems of checks and balances thus it is if there endure full discretion to properly execute their duties .Management undermines the independence of internal auditors and such affects their ability to execute the audit function and promoting accountability and transparency. Management and auditors sets the tone or the map of how the organisation behaviour and again align its operations to the set targets and missions.

For organisations to have systems that ensures accountability, transparency, effectiveness and efficiency, objectivity and honest, the systems and controls should be intact and effective thus internal controls govern how individuals behave and perform within the organisation. Many cases of poor governance in Africa and Zimbabwean local authorities in particular are a result of weak internal control systems.

The study revealed that organisations can ensure achievement of goals, reduce organisational risk, compliance and setting protocols, if the systems of control are effective. Thus the degree to which the organisation attains its objectives, reduces risks and minimise errors determine the effectiveness of internal controls of an organisation.

5.3 Recommendations

5.3.1 Internal Auditor's independence

The study unfolded that the internal auditor lacks independence to carry its function effectively hence there is need for the organisation to guarantee independence of internal auditor in the execution of their duties. This promotes accountability in the organisation which further allows the safeguarding of public resources.

5.3.2 Rearranging the reporting structures of the auditor

Furthermore the study revealed that the reporting structures undermines the independence of the internal audit to fully exercise its function. The findings indicated that the auditor follows the same chain of command with other organs of the organisation that is directly answerable to the CEO and this undermines the ability to audit the superior and as such there is need to treat the audit department as a separate part of the council which is answerable to the full council or Audit committee. This is critical in that the Committees have full discretion to hold managers of Local authorities accountable to their action.

5.3.3 Implementation of audit recommendations

The respondents cited there is delay and non-implementation of audit recommendations by the management which is one of the impediments to effective implementation of a sound corporate governance framework. It is important for management to implement or appraise the critical issues raised from audit as this will assist in identifying risks and monitoring of council operations. Critical issues that are identified or detected by auditors should receive immediate attention as this will assist in risk mitigation and reduction.

5.3.4 Reviewing written policies, procedures and codes of conduct regularly

Reviewing of written policies, procedures and code of conducts provides awareness to all employees of the management anticipations and the core values of the organisation. More so, they give direction in the correct way of generally accepted principal methods of processing transactions. Furthermore there is continuity and uniformity in the operations of an organisation. It is imperative to note that clear procedures and rules will assist in managing how individuals behave within an organisation and this reduce unethical behaviours.

5.3.5 Motivating of employees

For effective implementation of internal controls there is need for management to recognise and appreciate the role of their subordinates. One of the factors promoting corruption in Zimbabwean local government is lack of proper rewarding system thus good performance should be rewarded through incentives and this motivates and discourages corrupt tendencies. A highly motivated workforce will adhere and comply with procedures and policies of an organisation. Motivation

assist the organisation to achieve its set objectives as they will be committed to delivery effective services.

5.3.6 Provide adequate training to staff

There is need to raise awareness on the importance internal control measures. Training also provides employees with the understanding and appreciating the importance of internal controls and also discourages them from resisting any changes that may be made by management. Furthermore training can be useful in instilling moral values to the organisation.

5.4 Future research

The study focused on how internal controls improve sound governance however the study recommends that the legal environment should allow the independence of internal auditors so as to encourage transparency and accountability in the organisations.

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APPENDICIES



MIDLANDS STATE UNIVERSITYMIDLANDS



FACULTY OF SOCIAL SCIENCES

LOCAL GOVERNANCE STUDIES

APPENDIX I

Questionnaire for council officials

Dear respondent,

The purpose of this questionnaire is to help in collection of data that will be used in the research study titled ‘**Examining the effectiveness of internal control systems in promoting sound governance at Manyame Rural District Council**’. The results to be obtained will be beneficial to all stakeholders. You are requested to answer the following questions as honestly as possible, and the reliable information you give will be treated confidentially and be used only for the purpose of the study. *Thank you in advance, for both, the time you spent and cooperation you provided.*

1. Name of your organization-----

Your position in the organization-----

2. For how long have you been working with your organization?

(i.) 0-3 years,

(ii.) 4-10 years,

(iii.) 11-15 years and above years (**Tick one**)

3. Do you agree that internal controls create transparency, honesty, and accountability in management of public resources, and realization of corporate objectives?

(i.) Strongly agree

(ii.) Agree

(iii.) Disagree

4. Does the quality of the control systems improve corporate governance?

(i.) It improves the organizational performance through policies and procedures.

(ii.) [] Reduces the quality of service delivery as it affects employees performance through monitoring systems.

5. To what extent do Management and other organs of the system support, understand and appreciate the role of internal audit functions in good governance?

(i.) [] they encourage the internal audit's independence

(ii.) [] The internal audit to some extent is recognized as a regulatory board

(iii.) [] The role of the internal audit lacks recognition as an instrument that regulates the operations of the organisation

6. How do you evaluate the internal control systems of your organization?

(i.) [] The internal control system are very effective in the management of public resources.

(ii.) [] The systems are very weak .

9. How do you evaluate the internal audit independence in your organization?

(i.) [] The internal auditor has the discretion to assess the systems when necessary

(ii.) [] internal audit lacks the authority to audit other organs of the organisation.

10. How effective are is the human resource policy and procedures ?

(i.) [] They create a conducive environment for employees to perform effectively

(ii.) [] The policies act as a barrier towards the achievement of the organizational goals

11. How effective are the policies, procedures and systems in ensuring integrity, accountability, fairness and transparency in the operations of Manyame RDC?

(i.) [] The policies, procedures and systems largely promotes sound governance

(ii.) [] They hinder effective execution of duties

12. How important is the segregation of duties, approvals, line of authority in promoting accountability, objectivity and effectiveness in the organization?

(i.) [] The procedures are used as instruments that promotes good governance

(ii.) [] The procedures do not create a platform for effective execution of duties

13. How effective is the financial management system of the organisation

(i.) [] The organisation have clear rules, regulations and guidelines that regulates financial management,

(ii.) [] The financial management system lacks clear regulations .

14. What are the challenges faced in the implementation of a control framework

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14. In your own opinion how best can the organization improve internal control system so that they ensure sound governance to the organization?

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Thank you for your cooperation'



MIDLANDS STATE UNIVERSITY



FACULTY OF SOCIAL SCIENCES

LOCAL GOVERNANCE STUDIES

APPENDIX II

Interview Guidelines for council officials

Dear respondent, I am a student at Midlands State University. For the purpose of my study I am requesting your cooperation in collecting data that will be used in the research study on examining the effectiveness of internal control systems in promoting sound governance at Manyame Rural District Council, as partial fulfilment of Local Governance Studies undergraduate Degree course. The results obtained will be beneficial to all stakeholders in the local government set up. You are requested to answer the questions as honestly as possible so that the reliable information you will give will be treated confidentially and be used only for the purpose of the study.

1. What is your position in the organization?
2. For how long have you been working in this position?
3. Do you know anything about internal auditing and corporate governance?
4. In what way have internal control systems add value to your organization?
5. Do internal audit functions independently in your organization? How?
6. Do you think that human resource policies and procedures are very effective?
7. Do you think that the policies, procedures and systems ensure integrity, accountability, fairness and transparency in the operations of Manyame RDC?

8. How effective segregation of duties, approvals, line of authority in promoting accountability, objectivity and effectiveness in the organization?

9. Are there clear rules, regulations and guidelines of financial management in your organisation?

Thank you very much for your cooperation

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Cell: 0756491371

All correspondence to be addressed to the CEO

28 July 2017

Attention: Llyod Nyawo

1294 Budiro 1

Harare

REF: REQUEST FOR PERMISSION TO CARRY OUT AN ACADEMIC RESEARCH

The above matter refers;

The council received your request to carry out an academic research in Manyame Rural District Council, ward 9 and acceded to it. Therefore you can carry out an academic research in Manyame Rural District Council.

Council is instructing you to stick to the research area you are going to carry out and this should be for academic purpose. Council is also asking you to bring the research results to us before publishing. Before you start, contact the ward councillors first who will make your data collection ease.

Your cooperation in this regard is expected.

Thank you.

Yours faithfully,

.....
P.P. #5

Chimbindi S. T

Executive Officer Social Services and Administration

FOR CHIEF EXECUTIVE OFFICER

