

**UNIVERSITY  
OF  
LUSAKA**

**SCHOOL OF POSTGRADUATE STUDIES**

**ASSESSMENT ON THE EFFECTIVENESS OF INTERNAL FINANCIAL CONTROLS  
IN THE LOCAL AUTHORITIES: A CASE OF ZAMBEZI AND MUFUMBWE TOWN  
COUNCILS**

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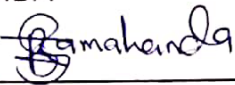
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## DECLARATION

I, Janet Banda, hereby declare that this dissertation is purely my own work from my dissertation as a partial fulfillment for the award of a Master of Business Administration (General). This work had never been submitted before any other University or indeed any College for the same or any other purpose. I further wish to declare that all works done by other people herein has been acknowledged and indicated as references accordingly.

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## SUPERVISORS RECOMMENDATION

I confirm that the dissertation written by Janet Banda has been thoroughly read through and checked. It has been deemed to have met the minimum requirement of the University of Lusaka. I therefore recommend that it be examined and approved.

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## UNIVERSITY APPROVAL

I, and the University of Lusaka, have read, checked and examined the dissertation written by Janet Banda and supervised by Dr. Mike Goma. The Dissertation is hereby approved / not approved.

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## DEDICATION

I dedicate this dissertation to my loving husband Charlton Samahanda and my children Phyllis, Kawan'a, Prince Charlton and Tiyankehji. Thank you all for your unconditional support and encouragement throughout my study. Your patience and understanding when my attention and support was divided between yourselves and my studies cannot be over emphasized. You have been my source of inspiration and courage. It wouldn't have been easy own my own.

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## ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
ANOVA	Analysis of Variance
COSO	Committee of Sponsoring Organization
ICPB	Internal Control Performance Based
IDP	Integrated Development Plan
IEFC	Internal and External Financial Controls
IFAC	International Federation of Accountants
IFC	Internal Financial Controls
LA	Local Authority
LG	Local Government
LGEF	Local Government Equalization Fund
LGF	Local Government Finance
LGSC	Local Government Service Commission
M&E	Monitoring and Evaluation
MoLG	Ministry of Local Government
MTC	Mufumbwe Town Council
OECD	Organization of Economic Cooperation and Development
PAC	Parliamentary Accounts Committee
PAIB	Professional Accountants in Business
SPSS	Statistical package for Social Scientist
ZICA	Zambia Institute of Chartered Accountants
ZTC	Zambezi Town Council

## ABSTRACT

Local Authorities in Zambia have appeared in the Auditor General's annual Audit reports over irregularities in the financial management. This had subsequently seen the Town Clerks and Council Secretaries appearing before the Parliamentary Accounts Committee (PAC) for explanation.

The main objective of the research was to assess factors contributing to the ineffectiveness of internal financial controls of the Local Authorities in Zambia.

Descriptive research design was used for this study which provided average characteristics and trends in the systems in the Local Authorities.

The target population was 213 which had a sample size of 100 respondents drawn from Zambezi and Mufumbwe Town Councils.

The study relied mainly on primary sources using a questionnaire and also secondary sources. Data that was collected from the field was analyzed using Excel spread sheet.

Arising from the research findings, conclusion were derived that internal control systems of the Local Authorities were ineffective. It was revealed that most workers had worked for less than 5 years at their respective Councils. There was no policy for orientation of new members of staff on IFCs. Councils had internal financial control systems in place which were ineffective and that the Audit Unit which was charged with ensuring that IFCs were effective did not perform to expectation because there were not independent from the Local Authority management.

Recommendations related to the study were as follows-;

- Audit units of the Councils be allowed to operate independently.
- There be periodic reviews of internal financial control systems.
- Information dissemination on financial control systems in the local authorities be enhanced.
- New members of staff should be oriented so that they are acquainted with the financial control systems.

## CHAPTER ONE

### 1.0. INTRODUCTION

The chapter was set to provide the background to the reported irregularities in the internal financial controls in the Local Authorities by the Office of the Auditor General. In order to ensure understanding for the reader on the subject matter, a study background was given with data from both Local and external literature.

### 1.1. BACKGROUND TO STUDY

Skopje (2010) stated that the “public hope was that a person who had the knowledge of performing procedures and services were expected to use resources economically, effectively and efficiently, hence they were responsible and accountable for the performance of the entrusted tasks in accordance with the set law and relevant standards” (Skopje, December 2010).

According to Chitembo (2002), “Financial Management in any organisation was key to organisation performance and usually dependant on organisation’s well defined financial system controls which either were internal or external processes and behaviours”. Chitembo (2002) emphasised that the City, Municipal and Town Councils in Zambia have had the mandate to formulate and observe effectively the Internal and External Financial Controls (IEFC) in order for them to have quality assurance and truthfulness in financial reporting and the control systems which enabled safeguarding of the assets. Chitembo (2002), further stated that internal financial controls were systems that were created within the Local Authorities. IFCs were methods and procedures that were designed to effectively conduct operations, establish reliable financial reporting systems, avoiding financial misapplication and more so ensure compliance with the set laws. Chitembo emphasised that the system of internal financial controls were a critical component of Local Authority Management and formed the basis for safe and sound operations.

Chitembo 2002, further clarified that “ineffective internal financial controls resulted in misappropriation of funds. Internal control requirements had increased significantly since the beginning of implementation of decentralization in the Local Government financial

operations in 1993 and after the enactment of the Local Government act No. 22 of 1991". Decentralisation demanded that Local Authorities establish Internal Financial Controls to enable guaranteed reliability and integrity on information with compliance to the set rules, procedures and regulations. Internal controls further ensured Safeguard of assets and checked on the misappropriation of the resources as well as proper approvals of expenditure. Similarly IFCs ensured that regular updating of the books of accounts were enforced with a view to achieve the objectives of the Local Authorities (Committee of sponsoring Organisation (COSO) 2009); Local Government Act 1991; Organisation of Economic Cooperation and Development (OECD) 2005).

According to Krishnan (2005), "internal financial controls were used by institutions that intended to make sure that their financial information was accurate and valid. Furthermore, internal financial controls were important because they formed a protection of the integrity for the institution's financial information" (Krishnan 2005).

Davies 2007 also stated that "Internal Financial Controls demanded for effective use of Local Government assets; which included financial sustainability and the economic and efficient use of resources".

According to Ghneimat et al, "internal controls gained importance especially in the public sector which was as a result of public interest and preservation of Government assets". Ghneimat et al further indicated that "public money represented a foundation on the survival of any country as such internal control became the first line of defense in protecting and managing Government assets. It also helped to prevent manipulation and corruption which occurred in the Government sector" (Ghneimat et al., 2011).

Omar, (2016) said "Local Governments all over the world were recognized by Central Government as fundamental levels of Government where programs and projects could be reached out to the grassroots. Local Governments were seen as organs which were well placed to create and sustain national development. They were an essential agent of Central Government at grassroots level where projects could be initiated whilst ensuring that the Government policies were implemented. In order for the Local Authorities to be effective in their operations they required to have adequate resources and effective

financial controls both internal and external to ensure the effective and efficient use of the resource”(Omar Zaid 2016).

Local Authorities in Zambia have various functions that were meant to be achieved for them to justify the need for their existence. The objectives and functions that were to be carried out required the use of various resources which were in some cases beyond the reach of most of the Local Authorities. Effective and efficient financial management systems in the Local Authorities could optimize the use of these resources comparative to the achievement of the Council’s operational and developmental goals.

For the Local Authorities to justify their existence, they were required to continue to deliver cost effective goods and services as required by the communities. Most Local Authorities nowadays developed Integrated Development Plans (IDPs) which was a requirement of the Ministry of Local Government. The IDPs highlighted and prioritized the activities that were to be undertake by each Local Authority to achieve their various objectives over a number of years and their expenditure patterns are profiled as such.

The process in the implementation of these IDPs demanded for sourcing, application and accounting for the funds required at the right time, that was to emphasize that financial management played a vital role in the achievement of the objectives and programmes stated in the IDPs. In the event where there was no proper application of financial resources at the right time for the right activity, the likelihood of achieving IDP objectives and programmes was threatened.

Financial management in Local Authorities, therefore was the purpose of raising adequate funds, in the most cost effective manner in order to carry out activities and also protection of these funds and applying them in the most effective and efficient manner.

Loloji (2002), demonstrated that service provision in the Local Authorities were mandated by law. Loloji stated that “for the Local Authority to ensure service provision was done, a cost was expected to be incurred. Local Authorities were further mandated through the Local Government Act 281 of 1991 to mobilise and collect revenues within their jurisdiction in order for them to efficiently and effectively provide the much needed services to the community within their respective jurisdiction”. Loloji (2002) further indicated that there were basically two main sources of revenue for the Local Authorities

in Zambia. These were the Central Government through which a grant called Local Government Equalization Fund (LGEF) was provided and revenue sources coming from within the Local Authority's defined jurisdiction such as business levies and property rates among many others (50 yrs of Local Government).

The Auditor General report of 2017 pointed out a number of financial irregularities by Local Authorities in Zambia specific to Zambezi Town Council were -: Failure to Update the Valuation Roll, Lack of Title Deeds on Council Properties, Missing countable documents, Unaccounted for Revenue, Unsupported Payments , Unaccounted For Stores , Unretired Accountable impress, Unapproved Payment, and Wasteful Expenditure. Solwezi Municipals Council in North Western also had similar observations in the Auditor General's Report. The Auditor General's report of 2017 had 38 Councils in total who's Town Clerks and Council Secretaries appeared before PAC clarifying on similar Irregularities.

Considering the above, it was clear that Internal Financial Controls played a significant role in helping the Local Authorities manage in achieving their goals.

An assessment on the ineffectiveness of internal financial controls in the Local Authorities in Zambia was conducted in North Western Province where Zambezi and Mufumbwe Town Councils were used as case studies in order to ascertain implementation of the said internal Financial Controls,

## 1.2. STATEMENT OF THE PROBLEM

Local Authorities are key to improved Local Economic Development process in any country. It is therefore, imperative that Local Authorities were efficient and effective in the provision of services to the community. According to the Auditor General Office's Audit report of 2017, Local Government Finance Management was one of the major obstacles for efficient and effective functioning of the Local Authorities. According to the report of Auditor general (2017), "Local Government Finance had remained one of the most intractable problems". The Auditor General's report had time and again pointed out the fact that there had been weak internal financial controls in the Local Authorities. The Auditor general's reports has been pointing to failure to update the valuation rolls, lack of



Title Deeds on Council Properties, missing accountable documents, unaccounted for Revenues, unsupported payments, unaccounted for stores, unretired accountable impress, unapproved payments, and wasteful expenditures.

Despite the availability of the Manual for Local Government finance in Zambia which is a tool that stipulates how Local Authorities were to conduct their financial management, there has been weak internal financial Controls. This has led to Local Authorities continued appearing in the Auditor General's report every year with queries citing financial irregularities. Town Clerks and Council Secretaries appear before the Parliamentary Accounts Committee (PAC) to explain.

The internal audit report for Zambezi Town Council, (2020) (unpublished), echoed the same observations as in the previous reports of the Auditor General on Local Authorities.

The Auditor General's Audit exit Management report at Zambezi Town Council 2020 (unpublished) also had similar views. This left one to assume that there had been some inadequacies in the financial management control system at the Local Authority.

It was therefore imperative that an assessment on the Effectiveness of Internal Financial controls in the Local Authority was conducted taking Zambezi Town Council and Mufumbwe Town Council as case studies. Mufumbwe Town Council as an additional Councils was meant to provide further insight on the situation relating to internal financial Controls in the Local Authorities in Zambia.

### 1.3. MAIN OBJECTIVES

The main objective of the research was;-

To assess factors contributing to the ineffectiveness of internal financial controls of the Local Authorities in Zambia.

### 1.4. SPECIFIC OBJECTIVES

The study had specific objectives as stated below:

1. To assess the existence of Internal Financial Control systems at Zambezi and Mufumbwe Town Council.

2. To assess the extent to which Internal Financial Controls were adhered to by Zambezi and Mufumbwe Town Council.
3. To find out if the internal financial control systems at the Councils were adequate and applicable.
4. To assess effectiveness of the internal financial control systems in the Local Authorities.
5. To examine the measures that were put in place by the Local Authorities in order to enhance effectiveness of the internal financial controls.

### 1.5. RESEARCH QUESTIONS

The questions related to the research objective which the researcher had set to address were as follows-;

1. Were there internal financial control systems established at Zambezi and Mufumbwe Town Councils?
2. To what extent were the internal financial controls being implemented and adhered to by Zambezi and Mufumbwe Town Councils?
3. How adequate and applicable were the internal financial controls for the Councils?
4. How effective were the internal financial control systems in the Local Authorities?
5. What are the measures that were put in place by the Local Authorities in order to enhance effectiveness of the internal financial controls?

### 1.6. SIGNIFICANCE OF STUDY

The significance of the study were fourfold;-

1. The results of the study will help identify the gaps within the system of IFC and also enhance the Local Authority's measures in ensuring adherence to procedures required for implementation of financial management systems and effectiveness of internal financial controls.
2. The study will help the researcher acquire knowledge and understanding on the methods for conducting a quantitative research.
3. It was anticipated that the study will contribute to the body of knowledge in the Business Administration academia and other academic fields which will form as a basis for future research.

4. The findings of the study will help the researcher draw a conclusion on the perception of the effectiveness of internal financial controls in Local Authorities.

## 1.7. SUMMARY

Chapter one gave an overview of the financial management and internal financial controls. It emphasized the need for Local Authorities to formulate effective internal Financial Controls for enhanced performance. It highlighted the fact that ineffective internal financial controls result in misallocation and misapplication of resources.

The chapter brought out the problem that prompted the research to be conducted. It made reference to the Auditor General's report of 2017 in which most Local Authorities had been cited for irregularities which made them appear before the Parliamentary Accounts Committee (PAC).

The chapter stipulated the main and specific objective, and also stated the questions which the research addressed.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1. INTRODUCTION

Pfeffer & Salancik (1978), demonstrated that “literature review was meant to discuss the extent of works done by other scholars on the concept of internal financial Controls and the role that it played in public financial management and corporate government” (Pfeffer & Salancik, 1978). The chapter in this regard discussed and reviewed financial internal control theories as provided for by other researchers. An overview of the Local Government Internal controls was also reviewed with regards to the regularity instruments and rules governing the operations of internal controls in the Local authorities.

##### 2.1.1. IMPORTANCE OF INTERNAL CONTROLS

Local Authorities have various objectives and functions that are stipulated and to be achieved for them to justify the need for their existence. These objectives and functions that have to be implemented require the use of various resources which are in some cases beyond the reach of the Local Authorities. Effective and efficient financial management systems in the Local Authorities can enhance the use of these resources proportionate to the achievement of the Local Authorities’ operational and developmental goals.

According to Andrew Chitembo(2002) , “in the Zambia’s context of diminishing resources and increasing demands for public services, effective financial management is increasingly a key component for delivering the required public services and goods”(A Manual for Local Government Financial Management in Zambia).

Financial management in Local Authorities must therefore be the main purpose of raising adequate funds in the most cost effective manner in order to carry out activities and also protect the funds through applying them in the most effective and efficient manner.

For the Local Authorities to justify their existence, they are required to continue to deliver cost effective goods and services as is required by the communities. Most Local Authorities nowadays have developed Integrated Development Plans (IDPs) which has

become a requirement of the Ministry of Local Government. The IDPs highlights and prioritizes the activities that are to be undertaken by the Local Authority to achieve various objectives over a period of ten (10) years and their expenditure patterns are profiled as such.

The process of implementing these IDPs demands for mobilization of resources, application and accounting for the funds required at the right time. This is to emphasize that financial management plays a vital role in the achievement of the objectives and programmes stated in the IDPs.

In the event where there is no proper application of financial resources at the right time for the right activity, the likelihood of achieving IDP objectives and programmes is reduced.

Internal financial controls were cardinal in the Local Government system for the reasons that had been pointed out by Adu-Gyamfi, (2007) that, internal financial controls facilitates for establishment of performance standards that prevent loss of funds and other resources. It guarantees that assets are protected and safeguarded and also ensures discipline in the manner transactions are entered into the books of accounts by the local Authorities' staff. It further ensures that assets such as documents and records do not benefit individuals either within or outside the Local Authority and ultimately it improves efficiency and effectiveness by Local Authority Management (Adu-Gyamfi, (2007).

#### 2.1.2. OBJECTIVES OF INTERNAL FINANCIAL CONTROLS

According to Mercer University (2020), "internal financial controls have objectives that are designed to specific fundamentals which, if achieved, can minimize the potential waste, loss, unauthorized use or misappropriation"-(available online @ *Audit.mercer.education*). The control objectives as indicated by Mercer University included the following characteristics which are the observant variables;-

##### i. Authorization

According to Mercer University, authorization is an objective that "allows all transactions to be approved by responsible personnel in accordance to specific or general authority before the transaction is performed and recorded".

ii. Competencies

According to Mercer University (2020), Competence is an objective under the internal financial controls that guarantees that no valid transaction should be left unrecorded from the accounting records.

iii. Accuracy

Mercer University indicated that accuracy objective ensured all the valid transactions are accurate and consistent with the original transaction. It further ensures that information is recorded timely.

iv. Validity

This objective according to Mercer University ensures that all valid transactions are fairly represented and all economic events that actually occurred which are lawful in nature and have been executed in accordance with management's general authorization.

v. Physical Safeguard and security

The objective ensures access to physical assets, information systems are controlled, and property access is restricted to authorized personnel only According to Mercer University (2020).

vi. Error handling

The objective is to ensure that errors detected during processing receives prompt corrective action and are reported to the appropriate level of management for remedy.

vii. Segregation of duty

Objective for Segregation of duty ensures that duties are allocated to individuals according to their level of authority such that individuals will not be allowed to control both the recording functions and the procedures relative to proceeding in the transaction.

Mercer University further indicated that "a well-designed process with appropriate internal financial controls should meet most if not all of those control objective".

### 2.1.3 LEGAL FRAMEWORK FOR INTERNAL FINANCIAL CONTROLS

According to Effah. P. 2011, "the severity of high profile corporate accounting failures had increased steadily over the years, as a result there had been a corresponding

increase in the development of legislations, standards, codes and guidelines to assist organizations in improving their internal financial controls”.

As such there are regulatory frameworks and guidelines for internal financial controls that guide the implementation of financial management and controls in the Local authorities in Zambia.

### **2.1.3. Auditing**

According to Chitembo A (2002), “auditing first started in the ancient Greek City Governments, Local Government, where the Mayor and the Town Clerk would stand at the City Hall stairs to read a statement of the City’s income and expenditure to the City residents. These residents would then ‘audit’ or hear the report and accept it or reject it”. Chitembo A (2002), further indicated that “the provision still existed to some extent in the laws, citing Section 55 of the public finance act which provides for the public inspection of the audited accounts before the auditor can finalize ‘the audit. The first auditors were therefore Local Government Auditors”. Chitembo stated that “Auditing as in the case of production of financial statements is done at various levels and is of various types” Chitembo A (2002), puts forward the most common of these level of auditing as follows:

(a) “**Internal Auditing** which is carried in-house as and when activities happen. This is aimed at ensuring that the activities being carried out comply with all appropriate rules and regulations. Internal Audit specifically aims at ensuring that councils obtains value for money in all its transactions.”

(b) “**External Audit** is normally carried out by outside experts who express an opinion on the accuracy of the information contained in the annual accounts for the outside stakeholders. Chitembo specifies that Section 52 of the public Finance Act provides for audit of the Councils accounts. Section 55 of the public Finance Act further provides for public inspection of the audited accounts. This provision is currently not known by many. In view, however of the increasing literacy of the Zambian public, it is doubtful whether this provision will remain a secret for long”.

(c) “**Special Audits**. These are also external audits but conducted to examine a specific set of circumstances which may appear to be irregular. This is normally instituted by the Minister.

Auditing of whatever type, aims at giving quality assurance to the various stakeholders and Managers to assure them that the activities being undertaken comply with all the necessary rules and regulations and are supported in the appropriate budget” (Chitembo A (2002).

#### 2.1.4. LEGAL FRAMEWORK OF FINANCIAL MANAGEMENT IN LOCAL AUTHORITIES

Local Authorities Internal financial controls are a mandate provided by law and Acts, and an effective internal financial control depended on the compliancy of these laws and Acts:-

i. **Public Finance Management Act, 2018**

Chitembo A (2002), stated that the Public Finance Management Act, provided an institutional and regulatory framework for management of public funds; strengthening of accountability, oversight, management and control of public funds within in the public financial management framework; responsibilities and fiduciary duties of controlling officers and Controlling bodies; enhancement of cash management systems to ensure efficient and effective utilization of cash for the Government; the processes for efficient production of the Financial Report for the Republic; the management and control of public assets (50Yrs of Local Government, (2002).

The Act clearly details the powers and responsibilities of the financial Officers and their respective roles. It clearly stipulates the actors in the financial management system in Zambia by assigning roles and responsibilities to each financial officer Chitembo (2002).

ii. **Local government Act No. 2 (2019)**

The Local government Act No.2 (2019) provided for the regulations under which the Local Authorities were expected to operate. Part VI of the Local Government Act provides details on the financial components and financial regulations for the Local Authorities to adhere to (Local government Act No.2 (2019).

iii. **Public Procurement Act (2008)**

The Public Procurement Act (2008) as amended in 2020, gave the Local Authorities guidelines on how to spend public funds during procurement of goods and services. Some parts of the Act were stipulated in the Public Procurement Act as below -;



- i. The Act established the public procurement Authority, its precise powers and its reporting systems.
- ii. It provided for procurement structures, their scope of application, tender entities and their evaluation systems.
- iii. It established tendering procedures, provision of tender documents and clarification and modification of tender documents.
- iv. It established the procedures for disposal of stores , plant and equipment
- v. It established a review system involving procurement, administration, application of rules and suspension of procurement proceedings.
- vi. It established the methods and procedures to engage the service of consultants.

#### 2.1.5. ELEMENTS OF FINANCIAL CONTROLS

There were five elements of financial controls that had been identified by the researcher through literature review. They were stated as follows;-

##### 1. Control Environment

Thomas P. DiNapoli explained “that control environment could be difficult to understand because the control environment could not be seen or touched and were not embedded in a general ledger, or in any of the group transactions or in any financial reports. However he indicated that when the control environment was good (or poor), every employee would know about it”.

Aduam 2015 also pointed out that control environment was the “environment” under which the controls were practiced. It was referred to as the corporate culture, attitudes and awareness of management.

Ashenden (2008) also postulated that “the Control Environment were effective when all members of the firm were all aware of their roles and responsibilities”.

Hilton (2011) specified that “the actions of senior management were important to the effectiveness of internal controls. Hiltons explained that good communication from management to employees was likely to make controls stronger or otherwise. Management played a crucial role in the effectiveness of internal financial controls.

Control environment ensured Ethics, integrity functions, objectives tasks competence, performance sensitive items delegate organizational structure”.

## **2 Risk Assessment**

It was said by Thomas P. DiNapoli (2007) that “the design of internal controls to fit an organization’s needed to begin with a risk assessment process. Risk assessment was the process of identification of factors or conditions that threatened the achievement of an organization’s objectives and goals. It involved identifying risks to the effectiveness and efficiency of financial and service operations, to the reliability of financial reporting, and to compliance with laws and regulations. Every Local Authority was required to conduct an assessment to identify risks to its operations. Before that assessment begun, managers needed to understand and consider several qualitative factors that could affect their assessment” (Thomas P. DiNapoli 2007).

Jonson and Kevans (2012) also stated that “risk assessment involved the identification of risk factors that were likely to prevent the organization from achieving the laid down objectives. The process of risk assessment involved risk identification, risk description, risk estimation as well as risk registration”. Jonson and Kevans (2012), clearly stated that “risk as the probability of loss that could be attributed to uncertainty of an occurrence. Risk could also be described as the deviation from actual returns from expected returns. Risk assessment were a continuous process which was aimed at identifying risk and finding ways to reduce its impact on the organization” (Jonson and Kevans (2012).

## **3. Control Activities**

The control activities in an organization is a mechanisms for managing the achievement of objectives in an organization.

Aduam explained that “control activities were the actual procedures that management employed to mitigate risks. The activities may have included separation of duties, authorization and approval, and physical checks. Control activities help organization to adopt policies and procedures to respond adequately to the identified risks. Management designed control activities to provide protection the resources of the organization and ensuring that corporate objectives are achieved” (Josephine Aduam. 2015).

Thomas P. DiNapoli also articulated that “control activities were the policies and procedures designed by management to help ensure that the organization’s objectives and goals were not negatively impacted by internal or external risks”. Thomas P. DiNapoli (2007) further clarified on some common and important control procedures which were said to be, “preparation of bank reconciliations and reviewing of those reconciliations by supervisory personnel, segregation of duties so that no one person controls all the stages of the transaction cycle, daily deposit of cash receipts; frequent password changes software gadgets, and limiting access to check stock to those in control”.

The COSO (1994) report identified a range of control activities which as, approvals, authorizations, verifications, reconciliations, and reviews of operating performance, security of assets and segregation of duties.

According to Skopje 2010, “control activities can be split into categories such as **Preventative controls** which were designed to prevent the occurrence of failures, inefficiencies, errors, and weaknesses”. Skopje explained that, “preventative controls were proactive controls operating during the course of an activity or during the execution of employees' duties. By comparison, preventative controls were more favorable than other controls in terms of their cost, as they prevented losses and reduced certain risks. Examples included: segregation of duties, authorization and approval, assets access control, checking arithmetical accuracy before payment” (Skopje 2010).

Skopje, further said “that **Detective controls** were designed to detect and correct failures, inefficiencies, errors, and weaknesses. They operated after an event had occurred or an output had been produced and they should have reduced the risk of undesirable consequences as they enabled remedial action to be taken. Some detective controls serve as feedback controls – they followed the process and alarmed in case there were deviations from a planned or standard value. Detective controls were used to improve procedures or preventive controls. Examples included: inspection of goods delivered, post payment check, stock verification and bank reconciliations”.

Skopje, further says Directive controls are those which were designed to cause or encourage events necessary to the achievement of objectives. Examples included: clear definition of policies, the setting of targets and adequate training and staffing (Skopje 2010).

According to Skopje (2010), “there were Corrective controls that were designed to correct the circumstances that would be arising from the undesired events which came true. They provided an "escape path" for the purpose of certain recovery from loss or damage. “For example, this would have involved the design of contractual terms and conditions enabling the recovery of excess payments” Skopje (2010).

#### **4. Information and Communication**

According to Thomas P. DiNapoli (2007), “information and Communication was one of the essential elements of the internal control framework and had a global interconnecting effect on the internal control framework”. “In order for risks to be controlled, it was imperative that there was a sound communication process that captured information and then provided information to all who were need of it. Since controlling risk was the responsibility of all managers and department heads, information about identified risks and the means of controlling those risks needed to be communicated to all who were responsible for mitigating those risks. Information about the policies and procedures to be followed by employees would flow down through the organization” (Thomas P. DiNapoli 2007).

The executive summary to the “Committee of Sponsoring Organization” (COSO:1994)) stated that, “Pertinent information was expected to be identified, captured and communicated in a form and time frame that would enable people to carry out their responsibilities. Information systems produce reports containing operational, financial and compliance-related information that make it possible to run and control the business.” The Committee of Sponsoring Organization (COSO:1994) further articulated that it was essential that information flow throughout the organization so that individuals may have understood their own roles in the internal control system and understand how their work related to the work of others within the institution.

##### **i) Information**

**Skopje (2010)**, emphasized that in an Organization, it was imperative that information was defined accordingly indicating the type, quantity, quality and dynamics of reporting, which should be provided to managers and staff through the reception, processing and transmission of information to carry out tasks and to implement internal control.

Skopje further articulated that “Managers and employees should receive and transmit information necessary for the execution of tasks. Information should be accurate, reliable, clear, complete, timely, useful, understandable and accessible. The information should provide sound financial management and effective monitoring in order to identify risk situations before their occurrence” (Skopje 2010)

## **ii) Communication**

according to Skopje 2010 “The Organization was expected to take additional measures to strengthen the effectiveness of a system of internal and external communication, which would provide accurate, smooth and fast dissemination of information, so their complete and timely delivery to end users. This was primarily because the entity had to ensure the functioning of an efficient system of communication would serve the needs of users (citizens) and would be flexible enough and fast inside the organization and between it and the environment and adapted to the capacity of users” ( Skopje 2010).

## **5. Monitoring**

Thomas P. DiNapoli (2007) stated that “monitoring determined whether or not policies and procedures designed and implemented by management were being conducted effectively by employees. He said Monitoring also helped to ensure that significant control deficiencies were identified timely and rectified timely. Over time, new risks may have arisen or internal or external changes may have impacted the risk exposure of local governments. Monitoring helped to identify the new risks and the need for new control procedures” (Thomas P. DiNapoli ,2007).

### **2.1.6. TYPES OF INTERNAL CONTROLS**

Napoli (1999), explicated that the internal controls were divided into three categories which included:-

- Thomas P. Napoli, 1999 indicates that “Directive controls that provide guidance to employees to help achieve the desired objectives of the department. For example, a job description would be a directive control that would provide employees with guidance as to what is expected of them. A personnel policy or code of ethics would

provide guidance on the conduct expected of all employees” (Thomas P. Napoli, 1999).

- According to Thomas P. Napoli, 1999, “Preventive controls which are designed to deter the occurrence of errors or other undesirable events. An example of a preventive control is segregation of duties. Segregation of duties is primarily designed to prevent fraudulent activity from occurring and remaining undetected by dividing key financial tasks among two or more people”. (Thomas P. Napoli, 1999)
- Thomas P. Napoli, 1999, illustrates that “Detective controls identify on a timely basis when errors or other undesirable events have occurred. Some examples of detective controls are reconciliations and reviews of performance. Examples of reconciliations are comparisons of cash amounts in the general ledger to cash balances in reconciled bank statements, and physical counts of fixed assets against amounts recorded on inventory records. Management can detect budgetary problems by comparing information about financial performance with budgets, prior periods, or other benchmarks to measure the extent to which financial goals and objectives are being met”(Thomas P. Napoli,1999).

#### 2.1.7. BENEFITS OF INTERNAL CONTROLS

Based on the previous studies the following were identified to be the major benefits that could arise for an organization instituting and effectively implementing a sound internal control system.

Edward Chow (2011), said “Internal control could drive performance and create value for the organization instead of only assuring conformance” (Edward Chow Chairman, IFAC PAIB Committee (2011)

“Internal control helped management to design, implement and maintain controls and then internal audit ensured that management adhered to them,” (Cees Klumper, Vice-President, Internal Control, Ahold (Dutch stores group). (2009)

Internal Controls Support the maximization of opportunities and minimization of losses. To ensure the appropriate steps were taken in risk management with the aim of achieving organizational objectives, it was said that “a good Internal Control system offered good financial reporting practices and hence accurate information for the various stakeholders.

With effective internal control, assets would be safeguarded and operational performances would be improved” (Josephine Adam, 2015).

#### 2.1.8. LIMITATIONS OF INTERNAL CONTROLS

Despite having effective internal controls, an organization may have limitations that impact on the operational performance.

The limitations which were inherent in the internal control systems may include the following:

##### i. Judgment

Lannoye, 1999, indicated that, “internal financial controls were designed and implemented by humans hence, may be limited by the realities of human judgment. Control management use judgments in designing and implementing them, therefore there can be mistakes at either the design stage or implementation stage. The Incorrect judgments could be as a result of inadequate information available during the design or implementation stage. These judgment decision may affect the achievement of the objective of the organization with or without good financial control” (Lannoye, 1999).

Lannoye indicated that “these financial controls would become ineffective when management failed to minimize the occurrence of error for example misunderstanding instructions, carelessness, destruction, fatigue or mistake” (Lannoye, 1999).

##### ii. Failures

According to Lannoye, 1999, “Errors in controls can occur when there is miscommunication or when people failed to understand instructions correctly or committed careless mistakes through fatigue or distraction. Further errors could also occur when there was lack of adequate training of personnel in an organization. Complexity of information technology usage could also cause failures in the control systems”.

##### iii. Management override

Aduam explained that, “management override occurred when a senior manager failed to observe protocol stating that there was a high risk involved when senior management

override laid down policies or procedures for legitimate course of action” (Josephine Aduam 2015).

COSO, 1994 says “An internal financial control system could be as effective as the people who were responsible for its functioning. Management had the capability to override prescribed policies and procedures for personal gains. This would not be mistaken with management intervention which present management actions to depart from prescribed policies and procedures for legitimate purpose. Override practices include misrepresentation to state official, staff from central control agencies, auditors or others” (COSO, 1994).

#### iv. Collusion

According to COSO, 1994 “When two or more individuals came together to defraud the organization, they could be said to have colluded. When these employees carried an important control function, they would perpetuate fraud and hide the evidence. Individuals acting collectively to perpetrate and conceal an action from detection often can alter financial data of other management information in a manner that circumvent control activities and cannot be identified by the system of internal controls” (COSO, 1994).

#### v. Resource limitations

Josephine explained that scarcity of resources was inevitable as such it was required by organizations to prioritize the control activities to make good use of resources. In other words, resources were not available always to put every control activity into practice (Josephine Aduam, 2015).

*Skopje* also argued that “while internal control could help the entity in achieving its goals, it still was not a magic formula for good governance. It only provided information to management regarding the progress of the entity or lack of progress on achieving goals. The internal control could not achieve the objectives whose achievement depended on management. Therefore, internal control and poor management would not do well” (*Skopje, December 2010*).



### 2.1.9 EMPIRICAL REVIEWS

Aramide & Bashir (2015) examined the effectiveness of internal control system and financial accountability at Local Government level in Nigeria where data was gathered through the distribution of one hundred and fifty (150) copies of questionnaire, the responses were analyzed and were tested using chi-square statistics. Findings from the

“Study showed that internal control system were positively significant for the good financial accountability in the Local Government area council in Nigeria. The study also recommended that Local Government Authority would increase an effort that would ensure proper and highly effective internal controls system were put in place within Local Government to enhance their financial accountability” (International Journal of Research in Business Management).

Moses (2007) also examined the effectiveness of internal control systems in achieving value for money in Local Governments. Data was analyzed using the regression analysis, where it was revealed that internal control systems had a significant positive effect in achieving Value for Money. “The study further revealed that there was a significant positive relationship between the control environment, control activities, risk assessment, information and communication and monitoring and value for money in local governments” Moses (2007).

Christopher Dakar (2018) examined the effectiveness of internal controls at Ndola City Council. It was a descriptive design. The study revealed overwhelming incidences of fraud by council officials. Programmes meant to benefit the community were not supported. This negatively affected the level of resources mobilized for service delivery. The study further revealed elements of financial mismanagement at the Council.

Recommendations were that the auditors under Local Governments would make sure internal audit unit of each local government report frequently.

There has been little studies undertaken in examining the factors that affect internal financial controls in the Local Authorities in Zambia. This study therefore sought to add to the literature assessing the effectiveness of internal financial controls in the Local Authorities.

## 2.2. THEORETICAL FRAMEWORK AND CONCEPTUAL FRAMEWORK

### 2.2.1 THEORETICAL FRAMEWORK

#### INTRODUCTION

Theoretical framework is a composition of two words which are “theory” and “framework”. According to Kerlinger (1986), “a theory is a set of interrelated constructs, defined and propositions that present a systematic view of a phenomena by specifying relations among variables with the purpose of explaining and predicting phenomena” Kerlinger (1986).

Macmillan Dictionary (2002), indicate that a framework is a set of ideas that can be used when one is forming a decision and judgment.

The study intended to find out whether internal financial controls were effective in the Local authorities in Zambia. Therefore the researcher sought to identify theories related to financial controls that would assist in explaining and interpreting the outcomes of the dissertation. The following undersigned theories were used to form the basis for decision and judgment.

#### 2.2.1.1 THEORY OF FINANCIAL MANAGEMENT AND CONTROL

Skopje (2010) pointed out that “financial management and controls were systems that consisted of rules, procedures and activities that were established by the head of the organization as a way of providing rational assurance that the organization’s objectives were achieved”. Skopje emphasized that “sound financial management and control remained transparent, regular, economical, efficient and effective use of the available resources and controlled all activities which were undertaken in order to avoid or reduce risks” (Skopje, December 2010).

Chitembo (2002), illustrated that “financial management included the network of various controls that were established by the top management of the organization to support it in achieving the entity’s objectives, the effectiveness and efficiency of operations, the reliability of internal and external reporting, and compliance with applicable laws and regulations and internal policies. For Local Authorities this was the process by which

development ideas are adopted, Implemented and monitored, including monthly reporting both financial and activity reports, auditing of various types and provisions for creating public awareness of the activities of Local Authority” Chitembo (2002).

Chitembo (2002), explained further that the Local Government Act No. 22 of 1991 as amended in 2019 provided a framework under which financial management for local government in Zambia were to be practiced. According to Chitembo, “the basic components and processes of financial management in a local government and the legal provisions that relate to them were elements such as budgeting, safeguarding, management accounting, control and financial accounting” (Chitembo (2002).

#### 2.2.1.2. RESOURCE DEPENDENCY THEORY

Pfeffer & Salancik (1978), illuminated that “Resource dependence theory entails that organizations needed resources in order for them to sustain their existence in the long term. It was also stated that organizations were able to obtain these resources from their own environment. However, there were also other organizations wanting to have the same resources in the environment” (Pfeffer & Salancik, 1978). Local Authorities require resources both financial and material for them to implement their mandates. These resources are derived from within the Councils and also from central Government.

#### 2.2.1.3. AGENCY THEORY

According to Carol (2021), it was demonstrated that the Agency theory was a principle used by organizations to clarify and resolve issues bordering on the relationship between business leaders and their Agents. Carol said “Agency, was a relationship between two parties in which one, the agent, represents the other who was the principal, in the day-to-day transactions. The principal hired the agent to perform a service on their behalf. Since many decisions that affected the principal financially were made by the agent, differences of opinion, and even differences in priorities and interests, could arise. Agency theory assumed that the interests of a principal and an agent were not always in alignment” (Carol M. Kopp; Business Essential, Agency Theory Journal accessed on 30<sup>th</sup> April, 2021). This theory represented the case of the Local Authorities and the Central government in the provision of services to the grassroots.

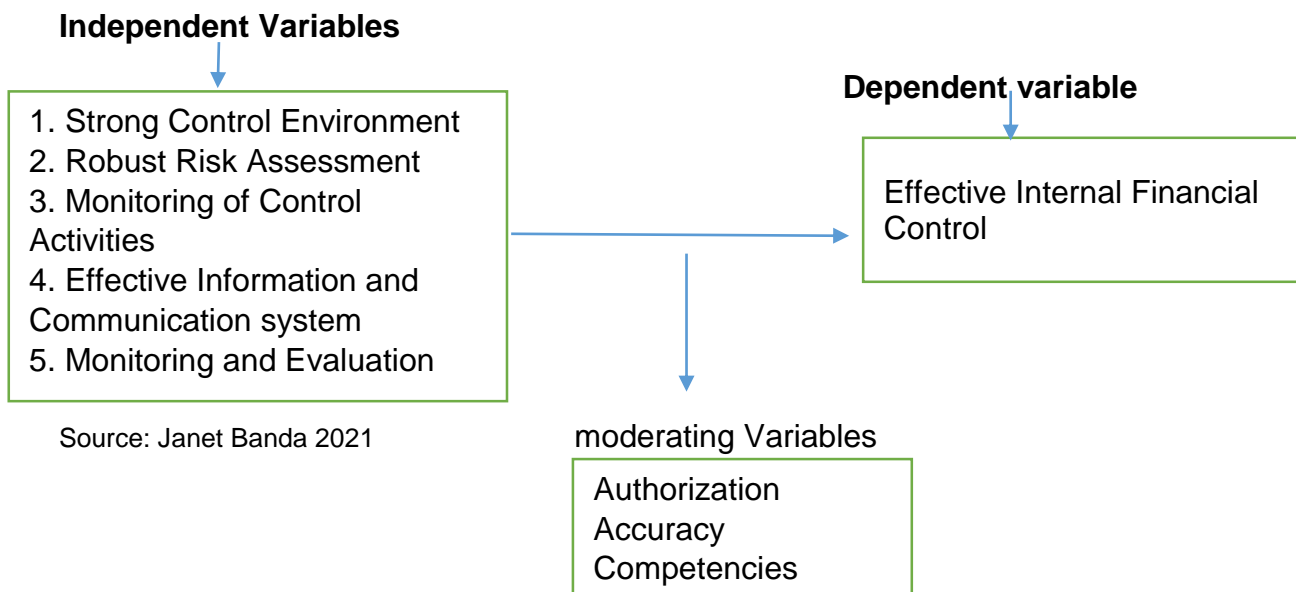
### 2.2.2. CONCEPTUAL FRAMEWORK

According to Huberman, (1994), “a conceptual framework is a theoretical structure of assumptions, principles, and rules that holds together the ideas comprising concept”.

Muhunyo (2018), also stated that “a conceptual framework was a basic structure that consisted of certain abstract blocks which represent the observational, the experiential and the analytical aspects of a process or system being conceived. It is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. The interconnection of independent and dependent variables completes the framework for certain expected outcomes” (Muhunyo: 2018).

In order to understand the concept in the internal financial control systems, the researcher identified the independent variables as being Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring and Evaluation. Effectiveness of internal Final Control depends on the above identified predefined independent variable whose observant variables are effective Authorization, Competencies, Accuracy, Validity, physical Safeguard and Security, effective Error handling, and enhanced Segregation of duty. The Conceptual framework was illustrated in the figure 2.1.1 below.

*Figure 1 Conceptual Framework for Internal Financial Control*



Source: Janet Banda 2021

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1. INTRODUCTION

According to Gounder (2019),” research methodology explains the methods by which one may proceed with their research. Research methodology involves the learning of the various techniques that can be used in the conduct of research and in the conduct of tests, experiments, surveys and critical studies. Essentially, research methodology are procedures by which researchers go about their work of describing, explaining and predicting phenomena” Gounder (2019).

This chapter discusses the methodology which was employed to gather data in order to achieve the objectives of the study. The study assessed the effectiveness of Internal Financial Controls in the Local Authorities by analyzing the elements of Financial Controls that existed in the local authorities and how they were being implemented in order to enhance the systems of Authorization, Competencies, Accuracy, Validity, Physical Safeguard and Security, Error handling, and ensure segregation of duty. The chapter has given an insight on the research design, has stipulated the research target population and the sample size, and also given the sources of data which was used in the research. The method of data analysis and presentation has also being discussed under the chapter.

#### 3.2. RESEARCH DESIGN

##### Introduction

According to Kumar (2011), “the purpose of a research design was to explain how one finds answers to their research questions. The research design sets out the specific details of the enquiry”. Kumar (2011) also indicate that a research design should include the following: the study design and the logistical arrangements that one proposes to undertake, the measurement procedures, the sampling strategy, the frame of analysis and the timeframe. Kumar (2011) highlights that the selection of an appropriate research design is crucial in enabling the researcher to arrive at valid findings, comparisons and

conclusions and further that when selecting a research design it is important to ensure that it is valid, workable and manageable.

The research design followed primarily the purpose of the study which was to find out why the Councils continued being reported for financial irregularities. The premise was that there were ineffective financial controls systems in the Local Authorities. In a bid to establish the impression, a survey was conducted at Zambezi and Mufumbwe Town Councils where four categories of members of staff from the five departments of the Town Councils were targeted. Descriptive research design was relevant for this study which provided average characteristics and trends in the systems in the Local Authorities. According to Mouser and Katton (1989) as cited by Muhunyo B M (2018), descriptive survey attempted to document current conditions to describe what existed at the moment. The findings of the survey were quantitatively analyzed.

### 3.3. TARGET POPULATION

According to Kumar (2011), “the accuracy research findings depends upon the way a sample is select. The basic objective of any sampling design is to minimize, within the limitation of cost, the gap between the values obtained from sample and those prevalent in the study population. The underlying premise in sampling is that a relatively small number of units, if selected in a manner that they genuinely represent the study population, can provide with a sufficiently high degree of probability” Kumar (2011).

Kumar (2011) illuminates that there were three categories of sampling that can be used by a researcher these are random/probability sampling designs, non-random/non-probability sampling designs and ‘mixed’ sampling design.

According to Kumar (2011) Sampling, is therefore, “the process of selecting a few sample from a bigger group which is the sampling population to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group. A sample is a subgroup of the population which the researcher is interested in” (Kumar; 2011).

Based on the theories of sampling, the population of this study was drawn from two Local Authorities in the North Western Province of Zambia namely: Mufumbwe Town Council

with a total workforce of 108 and Zambezi Town Council with a total workforce of 105. This formed a targeted population of 213 (two hundred and thirteen). However, Members from Management and other staff belonging to Divisions two, three and four were selected from the two Local Authorities to form the sample population where the questionnaire was administered.

### 3.4. SAMPLE SIZE

Mugenda and Mugenda (2003) states, “a sample of at least 10% to 30% of the population is a valid sample size for a considerably small size population”. A purposive sampling technique was used to pick respondents from the Management team, and simple random sampling technique was used to select other staff members belonging to divisions two, three and four. A total sample size from the two Local Authorities was one hundred (100) where fifty (50) members of staff were selected from Zambezi Town Council. The Zambezi Town Council sample comprised of twelve (12) members of management staff and thirty-eight (38) other staff belonging to Divisions two, three and four. Another sample size of fifty (50) members of staff were drawn from Mufumbwe Town Council. The sample also comprised of twelve (12) management staff members and thirty-eight (38) other staff belonging to divisions two, three. The sample size had representation of members of staff selected from six departments of the Local Authorities namely: - Finance, Administration, Procurement, Audit, Works and Development Planning. The targeted population was 213 for both Local authorities and the sample was 100 representing 46.9 %.

### 3.5. DATA COLLECTION PROCEDURE

According to Yin (1994), no Single data source had complete advantage over all other sources.

This was a quantitative research which generated its data using two main sources and enabled the researcher generate objectives and made valid conclusions. The study relied mainly on primary sources using a questionnaire and secondary sources through books, reports, internet publications and journals which was used to support the finding of the primary data.

### 3.6. DATA ANALYSIS

According to Emory and Cooper (2003), “raw data obtained from a research was useless and meaningless unless it was transformed to add meaning for the purposes of decision-making. Data analysis usually involved reducing the raw data into a manageable size, developing summaries and applying statistical inferences” (Emory and Cooper, 2003).

Data that was collected from the field was analyzed using Excel spread sheet of the computer which was found to be easier to use by the researcher. The analysis involved grouping of the variables in relation to the research questions and respective to each Council. This meant that the key issues arising from the Conceptual framework was analyzed against what was prevailing at the Local Authorities in relation to the Internal Financial Controls. All the variables were analyzed and presented in Chapter four of this research report.

### 3.7. DATA PROCESSING AND PRESENTATION

According to Kumar (2011), “the first step in processing data is to ensure that the data is ‘clean’ that is, free from inconsistencies and incompleteness. This process of ‘cleaning’ is what is called editing. Editing consists of scrutinizing the completed research instruments to identify and minimize, as far as possible, errors, incompleteness, misclassification and gaps in the information obtained from the respondents. Having ‘cleaned’ the data, the next step is to code the cleaned data in readiness for analysis” (Kumar: 2011). The data which was collected by the researcher using the questionnaire was edited and coded.

For easy of analysis and interpretation, the researcher considered it necessary to present data from the field using tables, graphs and also pie charts generated via excel spread sheet.

### 3.8. DATA VALIDATION

According to Adams et al., (2007) as cited by (Tariku 2018), internal validity is used to assure the research validity. Tariku (2018), treated the internal validity of the research, by distributing questionnaire within two weeks and collected within the same period. Questionnaires for the research were randomly distributed to the reasonable sample taken from the population. The major objective of the pilot test was to get feedback on the



questionnaire as a way of preparing, wording, coherence and getting other valuable comment and also to incorporate important comments and finalize the questionnaires.

In order to test validity of the research instrument, questionnaires were distributed randomly to 10 members of staff at Zambezi Town Council and collected them back within two weeks. This assisted in perfecting the questionnaire used in data collection based on the feedback of the test.

### 3.9 ETHICAL CONSIDERATION

This research study was presented and approved by University of Lusaka under Post Graduate studies. Upon identification of the two Local Authorities where the survey was to be conducted, authority was sought from respective Council Chairpersons. Participants were equally informed and permission was sought from them to participate in the provision of information to the survey. Assurance was given that the data that was being collected was purely for academic purposes and that it would be treated as confidential and would be accorded the necessary confidentiality that it deserved. Names of the respondents were not allowed to be indicated on the questionnaire in order to maintain anonymity.

### 3.10 STUDY LIMITATION

The study was limited to Zambezi and Mufumbwe Town Councils due to inadequate capacity in terms of resources to reach out to the other categories of the Local Authorities such as Municipal and City Councils. This study was limited to the use of a questionnaire as a data collection instrument as such the data was limited to the response provided by the respondent.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSIS

#### INTRODUCTION

This Chapter presents the findings based on the data collected from the field. The findings were analyzed and presented in line with the objectives of the study. The chapter outlines the data, presenting it in the manner that it defines the variables relating to the respondent's attribute, opinion and analysis of the current practices related to internal financial controls in the Local Authority.

In this regard the levels of understanding and manner in which the Local Authorities value internal financial controls are discussed.

The data that have been presented in this chapter represent the two Local Authorities of Zambezi and Mufumbwe Town Councils respectively where the sample population for the study was drawn from. The data was presented by individual Local Authority and discussion were done in comparison to the two Councils. The first part of this chapter presented data which was obtained from Zambezi Town Council while the second part presented data from Mufumbwe Town Council.

#### 4.1. ZAMBEZI TOWN COUNCIL

##### 4.1.1. DEMOGRAPHIC INFORMATION

50 questionnaires were distributed at Zambezi Town Council and all of them were collected back fully filled in by the respondents. The table below provide the summary of the respondents by age.

*Table 4 1 Age characteristics of sample by category*

Value label	Frequency	Cumulative frequency	Percentage	cumulative percentage
20-30	10	10	20	20
31- 40	20	30	40	60
41-50	15	45	30	90
above 51	5	50	10	100
Total	50			

Source: Janet Banda 2021

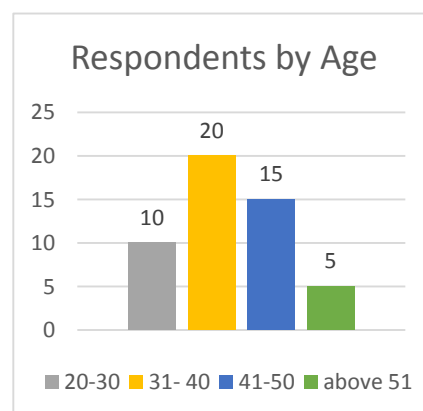


Table 4.1. Above show that 40% of the respondents at Zambezi Town Council were aged in the range of 31 -40 and 30 % represented the age group of 41 -50. It is however difficult to infer that Zambezi Town Council has a youthful workforce without conducting a detailed survey on the age category. Never the less from the survey that was conducted it is remarkable that Zambezi Town Council has a vibrant youthful workforce with fresh minds that can enable them adapt to the systems easily.

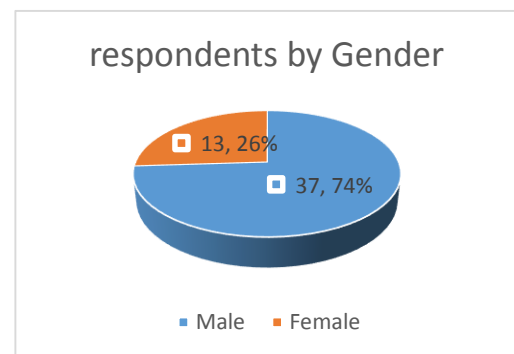
#### 4.1.2. Population characteristics by Gender

The respondents at Zambezi Town Council were represented by 26% women and 74% men. This signify a picture on the ratio representation for female and male of the sample at the Council. The data has been presented on the table below.

*Table 4 2 Population characteristics by Gender*

Value label	Frequency	Cumulative frequency	Percentage
Male	37	37	74
Female	13	50	26
Total	50		100

Source: Janet Banda 2021



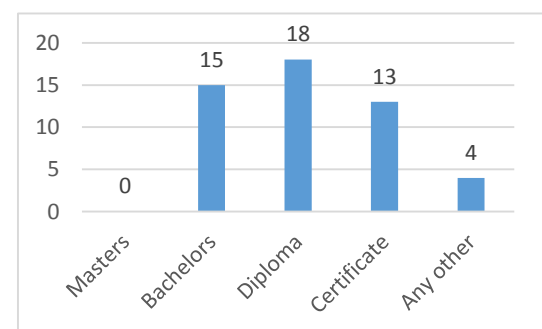
#### 4.1.3. Characteristics of sample by Education attained.

The highest education attained at Zambezi Town Council is Bachelor's Degree which accounts for 30% of the respondents, 36% of the respondent had attained their education up to Diploma and the lowest was Certificate holders which accounted for 26%. The other qualifications attained were the professional qualifications like ZICA and ACCA. The table 4.3 below gives the summary of the education attainment of the sample.

*Table 4 3 Characteristics of sample by Education attained.*

Value label	Frequency	Cumulative frequency	Percentage
Masters	0	0	0
Bachelors	15	15	30
Diploma	18	33	36
Certificate	13	46	26
Any other	4	50	8
	50		100

Source: Janet Banda 2021



#### 4.1.4 Length Worked in the Council

All the sample size of 50 at Zambezi Town Council who responded have worked for less than five years. This information has been presented in the table 4.4 below.

*Table 4 4 Length Worked in the Council*

Value label (Years)	Frequency	Cumulative frequency	Percentage	Cumulative percentage
1-5	50	50	100	100
6 -10	0	50	0	100
11-15	0	50	0	100
16-20	0	50	0	100
above 20	0	50	0	100
Total	50		100	

Source: Janet Banda 2021

#### 4.1.5. Existence of Internal Financial Control systems - Zambezi Town Council

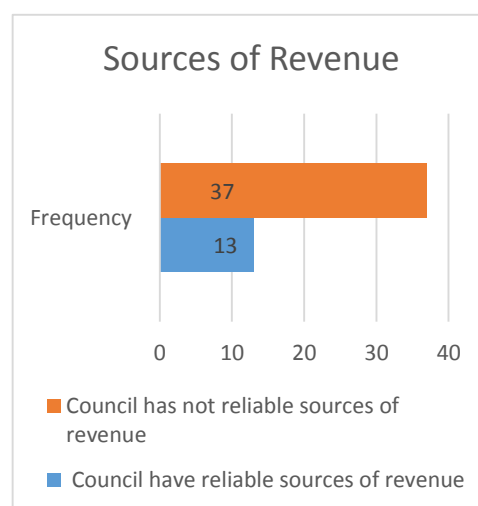
##### 4.1.5.1 Sources of revenue for the Local Authority

Out of 50 questionnaires fully filled in under Zambezi Town Council, 26% indicated that the Council had reliable sources of revenue while 74% indicated that the Council had no reliable sources of revenue. The table 4.5 below illustrates the findings on the matter. This implies that financial resources were inadequate.

*Table 4 5 Sources of revenue for the Local Authority*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Council have reliable sources of revenue	13	13	26	26
Council has not reliable sources of revenue	37	50	74	100
Total	50		100	

Source: Janet Banda 2021



#### 4.1.6 Council Revenue used according to the Local Government financial guidelines

The findings show that 36% of the respondents said the Zambezi Town Council spent the revenue collected in accordance with the Local Government Financial regulations. On the other hand, 64% of the respondents indicated that the revenues collected by the Council were actually not spent in accordance with the set financial regulations. The table 6 below represents the data that was collected through the questionnaire at Zambezi Town Council.

*Table 4 6 Council Revenue used according to the Local Government financial guidelines*

Value label	Frequency	Cumulative frequency	Percentage	Cumulative percentage
Revenue collected by the Council used according to the Local Government financial guideline	18	18	36	36
Revenue collected by the Council not used according to the Local Government financial guidelines	32	50	64	100
Total	50		100	

Source: Janet Banda 2021

#### 4.1.7. Council have plans which guide implementation of activities

Table 4.7 below show that 34% of the respondent's indicated that the Council had plans that guided implementation of the activities and spending of financial resources while 56% of the respondents indicated that there were no plans that guided the Council's implementation of activities. However 10% of the respondents did not indicate any response at all.

*Table 4 7 Council Plans which guide implementation of activities*

Value label	Frequency	Cumulative frequency	Percentage	Cumulative percentage
Council have plans which guide implementation of activities and spending of financial resources	17	17	34	34
Council have no plans which guide implementation of activities and spending of financial resources	28	45	56	99
Nil response	5	50	10	100
Total	50		100	

Source: Janet Banda 2021

The respondents who indicated that the Council has available plans that guided implementation of activities in table 7 above disclosed that the Council only had the under listed plans that guided implementation of activities-;

- a) Individual work plans
- b) Departmental Work Plans
- c) Council Annual Budget

#### 4.1.8 Effectiveness of Internal financial controls at Zambezi Town Council

60% of the respondent at Zambezi Town Council were strongly in disagreement that there were effective internal financial controls at the Council. While only 12 % were strongly agreeing to the statement. Table below presents the findings from the research.

*Table 4 8 Internal financial controls at Zambezi Town Council were effective*

Value label	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	6	12.0	12.0	12.0
agree	6	12.0	12.0	24.0
strongly disagree	30	60.0	60.0	84.0
disagree	8	16.0	16.0	100.0
Total	50	100.0	100.0	

Source: Janet Banda 2021

#### 4.1.2. CONTROL ENVIRONMENT

In examining the independent variables in the study “control environment” was one of the variable which was looked at Zambezi Town Council, questions were administered and answered by 50 respondents as presented below.

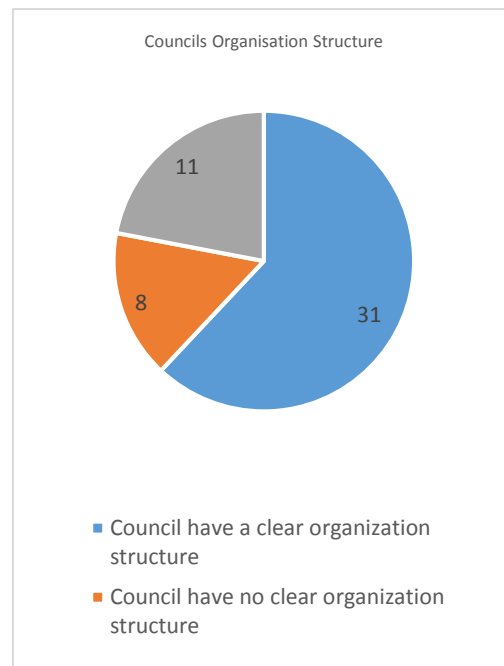
##### 4.1.2.1 Council have a clear organization structure

Table 4.9 show that 62% of respondents at Zambezi Town Council said there was a clear Organisation structure at the Council while 16% said there was no clear organisation structure. On the other hand 22% respondents gave no response to the question.

*Table 4 9 Council have a clear organization structure*

Value label	Frequency	Cumulative frequency	Percentage	Cumulative percentage
Council have a clear organization structure	31	31	62	62
Council have no clear organization structure	8	39	16	78
No response	11	50	22	100

Source: Janet Banda 2021



#### **4.1.2.2. Code of conduct and ethical consideration exist in the Council.**

Table 4.10 show that 68% of the respondents at the Council gave a response that the Council did not have the Code of ethics and ethical consideration to guide the institution. However 32% of the respondents said that the code of conduct and ethical consideration existed at the Council.

*Table 4 10 Code of conduct and ethical consideration exist in the Council.*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Code of conduct and ethical consideration exist in the Council	16	16	32	32
Code of conduct and ethical consideration do not exist in the Council	34	50	68	100
Total	50		100	

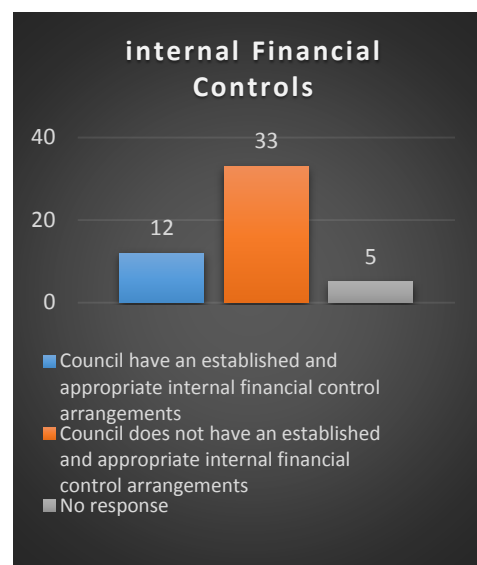
Source: Janet Banda 2021

### 4.1.2.3. Established and Appropriate Internal Financial Controls Exist at the Council

Table 4 11: Established and Appropriate Internal Financial Controls

Value label	Frequency	Cumulati ve frequenc y	Perce ntage	Validity percent age
Council have an established and appropriate internal financial control arrangements	12	12	24	24
Council does not have an established and appropriate internal financial control arrangements	33	45	66	90
No response	5	50	10	100
Total	50		100	

Source: Janet Banda 2021



The researcher wanted to establish whether the Council had an established and appropriate internal financial control arrangements that ensured financial resources were properly safeguarded, used economically, efficiently, effectively, appropriately, with due Propriety and used in accordance with the statutory instruments. Table 4.11 above show 66% of the respondents who indicated that the Council did have the appropriate financial controls, 24% showed that the financial controls existed within the Council while 10% had not indicate any responses at all.

### 4.1.2.4 Type of financial controls that exist at the Council

According to the responses that were received on type of controls that existed at Zambezi Town Council as tabulated on the table 4.12 below, 60% of the respondents said directive, 20% indicated detective, 12% stated that it was preventive while 8% left the question unanswered.



*Table 4 12 showing type of financial controls that exist at the Council*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Preventive	6	6	12	12
Detective	10	16	20	32
Directive	30	46	60	92
Not sure	4	50	8	100
Total	50		100	

Source: Janet Banda 2021

#### **4.1.2.5 Responsibility for setting up internal financial controls is charged by.**

Table 4.13 below show 86% of the respondents who said the responsibility for setting up internal financial controls is charged by Management, 6% indicated that the Ministry of Local Government was responsible for setting up the financial controls while 8% decided to be mute on the matter.

*Table 4 13: showing responsibility for setting up internal financial controls*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Management	43	43	86	86
Ministry of Local Government c) Local Government Service Commission.	3	46	6	92
No response	4	50	8	100
Total	50		100	

Source: Janet Banda 2021

#### **4.1.2.6. Existence of Internal Audit Unit within the Council.**

All the respondents showed that the internal Audit Unit actually existed within the Council as tabulated on the table below.

*Table 4 14: Existence of an internal audit unit within the Council.*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
There is an internal audit unit that exist within the Council.	50	50	100	100
There is no internal audit unit that exist within the Council.	0	50	0	100
Total	50		100	

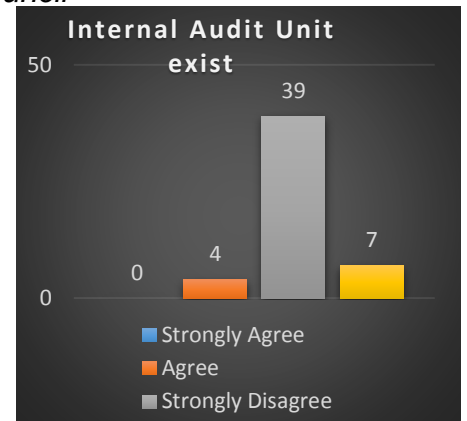
Source: Janet Banda 2021

#### 4.1.2.7 The internal Audit Unit that exist within the Council operate independently

Table 4.15 below gives segregated data indicating 78% respondents strongly disagreed to the statement which was intended to establish whether the internal Audit Unit under the Council operated indecently, 14% respondents disagreed and 8% agreed to the statement.

Table 4 15: Internal Audit Unit exist independently within the Council

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	0	0	0	0
Agree	4	4	8	8
Strongly Disagree	39	43	78	86
Disagree	7	50	14	100
Total	50		100	



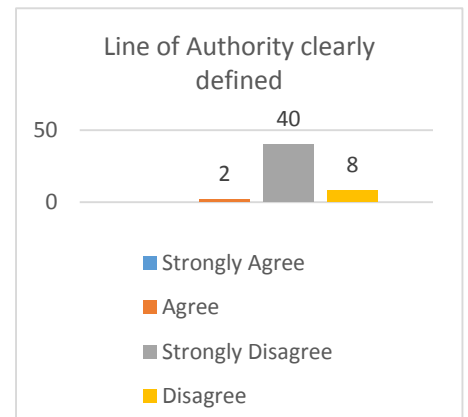
Source: Janet Banda 2021

#### 4.1.2.8. The line of authority in the Internal Financial control system is clearly defined

Data presented in the table 4.16 show that 80% responded strongly disagreed to the statement that sought to establish whether Internal Financial control system at Zambezi Town Council were clearly defined, 16% of the respondent were also in disagreement while 4% respondents were agreeable with the statement.

Table 4 16: Internal Financial control system is clearly defined

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	0	0	0	0
Agree	2	2	4	4
Strongly Disagree	40	42	80	84
Disagree	8	50	16	100
Total	50		100	



Source: Janet Banda 2021

**4.1.2.9. Management periodically review policies and procedures to ensure proper financial controls are in place.**

Table 4.17 represent Responses indicating 38 respondents who strongly disagreed to the statement that sought to establish if Management periodically reviewed policies and procedures to ensure proper financial controls were in place while 12 respondents simply disagreed to the statement.

*Table 4 17 Periodic review of policies and Procedures in place*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	0	0	0	0
Agree	0	0	0	0
Strongly Disagree	38	38	76	76
Disagree	12	50	24	100
Total	50		100	

Source: Janet Banda 2021

**4.1.2.10. Audits and other control systems are done periodically to test compliance with the statutory instruments and instructions.**

82% respondent at Zambezi Town Council strongly disagreed to the statement intended to find out whether Audits and other control systems were done periodically to test compliance with the statutory instruments and instructions at the Council while 18% respondents merely disagreed to the statement. Table 4.18 below illustrates the findings.

*Table 4 18: Audits and other control systems are done periodically*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	0	0	0	0
Agree	0	0	0	0
Strongly Disagree	41	41	82	82
Disagree	9	50	18	100
Total	50		100	

Source: Janet Banda 2021

### 4.1.3. RISK ASSESSMENT

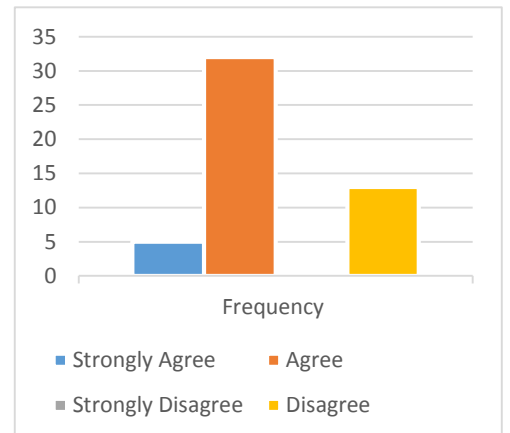
The second independent variable in the study which is “Risk Assessment” at Zambezi Town Council was examined where a number of questions were administered and answered by 50 respondents whose data was collected and presented as below.

#### 4.1.3.1. The Council has clearly set objectives which are disseminated to all the employee.

Table 4.19 below represents data showing 10% respondents strongly agreeing and 64% respondents out of the sample of 50 who agreed to the statement which sought to establish whether the Council has clearly set objectives which were disseminated to all the employees while 26% respondents disagreed to the statement.

Table 4 19: Council has clearly set objectives which are disseminated to all the employee

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	5	5	10	10
Agree	32	37	64	74
Strongly Disagree	0	0	0	74
Disagree	13	50	26	100
Total	50		100	



Source: Janet Banda 2021

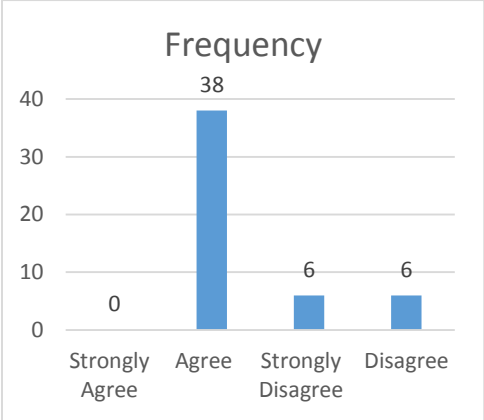
#### 4.1.3.2 There are clear management statements on risk management and internal financial controls

Table 4.20 below show that 76% respondents out of 50 sample population at ZTC were agreeable that there were ZTC Management statements on risk management and internal financial controls, while a total of 24% respondents were not in agreement with the statement.

Table 4 20: ZTC Management statements on risk management and internal financial controls

Value label	Frequ ency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	0	0	0	0
Agree	38	38	76	76
Strongly Disagree	6	44	12	88
Disagree	6	50	12	100
Total	50		100	

Source: Janet Banda 2021



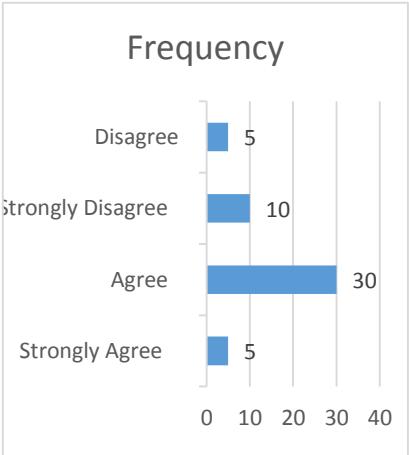
**4.1.3.3. Technological issues are considered within the Internal Financial controls and are appropriately addressed.**

A total of 60% respondents out of 50 were agreeable to the statement that technological issues were considered within the Internal Financial controls and were appropriately addressed at ZTC while a total of 20% respondents were in disagreement to the statement.

Table 4 21: Technological issues are considered within the Internal Financial controls

Value label	Frequ ency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	5	5	10	10
Agree	30	35	60	70
Strongly Disagree	10	45	20	90
Disagree	5	50	10	100
Total	50		100	

Source: Janet Banda 2021



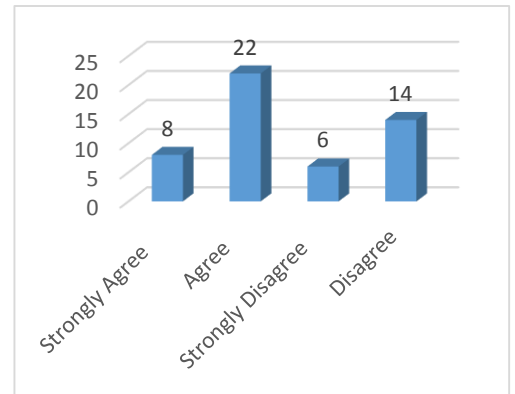
**4.1.3.4. The Council’s periodic risk assessment is conducted**

A total of 60% the respondents were in agreement with the statement intended to establish if the ZTC conducted periodic risk assessment while 40% were not in agreement. This data was represented by the table 4.22 below.

*Table 4 22: Council’s periodic risk assessment is conducted*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	8	8	16	16
Agree	22	30	44	60
Strongly Disagree	6	36	12	72
Disagree	14	50	28	100
Total	50		100	

Source: Janet Banda 2021



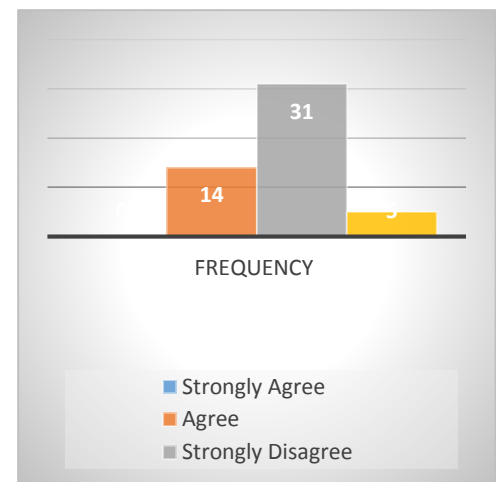
**4.1.3.5. The Council has put in place compensation measures for any risk.**

A total of 72% respondents out of 50 respondents at ZTC disagreed to the Council having put in place compensation measures for any possible risks while 28% respondents agreed to the statement as has been tabulated in the table below.

*Table 4 23: Council has put in place compensation measures for any risk*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	0	0	0	0
Agree	14	14	28	28
Strongly Disagree	31	45	62	90
Disagree	5	50	10	100
Total	50		100	

Source: Janet Banda 2021



#### 4.1.4. CONTROL ACTIVITIES

“Control Activities” the third independent variable in the study was examined where questions were administered and answered by 50 respondents whose data was collected and presented as below:-

##### 4.1.4.1 Internal control is one of the major components for work performance. Do you agree?

*Table 4 24: internal control is one of the major components for work performance*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	33	33	66	66
Agree	17	50	34	100
Strongly Disagree	0	-		-
Disagree	0	-		-
Total	50	-	100	-

Source: Janet Banda 2021

The question sought to understand if the employees at the Zambezi Council considered internal financial controls to be one of the major components of work performance. Table 4.24 above gives the responses according to the category stated by each respondent. All the 50 respondent were in agreement with the statement with 66% strongly agreeing while 34% merely agreed.

##### 4.1.4.2 The Council have some form of internal financial control systems availability

The Table 4.25 below show that 76% out of 50 respondents stated that at the Council the Council had some form of internal financial control systems available while 24%respondents said the Council did not some form of internal financial control systems available

*Table 4 25: Availability of Internal Financial Controls*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
The Council have some form of internal financial control systems available	38	38	76	76
The Council have no form of internal financial control systems available	12	50	24	100
Total	50		100	

Source: Janet Banda 2021

#### 4.1.4.3. There are internal control procedures performed at the Council

The matrix below tabulates the responses from 50 respondents to whether internal financial controls procedures were been followed at the Zambezi town Council. 30% respondents indicated that internal control procedures were performed at the Council while 70% indicated that no internal control procedures were performed at the Council.

*Table 4 26: internal control procedures performed at the Council*

Value label	Frequency	Cumulative frequency	Percentage	Cumulative percentage
There are internal control procedures performed at the Council	15	15	30	30
There are no internal control procedures performed at the Council	35	50	70	100
Total	50		100	

Source: Janet Banda 2021

#### 4.1.4.4. Understand and appreciate the procedures

The question sought to find out if the employees at Zambezi Town Council understood and appreciated the internal financial control procedures, 74% respondents indicated that they did not understand and appreciate the procedures well while 26% indicated that they understood and appreciate the procedures Very well as has been tabulated below.

*Table 4 27: Understanding and appreciate the procedures*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Understand and appreciate the procedures Very well	13	13	26	26
Do not Understand and appreciate the procedures Well	37	50	74	100
Total	50		100	

Source: Janet Banda 2021

#### 4.1.4.5. Internal control procedures established by the Council are effective?

The question sought to understand if the internal financial controls were effective at Zambezi Town Council. The Responses on table 4.28 below indicate that 74% respondents out of 50 said there were no effective internal financial control at the Council while 136% agreed to say the internal financial controls at the Council were effective.



*Table 4 28: Internal control procedures effective*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
There are effective internal control procedures performed at the Council	13	13	26	26
There are no effective internal control procedures performed at the Council	37	50	74	100
Total	50		100	

Source: Janet Banda 2021

#### **4.1.4.6. Evaluation or monitoring mechanism and review of internal controls exist at the Council.**

The table below show that 76% respondents said there were no monitoring or evaluation mechanism and review of internal financial control that took place at the Council while 24% did agree that there were monitoring or evaluation mechanism and review of internal financial control that took place at the Council.

*Table 4 29: M&E mechanism and review of internal controls exist at the Council.*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Evaluation or monitoring mechanism and review of internal controls exist at the Council.	12	12	24	24
Evaluation or monitoring mechanism and review of internal controls do not exist at the Council.	38	50	76	100
Total	50		100	

Source: Janet Banda 2021

#### **4.1.4.7. Are there breaches experienced in the internal control in the council?**

78% respondents at Zambezi Town Council indicated that there were breaches in the internal financial controls experienced while 22% said such breaches were not experienced. This data was tabulated in the table below.

*Table 4 30: breaches experienced in the internal control in the council*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
There are breaches experienced in the internal control in the council	39	39	78	78
There are no breaches experienced in the internal control in the council	11	50	22	100
Total	50		100	

Source: Janet Banda 2021

#### 4.1.5. INFORMATION AND COMMUNICATION

“Information and Communication” was the fourth independent variable which was being examined and had 50 respondents whose data was collected and presented as below:-

##### 4.1.5.1. The Council has a risk management policy.

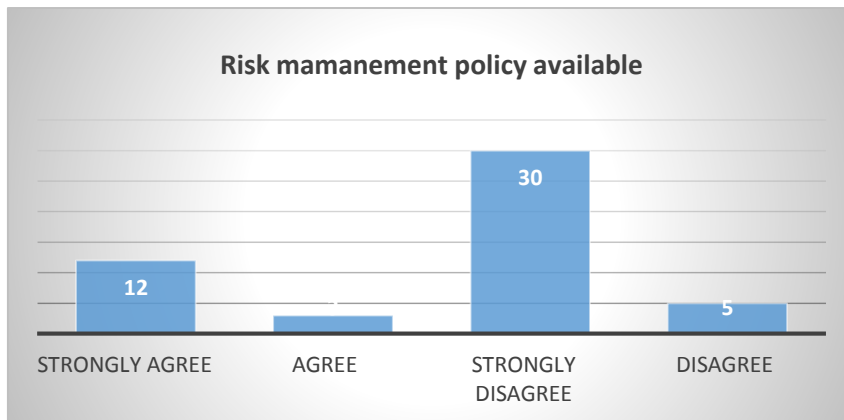
The data in the table below segregate data against which 24% respondents strongly agreed and 6% merely agreed that the Council has a risk management policy and 60% of the respondents strongly disagreed to the statement and 5 merely agreed.

*Table 4 31: Council has a risk management policy*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	12	12	24	24
Agree	3	15	6	30
Strongly Disagree	30	45	60	90
Disagree	5	50	10	100
Total	50		100	

Source: Janet Banda 2021

#### Council has a risk management policy



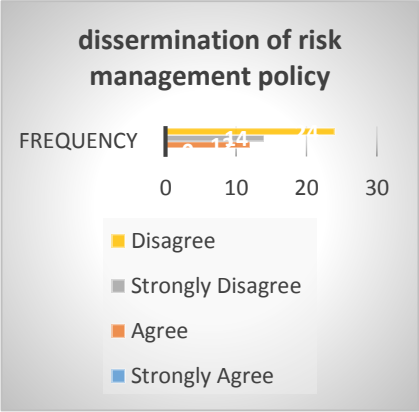
##### 4.1.5.2.. The Risk Management Policy has been disseminated to all employees of the Council.

The data in the table below indicate that 28% respondents strongly disagreed and 48% respondents were merely in disagreement with the statement that risk management Policy was disseminated to all the employees at the Council. However there were 24% respondents who agreed to the statement saying that the policy was disseminated to all the Workers at the Council.

Table 4 32: Risk management Policy has been disseminated to all employees of the Council.

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	0	0	0	0
Agree	12	12	24	24
Strongly Disagree	14	26	28	52
Disagree	24	50	48	100
Total	50		100	

Source: Janet Banda 2021



**4.1.5.3. All employees understand and appreciate the role of Internal Financial Controls.**

The table below show that employees at Zambezi Town Council did not understand and appreciate the role of internal financial controls as was revealed by 58% respondents who strongly disagreed to the statement which said employees understood and appreciated the role of Internal Financial Controls and 62% respondents also who disagreed to the statement.

Table 4 33: Employees understand and appreciate the role of Internal Financial Controls.

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	0	0	0	0
Agree	0	0	0	0
Strongly Disagree	29	29	58	58
Disagree	21	50	62	100
Total	50		100	

Source: Janet Banda 2021

**4.1.5.4. There are clearly established channels of communication for employees to report suspected noncompliance of the statutory instruments and instruction.**

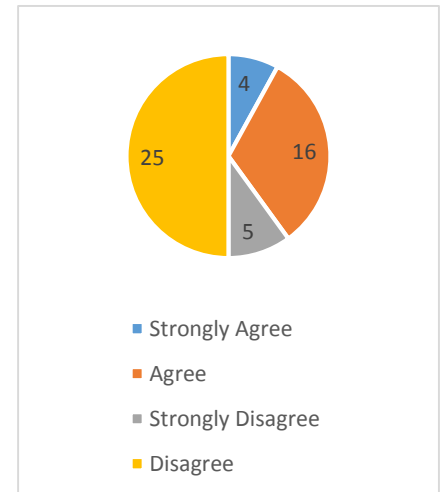
68% respondents disagreed to the statement saying “there were channels of communication for employees to report and suspected noncompliance to the statutory instruction and instruments” while 32% of the respondents agreed to the statement. The

table below clearly represents data from 9 respondents strongly disagreeing and 25 merely disagreeing to the statement.

Table 4 34: channels of communication for employees to report suspected Noncompliance

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	0	0	0	0
Agree	16	16	32	32
Strongly Disagree	9	34	18	50
Disagree	25	50	50	100
Total	50		100	

Source: Janet Banda 2021



#### 4.1.6. MONITORING AND EVALUATION

“Monitoring and Evaluation” was the fifth independent variable which was being examined and questions were answered by 50 respondents whose data was collected and presented as below.

Using a scale of 1 – 5, “with 5 being the highest and 1 the lowest in the ranking in agreement”, the Responses tabulated in the tables below were received from 50 respondents who participated in answering the questionnaire at Zambezi town Council.

##### 4.1.6.1. The Council conducts training programs for its Employees with regards to internal financial control implementation

The table 4.35 below show that Zambezi town Council does not conduct training programmes regarding internal financial controls to its employees. This is evident with the finding showing that out of 50 respondents at Zambezi Town Council 34% rating lowest, 22% rating second lowest and 20% rating third lowest in agreement with the statement that sought to establish if the Council conducted training in relation to internal financial controls to the workers.

*Table 4 35: Council conducts training programs for its Employees*

scale of 1 – 5 (With 5 highest and 1 lowest)	Frequency	Cumulative frequency	Percentage	Validity percentage
1	17	17	34	34
2	11	28	22	56
3	10	38	20	76
4	7	45	14	90
5	5	50	10	100
Total	50		100	

Source: Janet Banda 2021

#### **4.1.6.2. Training needs for employees are identified through a formal performance appraisal mechanism.**

The table 4.36 below show that at Zambezi Town Council, Training needs for employees were identified through a formal performance appraisal mechanism conducted during the performance appraisal period. . This is evident with the finding showing that out of 50 respondents at Zambezi Town Council 54% rating highest, 26% rating second highest and 20% rating third highest in agreement with the statement that sought to establish if the Council identified training needs through a formal performance appraisal mechanism.

*Table 4 36: Training needs for employees are identified*

scale of 1 – 5 (With 5 highest and 1 lowest)	Frequency	Cumulative frequency	Percentage	Validity percentage
1	0	0	0	0
2	0	0	0	0
3	10	10	20	20
4	13	23	26	66
5	27	50	54	100
TOTAL	50		100	

Source: Janet Banda 2021

#### **4.1.6.3. Employees are provided with internal control performance based feedback and counseling**

The table 4.37 below show that at Zambezi Town Council, employees provided with internal control performance based feedback and counseling during the performance appraisal period. This is as provided for by the findings showing that out of 50 respondents at Zambezi Town Council 56% rating highest and 44% rating second highest in

agreement with the statement that sought to establish .if the Council employees were provided with internal control performance based feedback and counseling

*Table 4 37: Employees provided with ICPB feedback and counseling*

Using a scale of 1 – 5 (With 5 highest and 1 lowest)	Frequency	Cumulative frequency	Percentage	Validity percentage
1	0	0	0	0
2	0	0	0	0
3	0	-	-	-
4	22	28	56	56
5	28	50	44	100
Total	50		100	

Source: Janet Banda 2021

#### **4.1.6.4. Employees are allowed to contribute to decisions relating to the instituting of internal financial controls as well as cost and quality.**

Out of 50 respondents at Zambezi Town Council , 62% rated third highest followed by 24% who scored second lowest and 14% scored first lowest in ranking on the findings on whether employees were allowed to contribute to decisions relating to the instituting of internal financial controls as well as cost and quality

*Table 4 38: contribute to decisions relating to the instituting of internal financial controls*

Using a scale of 1 – 5 (With 5 highest and 1 lowest)	Frequency	Cumulative frequency	Percentage	Validity percentage
1	7	7	14	14
2	12	19	24	38
3	31	50	62	100
4	0	-	-	-
5	0	-	-	-
Total	50	-	100	-

Source: Janet Banda 2021

#### **4.1.6.5. The roles and responsibilities of every job are clearly defined.**

The findings show that employees have clearly defined roles and responsibilities. Out of 50 respondents at Zambezi Town Council, 82% rated 5th highest followed by 12% who scored third highest and 6% scored 4<sup>th</sup> highest in ranking the findings. The data has been stipulated in the table 4.39 below.

*Table 4. 39: roles and responsibilities of every job are clearly defined.*

Using a scale of 1 – 5 (With 5 highest and 1 lowest)	Frequency	Cumulative frequency	Percentage	Validity percentage
1	0	0	0	0
2	0	0	0	0
3	6	6	12	12
4	3	9	6	18
5	41	50	82	100
<b>Total</b>	<b>50</b>		<b>100</b>	

Source: Janet Banda 2021

## 4.2. MUFUMBWE TOWN COUNCIL

### 4.2.1. DEMOGRAPHIC INFORMATION

50 questionnaires were distributed at Mufumbwe Town Council and all of them were collected back fully filled in by the respondents. The data below provide the summary of the respondents by age.

*Table 4. 40 Age characteristics of sample by category of the respondent*

Value label	Frequency	Cumulative Frequency	Percentage	cumulative percentage
20-30	9	9	18	18
31- 40	22	31	44	62
41-50	12	43	24	86
above 51	7	50	14	100
<b>Total</b>	<b>50</b>		<b>100</b>	

Source: Janet Banda 2021

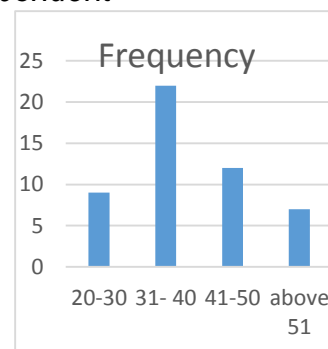


Table 4.40 above show that 18% of the respondents at Mufumbwe Town Council were in the age group of 20 -30 ,44% represented the age group of 31 -40, 24% represented the age group of 41-50 and 14% represented the ones who were above 51 years of age. This may be concluded that Mufumbwe Town Council has a youthful workforce unlike Zambezi Town Council were not all the age category were represented. Therefore the survey that was conducted reveals and can be concluded that Mufumbwe Town Council has a vibrant youthful workforce with fresh minds that can enable them adapt to the systems easily.

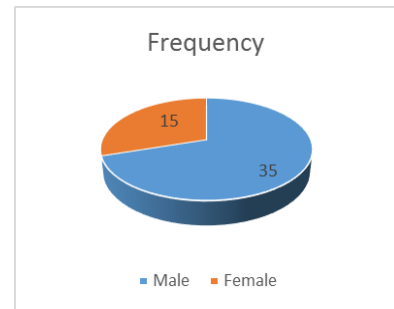
#### 4.2.1.1. Population characteristics by Gender

The ratios of respondents by gender at Mufumbwe Town Council were almost in the same range with Zambezi Town Council. There were 30% female respondents at Mufumbwe and 70% were men. This signifies a picture on the ratio 7 to 3 representation male and female worker at the Council respectively. The data has been presented on the table below.

Table 4 41 : Population characteristics by Gender

Value label	Frequency	Cumulative frequency	Percentage	Cumulative percentage
Male	35	35	70	70
Female	15	50	30	100
Total	50		100	

Source: Janet Banda 2021



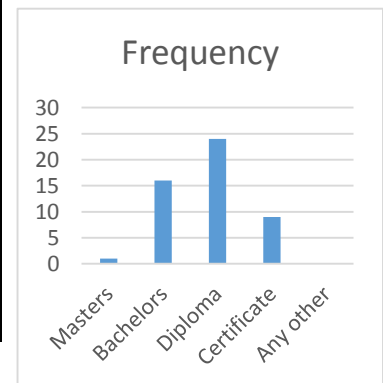
#### 4.2.1.2. Characteristics of sample by Education attained.

The highest education attained at Mufumbwe Town Council is Master's Degree which accounts for 2% of the respondents and the lowest is Certificate accounting for 18.32% and 48% account for the respondents who have attained their education up to Bachelor's Degree and Diploma respectively. The table below gives the summary of the education attainment of the sample population

Table 4 42 : Characteristics of sample by Education attained

Value label	Frequency	Cumulative frequency	Percentage	cumulative percentage
Masters	1	1	2	2
Bachelors	16	17	32	34
Diploma	24	41	48	82
Certificate	9	50	18	100
Any other	0	50	0	100
	50		100	

Source: Janet Banda 2021





#### 4.2.1.3. Length Worked in the Council

52% of the respondents' length of work at Mufumbwe Town Council was between 1 to 5 yrs., 36% had worked for 6 to 10 years while 10% worked for 11 to 15 years. This indicate that most of the respondents were relatively at the Council. The data has been presented in the table 4.43 below.

*Table 4 43: Length Worked in the Council*

Value label (Years)	Frequency	Cumulative frequency	Percentage	Cumulative percentage
1-5	26	26	52	52
6 -10	18	44	36	88
11-15	5	49	10	98
16-20	1	50	2	100
above 20	0	50	0	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.1.4. Existence of Internal Financial Control systems - Mufumbwe Town Council

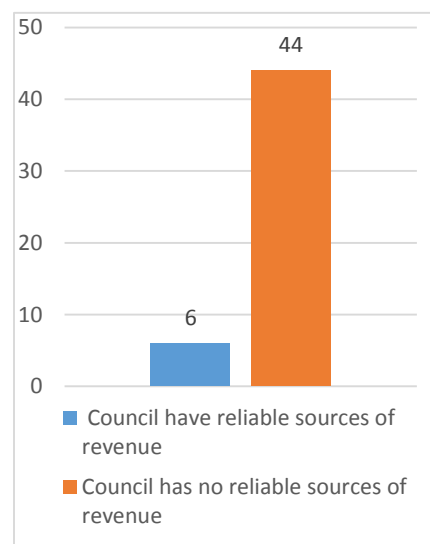
##### 4.2.1.4.1. Sources of revenue for the Local Authority

Out of 50 questionnaires filled in under Mufumbwe Town Council, 12% of the respondents indicated that the Council had reliable sources of revenue while 88% indicated that the Council had no reliable sources of revenue. The situation depicted at Mufumbwe Town Council was similar to the situation found at Zambezi Town Council in relation to non-availability of reliable revenue sources. The table below illustrates the findings on the matter.

*Table 4 44: Sources of revenue for the Local Authority*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Council have reliable sources of revenue	6	6	12	12
Council has no reliable sources of revenue	44	50	88	100
Total	50		100	

Source: Janet Banda 2021



#### 4.2.1.4.2 Council Revenue used according to the Local Government financial guidelines

8% of the respondents out of 50 total respondents at Mufumbwe Town Council said the Council spent the revenue collected in accordance with the Local Government Financial regulations. While 92% respondents indicated that the revenues collected by the Council were actually not spent in accordance with the set financial regulations. The finding were similar with the one at Zambezi Town Council with more than half of the responded stating that the revenues collected by the Council were not utilised according to the Local Government financial guidelines. The table below represents the data that was collected through the questionnaire at Mufumbwe Town Council.

*Table 4 45: Council Revenue used according to the LGF guidelines*

Value label	Frequency	Cumulative frequency	Percentage	Cumulative percentage
Revenue collected by the Council used according to the Local Government financial guideline	4	4	8	8
Revenue collected by the Council not used according to the Local Government financial guidelines	46	50	92	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.1.4.3 Council have plans which guide implementation of activities

Table below show that 8% out of 50 respondent's at Mufumbwe Town Council indicated that the Council had plans that guided implementation of the activities and spending of financial resources while 92% of the respondents indicated that there were no plans that guided the Council's implementation of activities. The scenario was exactly what prevailed at Zambezi Town Council.

*Table 4 46: Plans which guide implementation of activities*

Value label	Frequency	Cumulative frequency	Percentage	Cumulative percentage
Council have plans which guide implementation of activities and spending of financial resources	4	4	8	8
Council have no plans which guide implementation of activities and spending of financial resources	46	50	92	100
Total	50		100	

Source: Janet Banda 2021

The respondents who indicated that the Council had available plans that guided implementation of activities in table above disclosed that the Council only had the Council Annual Budget and Capital projects plans that guided implementation of activities. Just like Zambezi Town Council, Mufumbwe did not have the Integrated Development plan (IDP) in place to guide implementation of programmes and activities.

#### **4.2.1.4.3 Effectiveness of Internal financial controls at Mufumbwe Town Council**

44% of the respondent at Mufumbwe Town Council were strongly in disagreement that there were effective internal financial controls at the Council. While only 20 % were strongly agreeing to the statement. Table below presents the findings from the research.

*Table 4 47: Effectiveness of internal financial controls Mufumbwe*

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	10	20.0	20.0	20.0
Agree	10	20.0	20.0	40.0
strongly disagree	22	44.0	44.0	84.0
Disagree	8	16.0	16.0	100.0
Total	50	100.0	100.0	

Source: Janet Banda 2021

#### **4.2.2. CONTROL ENVIRONMENT**

Just like at Zambezi Town Council the independent variables that were examined in the study was “control environment” questionnaires were administered and answered by 50 respondents and the data collected was presented as below.

#### 4.2.2.1 Council have a clear organization structure

Table 4 48: Table Council have a clear organization structure

Value label	Frequency	Cumulative frequency	Percentage	Cumulative percentage
Council have a clear organization structure	50	50	100	100
Council have no clear organization structure	0	50	0	100
Total	50		100	

Source: Janet Banda 2021

Table above show that all 50 respondents at Mufumbwe Town Council said there was a clear Organisation structure at the Council

#### 4.2.2.2 Code of conduct and ethical consideration exist in the Council.

Table below show that all 50 respondents at the Council gave a response that the Council had a Code of ethics and ethical consideration to guide the institution.

Table 4 49: Code of conduct and ethical consideration exist in the Council.

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Code of conduct and ethical consideration exist in the Council	50	50	100	100
Code of conduct and ethical consideration do not exist in the Council	0	50	0	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.2.3. Established and Appropriate Internal Financial Controls Exist at the Council

The researcher wanted to establish whether the Mufumbwe Town Council had an established and appropriate internal financial control arrangements that ensured financial resources were properly safeguarded used economically, efficiently, effectively, appropriately, with due Propriety and used in accordance with the statutory instruments.

Table below indicate that all 50 respondents said that the Council did have the appropriate financial controls.

*Table 4 50.: Established and Appropriate Internal Financial Controls*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Council have an established and appropriate internal financial control arrangements	50	50	100	100
Council does not have an established and appropriate internal financial control arrangements	0	50	0	100
No response	50		100	
Total	50	50	100	100

Source: Janet Banda 2021

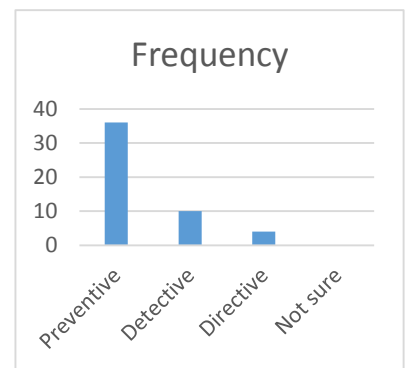
#### **4.2.2.4. Type of financial controls that exist at the Council**

According to the responses that were received on type of controls that existed at Mufumbwe Town Council tabulated on the table below are 8% of the respondents who said directive, 20% indicated detective and 72% stated that it was preventive.

*Table 4 51.: showing type of financial controls that exist at the Council*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Preventive	36	36	72	72
Detective	10	46	20	92
Directive	4	50	8	100
Not sure	0	50	0	
Total	50		100	

Source: Janet Banda 2021



#### **4.2.2.5. Responsibility for setting up internal financial controls is charged by.**

Table below show 36% of the respondents out of the total of 50 at Mufumbwe Town Council said the responsibility for setting up internal financial controls is charged by Management and 64% indicated that the Ministry of Local Government was responsible for setting up the financial controls. This was the same scenario with Zambezi Town Council.

*Table 4 52: showing responsibility for setting up internal financial controls*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Management	18	18	36	36
Ministry of Local Government c) Local Government Service Commission.	32	50	64	100
No response	0	50	0	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.2.6. Existence of Internal Audit Unit within the Council.

Just like at Zambezi Town Council, all the respondents at Mufumbwe Town Council showed that the internal Audit Unit actually existed within the Council as tabulated on the table below.

*Table 4 53 : Existence of an internal audit unit within the Council.*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
There is an internal audit unit that exist within the Council.	50	50	100	100
There is no internal audit unit that exist within the Council.	0	50	0	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.2.7. The internal Audit Unit that exist within the Council operate independently

*Table 4 54: Internal Audit Unit exist independently within the Council*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	3	3	6	0
Agree	34	37	68	8
Strongly Disagree	4	41	8	86
Disagree	9	50	18	100
Total	50		100	

Source: Janet Banda 2021

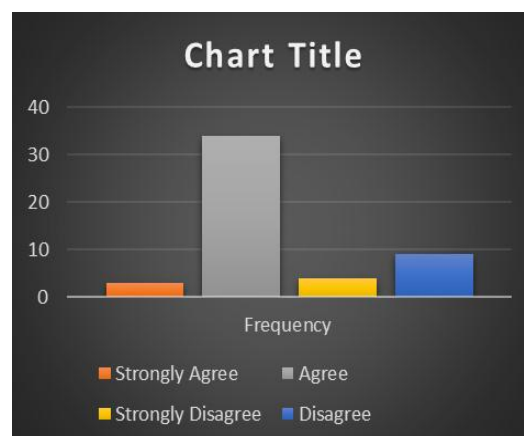


Table 4.54 above gives segregated data indicating 18% of the respondents strongly disagreeing to the statement which was intended to establish whether the internal Audit Unit under the Council operated indecently, 8% respondents disagreed while 68% of the respondents agreed to the statement this finding is unlike Zambezi Town Council were there were more respondent who indicated that the Audit unit was not operating independently.

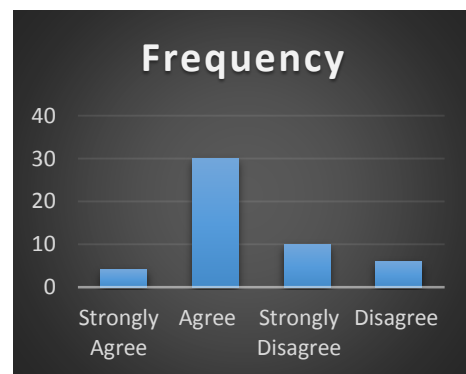
**4.2.2.8. The line of authority in the Internal Financial control system is clearly defined**

Data presented in the table show that 20% out of 50 responded strongly disagreed to the statement that sought to establish whether Internal Financial control system at Mufumbwe Town Council were clearly defined, 12% of the respondent were also in disagreement while a total of 68% respondents were agreeable with the statement. This was unlike Zambezi Town Council were more respondents disagreed to the statement.

Table 4 55: Internal Financial control system is clearly defined

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	4	4	8	8
Agree	30	34	60	68
Strongly Disagree	10	44	20	88
Disagree	6	50	12	100
Total	50		100	

Source: Janet Banda 2021



**4.2.2.9. Management periodically review policies and procedures to ensure proper financial controls are in place.**

Of the respondents at Mufumbwe Town Council there were 16% respondents who strongly agreed to the statement that sought to establish if Management periodically reviewed policies and procedures to ensure proper financial controls were in place 52% respondents agreed to the statement while a total of 32% disagreed to the statement.

*Table 4 56: Periodic review of policies and Procedures in place*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	8	8	16	12
Agree	26	34	52	68
Strongly Disagree	6	40	12	80
Disagree	10	50	20	100
Total	50		100	

Source: Janet Banda 2021

#### **4.2.2.10. Audits and other control systems are done periodically to test compliance with the statutory instruments and instructions.**

66% out of 50 respondents at Mufumbwe Town Council agreed to the statement that intended to find out whether Audits and other control systems were done periodically to test compliance with the statutory instruments and instructions at the Council while 20% of the respondents merely strongly agreed to the statement while 14% disagreed. Table below illustrates the findings.

*Table 4 57: Audits and other control systems are done periodically*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	10	10	20	20
Agree	33	43	66	86
Strongly Disagree	0	43	0	86
Disagree	7	50	14	100
Total	50		100	

Source: Janet Banda 2021

#### **4.2.3. RISK ASSESSMENT**

The second independent variable in the study was “Risk Assessment” which was examined at Mufumbwe Town Council was examined where a number of questions were administered and answered by 50 respondents whose data was collected and presented as below.

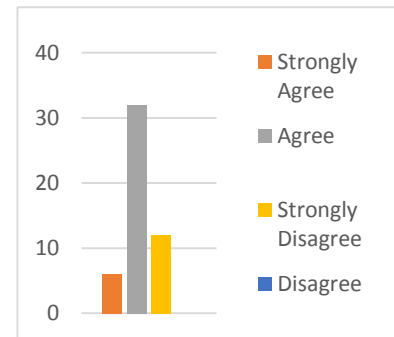


**4.2.3.1. The Council has clearly set objectives which are disseminated to all the employee.**

Table below represents data showing 12% respondents strongly agreeing and 64% respondents out of the sample of 50 who agreed to the statement which sought to establish whether the Council has clearly set objectives which were disseminated to all the employees while 24% respondents disagreed to the statement.

*Table 4 58: Council has clearly set objectives which are disseminated to all the employee*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	6	6	12	12
Agree	32	38	64	76
Strongly Disagree	12	50	24	100
Disagree	0	50	0	
Total	50		100	



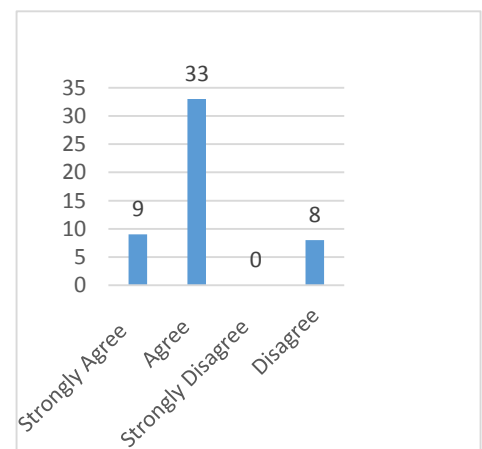
Source: Janet Banda 2021

**4.2.3.2. There are clear management statements on risk management and internal financial controls**

Table below show that 84% respondents out of 50 sample population at Mufumbwe were in agreement that there were Management statements on risk management and internal financial controls, while a total of 16% of the respondents were not in agreement with the statement. This scenario was like it was found at Zambezi town Council.

*Table 4 59: Statement on risk management and internal financial controls*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	9	9	18	18
Agree	33	42	66	84
Strongly Disagree	0	42	0	84
Disagree	8	50	16	100
Total	50		100	



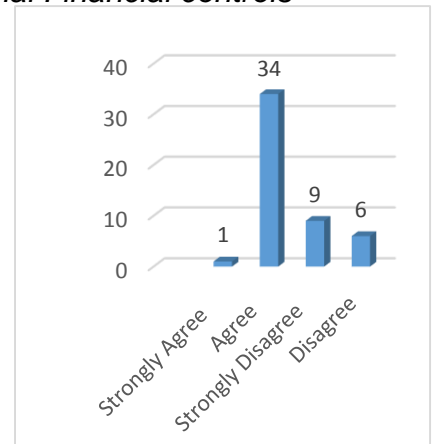
Source: Janet Banda 2021

**4.2.3.2. Technological issues are considered within the Internal Financial controls and are appropriately addressed.**

A total of 70% respondents out of 50 at Mufumbwe Town Council were agreeable to the statement that technological issues were considered within the Internal Financial controls and were appropriately addressed while a total of 30% respondents were in disagreement to the statement. A situation which was similar to Zambezi town Council

*Table 4 60: Technological issues are considered within the Internal Financial controls*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	1	1	2	2
Agree	34	35	68	70
Strongly Disagree	9	44	18	88
Disagree	6	50	12	100
Total	50		100	



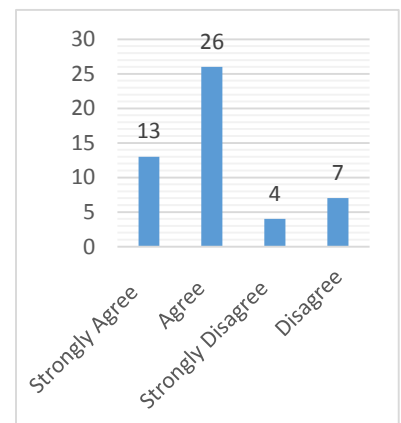
Source: Janet Banda 2021

**4.2.3.3. The Council's periodic risk assessment is conducted**

A total of a total of 39 respondents representing 78% who were in agreement with the statement intended to establish whether Mufumbwe Town Council conducted periodic risk assessment while 11 respondents representing 22% who were not in agreement with the statement. This data was represented by the table 4.61 below.

*Table 4 61: Council's periodic risk assessment is conducted*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	13	13	26	26
Agree	26	39	52	78
Strongly Disagree	4	43	8	86
Disagree	7	50	14	100
Total	50		100	



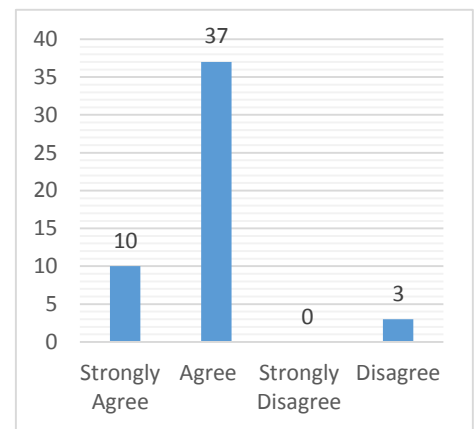
Source: Janet Banda 2021

#### 4.2.3.4. The Council has put in place compensation measures for any risk.

A total of 94% respondents out of 50 respondents at Mufumbwe Town Council agreed to the statement which sought to establish whether Council had put in place compensation measures for any possible risks while 6% respondents disagreed to the statement as has been tabulated in the table below. These findings were unlike Zambezi Town Council where more respondents disagreed to the statement.

Table 4 62: Council has put in place compensation measures for any risk

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	10	10	20	20
Agree	37	47	74	94
Strongly Disagree	0	47	0	94
Disagree	3	50	6	100
Total	50		100	



Source: Janet Banda 2021

#### 4.2.4. CONTROL ACTIVITIES

“Control Activities” which was the third independent variable in the study was examined. Questions were administered and answered by 50 respondents whose data was collected and presented as below-:

##### 4.2.4.1.. Internal control is one of the major components for work performance. Do you agree?

Table 4 63: internal control is one of the major components for work performance

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	41	41	82	82
Agree	9	50	18	100
Strongly Disagree	0	-		-
Disagree	0	-		-
Total	50	-	100	-

Source: Janet Banda 2021

The question sought to understand if the employees at the Mufumbwe Council considered internal financial controls to be one of the major components of work performance. Table above gives the responses according to the category stated by each respondent. All the 50 respondent were in agreement with the statement with 82% strongly agreeing while 918%merely agreed. The scenario was the same with Zambezi Town Council.

#### 4.2.4.2. The Council have some form of internal financial control systems availability

The Table below reveals 47 out of 50 respondents representing 94% who stated that the Council had some form of internal financial control systems available while 3 respondents representing 6% said the Council did not some form of internal financial control systems available

*Table 4 64: Availability of Internal Financial Controls*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
The Council have some form of internal financial control systems available	47	47	94	94
The Council have no form of internal financial control systems available	3	50	6	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.4.3. There are internal control procedures performed at the Council

The table below tabulates the responses from 50 respondents to the statement whether internal financial controls procedures were been followed at the Mufumbwe Town Council. 22% respondents indicated that internal control procedures were performed at the Council while 78% indicated that no internal control procedures were performed at the Council. The situation was the same at Zambezi Town Council.

*Table 4 65: internal control procedures performed at the Council*

Value label	Frequency	Cumulative frequency	Percentage	Cumulative percentage
There are internal control procedures performed at the Council	11	11	22	22
There are no internal control procedures performed at the Council	39	50	78	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.4.5. Understanding and appreciate the procedures

The question sought to find out if the employees at Mufumbwe Town Council understood and appreciated the internal financial control procedures, 66% respondents indicated that they did not understand and appreciate the procedures well while 34% indicated that they understood and appreciate the procedures Very well as has been tabulated below. The same findings prevailed at Zambezi Town Council.

*Table 4 66: Understanding and appreciate the procedures*

Value label	Frequency	Cumulative frequency	Percentage	Cumulative percentage
Understand and appreciate the procedures Very well	17	17	34	34
Do not Understand and appreciate the procedures Well	33	50	66	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.4.6 Internal control procedures established by the Council are effective?

The question sought to understand if the internal financial controls were effective at Zambezi Town Council. The Responses on table below indicate that 76% respondents out of 50 said there were no effective internal financial control at the Council while 24% agreed to say the internal financial controls at the Council were effective.

*Table 4 67: Internal control procedures effective*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
There are effective internal control procedures performed at the Council	38	38	76	76
There are no effective internal control procedures performed at the Council	12	50	24	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.4.7 Evaluation or monitoring mechanism and review of internal controls exist at the Council.

The table below show that 46 respondents said there were no monitoring or evaluation mechanism and review of internal financial control that took place at the Council while 4

respondents agreed that there were monitoring or evaluation mechanism and review of internal financial control that took place at the Council. Both Councils clearly stated that Monitoring and evaluation mechanism did not exist.

Table 28: Evaluation or monitoring mechanism and review of internal controls exist at the Council.

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Evaluation or monitoring mechanism and review of internal controls exist at the Council.	46	46	92	92
Evaluation or monitoring mechanism and review of internal controls do not exist at the Council.	4	50	8	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.4.8 Are there breaches experienced in the internal control in the council?

88% respondents at Mufumbwe Town Council indicated that there were breaches in the internal financial controls experienced while 12% said such breaches were not experienced. This data was tabulated in the table below. Both Councils stated that breaches in the internal financial control processes were experienced.

Table 4 68: breaches experienced in the internal control in the council

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
There are breaches experienced in the internal control in the council	44	44	88	88
There are no breaches experienced in the internal control in the council	6	50	12	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.5. INFORMATION AND COMMUNICATION

“Information and Communication” was the fourth independent variable which was being examined at Mufumbwe Town Council. A total of 50 respondents were recorded, data collected was presented as indicated below-:

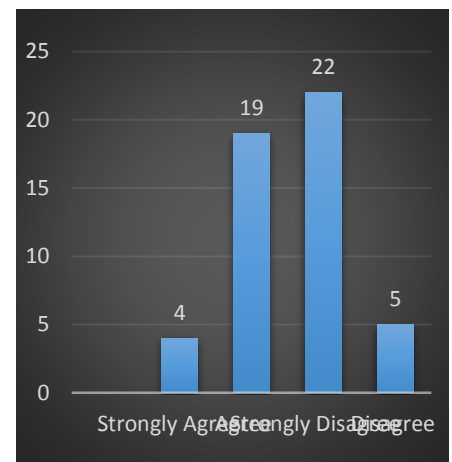
##### 4.2.5.1 The Council has a risk management policy.

The data in the table below segregate the responses against which 8% respondents strongly agreed and 38% merely agreed that the Council has a risk management policy and 44% of the respondents strongly disagreed to the statement with 5 merely disagreed.

*Table 4 69: Council has a risk management policy*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	4	4	8	8
Agree	19	23	38	46
Strongly Disagree	22	45	44	90
Disagree	5	50	10	100
Total	50		100	

Source: Janet Banda 2021



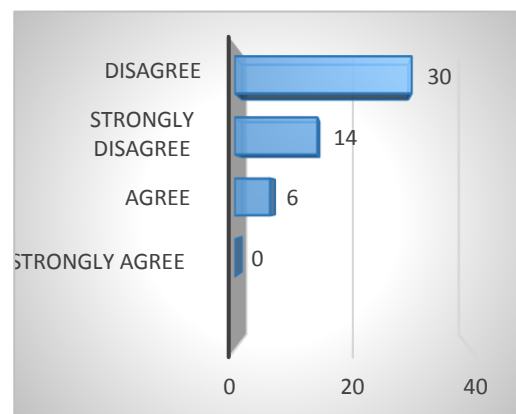
##### 4.2.5.2 The Risk Management Policy has been disseminated to all employees of the Council.

The data in the table below indicate that 28% respondents strongly disagreed and 12% respondents were merely in disagreement with the statement that risk management Policy was disseminated to all the employees at the Council. However there were 60% respondents who agreed to the statement saying that the policy was disseminated to all the Workers at the Council.

Table 4 70: Risk management Policy disseminated to all employees of the Council.

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	0	0	0	0
Agree	6	6	12	24
Strongly Disagree	14	20	28	52
Disagree	30	50	60	100
Total	50		100	

Source: Janet Banda 2021



#### 4.2.5.3 All employees understand and appreciate the role of Internal Financial Controls.

The table below show that employees at Mufumbwe Town Council just like Zambezi Town Council did not understand and appreciate the role of internal financial controls as was revealed by 86% respondents who strongly disagreed to the statement which said employees understood and appreciated the role of Internal Financial Controls and 14% respondents also who disagreed to the statement.

Table 4 71: Employees understand and appreciate the role of IFC

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	0	0	0	0
Agree	0	0	0	0
Strongly Disagree	43	43	86	86
Disagree	7	50	14	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.5.4 There are clearly established channels of communication for employees to report suspected noncompliance of the statutory instruments and instruction.

78% respondents disagreed to the statement saying there were channels of communication for employees to report suspected noncompliance to the statutory instruction and instruments while 22% of the respondents agreed to the statement. The table below clearly represents data from 50 respondents at Mufumbwe Town Council



*Table 4 72: Employees report suspected Noncompliance*

Value label	Frequency	Cumulative frequency	Percentage	Validity percentage
Strongly Agree	0	0	0	0
Agree	11	11	22	32
Strongly Disagree	0	11	0	50
Disagree	39	50	78	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.6. MONITORING AND EVALUATION

“Monitoring and Evaluation” was the fifth independent variable which was being examined Mufumbwe Town Council 50 respondents provided responses whose data was has been presented as below.

Using a scale of 1 – 5, with 5 being the highest and 1 the lowest in the ranking in agreement the Reponses tabulated in the table below were received from 50 respondents who participated in filling in the questionnaire at Mufumbwe town Council.

##### **4.2.6.1 The Council conducts training programs for its Employees with regards to internal financial control implementation**

The table below shows that Mufumbwe Town Council just like Zambezi Town Council does not conduct training programmes regarding internal financial controls to its employees. This is evident with the findings showing that out of 50 respondents at Mufumbwe Town Council 58% rated lowest, 14% rated second lowest and 20% rating third lowest and 8% rated fourth Lowest in agreement with the statement that sought to establish if the Council conducted training in relation to internal financial controls to the workers.

*Table 4 73: Council conducts training programs for its Employees*

Using a scale of 1 – 5 (With 5 highest and 1 lowest)	Frequency	Cumulative frequency	Percentage	Validity percentage
1	29	29	58	34
2	7	36	14	56
3	10	46	20	76
4	4	50	8	90
5	0	50	0	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.6.2 Training needs for employees are identified through a formal performance appraisal mechanism.

The table below show that at Mufumbwe Town Council just like at Zambezi Town Council had their training needs identified through a formal performance appraisal mechanism conducted during the performance appraisal period. This is evident from the findings Showing that out of 50 respondents at Mufumbwe Town Council 18% rating highest, 72% rating second highest and 10% rating third highest in agreement with the statement that sought to establish if the Council identified training needs through a formal performance appraisal mechanism.

*Table 4 74: Training needs for employees are identified*

Using a scale of 1 – 5 (With 5 highest and 1 lowest)	Frequency	Cumulative frequency	Percentage	Validity percentage
1	0	0	0	0
2	0	0	0	0
3	5	5	10	10
4	36	41	72	82
5	9	50	18	100
TOTAL	50		100	

Source: Janet Banda 2021

#### 4.2.6.3 Employees are provided with internal control performance based feedback and counseling

The table below show that at Mufumbwe Town Council similar to the findings at Zambezi Town Council, employees were provided with internal control performance based feedback and counseling during the performance appraisal period. This is as provided for by the findings showing that out of 50 respondents 78% rating highest and 24% rating second highest in agreement with the statement that sought to establish. If the Council employees were provided with internal control performance based feedback and counseling.

*Table 4 75: Internal control performance based feedback and counseling provided*

Using a scale of 1 – 5 (With 5 highest and 1 lowest)	Frequency	Cumulative frequency	Percentage	Validity percentage
1	0	0	0	0
2	0	0	0	0
3	0	-	-	-
4	12	12	24	56
5	38	50	74	100
Total	50		100	

Source: Janet Banda 2021

#### 4.2.6.4 Employees are allowed to contribute to decisions relating to the instituting of internal financial controls as well as cost and quality.

Out of 50 respondents at Mufumbwe Town Council , 54% rated third highest followed by 30% who scored second lowest and 16% scored first lowest in ranking the findings on whether employees were allowed to contribute to decisions relating to the instituting of internal financial controls as well as cost and quality

*Table 4 76: contribution towards decisions on instituting of internal financial controls*

Using a scale of 1 – 5 (With 5 highest and 1 lowest)	Frequency	Cumulative frequency	Percentage	Validity percentage
1	8	8	16	16
2	15	23	30	46
3	27	50	54	100
4	0	-	-	-
5	0	-	-	-
Total	50	-	100	-

Source: Janet Banda 2021

#### 4.2.6.5. The roles and responsibilities of every job are clearly defined.

The findings show that employees have clearly defined roles and responsibilities which was similar with Zambezi Town Council. . Out of 50 respondents at Mufumbwe Town Council, 72% rated 5th highest followed by 18% who scored third highest and 10% scored 4<sup>th</sup> highest in ranking the findings. The data has been stipulated in the table 37 below-:

*Table 4 77 : Roles and responsibilities of every job are clearly defined.*

Using a scale of 1 – 5 (With 5 highest and 1 lowest)	Frequency	Cumulative frequency	Percentage	Validity percentage
1	0	0	0	0
2	0	0	0	0
3	5	6	10	10
4	9	14	18	28
5	36	50	72	100
Total	50		100	

Source: Janet Banda 2021

## CHAPTER FIVE

### 5.0 DISCUSSION OF FINDINGS

This Chapter discusses the findings on the data collected from the field. The discussions were presented in line with the objectives of the study. The data was presented it in the manner that it defined the variables relating to the respondent's attribute, opinion and analysis of the current practices related to internal financial controls in the Local Authority. In this regard the levels of understanding and manner in which the Local Authorities value internal financial controls are discussed.

The data that have been presented in this chapter represent the two Local Authorities of Zambezi and Mufumbwe Town Councils presented in comparison and discussed based on the average statistics.

#### 5.1. DEMOGRAPHIC INFORMATION

In discussing demographic information from the findings, the following characteristics were taken into consideration-: Age, Gender, Education attainment, length worked at the Local Authority, sources of revenue and usage, availability of plans for implementation of activities and effectiveness of Internal Financial Controls.

It was evident from the findings that the two Local Authorities had a vibrant workforce with an average of 61% of the workers on the sample ranging in the age of 20 to 40 years and 39% who were above 40years. 54% of the respondent represented the male workers while 56% represented the female workers. Out of the sample population 96% had attained tertiary education ranging from certificate to a Master's degree and 4% had attained their professional qualifications such as ZICA and ACCA. However the findings reviewed that an average of 76% of the respondents had worked at the Local Authorities for less than 5 years while only 24 % had worked for a maximum of 15 years.

In establishing whether the Councils has reliable sources of revenue, the findings revealed that the Local Authorities had no reliable sources for their revenue as evident by 81% percent of the respondents. However the findings revealed that despite not having

reliable sources on revenue Local Authorities did not use the accordingly as indicated by an average 78% of the respondents. Nevertheless findings further reviewed that internal financial controls in the two Local authorities were ineffective as indicated by an average of 68% of the respondents.

In assessing the ineffectiveness of the Internal Financial Controls in the Local Authorities, five independent variables were discussed according to the findings of the study.

## 5.2. CONTROL ENVIRONMENT

Control environment was one of the independent variables that was consider in measuring performance of the internal financial controls and the following factors were considered in the discussion: - presence of organization structure in the LA, presence of code of conduct and ethical consideration, existence of internal financial controls and the type of IFCs, existence of functional Audit Unit in the Local Authorities.

In assessing the control environment of the Local authorities, it was found that Local Authorities had clear organization structure as was indicated by an average of 81% of the respondents. It was also revealed from the findings that the Local Authorities did not have established code of conduct and ethics that guided operational behavior for employees. This was represented by an average of 84% of the respondents. Further an average of 62% of the respondents revealed that internal financial controls existed in the Local Authorities though at Zambezi Town Council respondents indicated that there were actually no IFCs that existed which represented 33% while 5% did not give any response all. The IFCs that were said to have existed were:- preventive, detective and directive. However it was not clear on who was responsible for setting IFCs for the Local Authorities as evident from the findings which showed 86% of the respondents at Zambezi Town Council saying it was management while 68% of the respondent at Mufumbwe Town Council who said it was the responsibility of the Ministry of Local Government. Nonetheless literature revealed that it was the reasonability of MoLG to set IFCs for Local Authorities.

The findings further revealed that Internal Audit Units existed in the Local Authorities as it was indicated by 87% of the respondents. However, an average of 59% from the

respondents indicated that the Internal Audit Units that existed within the LAs did not operate independently in the execution of their roles. Further the findings show that the IFCs were not reviewed periodically. However IFCs were said to be conducted periodically in the LAs as revealed by the findings. .

### 5.3. RISK ASSESSMENT

Control environment was a second of the independent variables that was considered in measuring performance of the internal financial controls and the following factors were considered in the discussion: - LA having set objectives which were disseminated to the employees, management making clear statements of risk management and IFCs and conduct of periodic risk assessment by LAs.

The findings on risk Assessment revealed that the Local Authorities had set objectives which were intended to be achieved. This was evident by 79% of the respondents. Although 21% were not in agreement on the availability of set objectives. Further it was revealed that management provided statements on risk management and financial controls and that risk periodic assessment were conducted represented by 69% of the respondents.

### 5.4. CONTROL ACTIVITIES

Control Activities was the third independent variables that was considered in measuring performance of the internal financial Controls and the following factors were considered in the discussion: - establishing whether internal controls were one of the major components for work performance in the LAs, whether internal financial control procedures were been followed at the LA and whether breaches to the IFCs were experienced.

Findings were that internal controls were one of the major component for work performance at the Local Authorities as presented by all the respondents representing 100%. However findings revealed that despite internal controls being considered as a component in measuring work performance, internal control procedures were not being followed. This was in line with 74% of the respondents and that most of the workers did not understand the procedures in internal controls. Findings further revealed that there

bleach of financial controls were experienced in the Local Authorities. These findings were presented by 83% of the respondents.

#### 5.5. INFORMATION AND COMMUNICATION

Information and Communication was the fourth independent variables that was consider in measuring performance of the internal financial controls and the following factors were considered in the discussion: establish whether the Local Authorities had risk assessment policy which was disseminated to all the employees, whether all employees understood the financial controls and whether they were clearly established communication channels.

Assessment findings were that there were 62% of the respondents who indicated that the Local authorities did not have a risk Assessment policy available while 38% indicated that risk management policy was not available. However it was clear that the risk management policy if at all was available, it was never disseminated to the employees as stated by 82% of the respondents.

#### 5.6. MONITORING AND EVALUATION

Monitoring and Evaluation was the fifth independent variables that was consider in measuring performance of the internal financial controls and the following factors were considered in the discussion: - establishing whether training on IFCs were conducted for employees, whether training needs were identified through formal performance appraisals , if feedback was provided and whether roles and responsibilities were clearly defined.

Findings were that no trainings were conducted on IFCs to the employees however training need were identified during the formal performance appraisal and feedback was provided to the employees. It was also found that employees were allowed to propose a contribution towards decision and that roles and responsibilities were said to have been clearly.

## CHAPTER SIX

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 6.1 INTRODUCTION

This chapter summarizes the findings, discussions, and also gives conclusions based on the findings. Study recommendations have also been presented.

##### 6.1.1. DEMOGRAPHIC INFORMATION

It was evident from the findings that the Local Authorities had a vibrant youthful workforce that had at least attained their minimum tertiary qualifications. Nevertheless most workers had only worked at the Local Authority for less than 5yrs. It was also certain that Councils did not have reliable sources of revenue though they did not use the revenue according to the guidelines set.

In assessing the ineffectiveness of the Internal Financial Controls in the Local Authorities, five independent variables were discussed according to the findings of the study.

##### 6.1.2. CONTROL ENVIRONMENT

Local Authorities had organization structure but did not have established code of conduct and ethics that guided operational behavior for employees. Internal financial controls existed in the Local Authorities which were in form of: - preventive, detective and directive. However it was not clear on who was responsible for setting IFCs for the Local Authorities.

There were Internal Audit Units that existed in the Local Authorities however they had no independence in the execution of their roles. Further IFCs were not reviewed periodically despite the same being conducted periodically in the LAs

##### 6.1.3. RISK ASSESSMENT

Local Authorities had objectives which were intended to be achieved. Local Authority management provided statements on risk management and financial controls and risk periodic assessment were also conducted



#### 6.1.4. CONTROL ACTIVITIES

Internal controls were a component for assessing work performance at the Local Authorities. However, internal control procedures were not being followed as such there were a lack of financial procedures that experienced in the Local Authorities.

#### 6.1.5. INFORMATION AND COMMUNICATION

Local authorities did not have a risk Assessment policy available. Communication was not effective in the Local Authorities.

#### 6.1.6. MONITORING AND EVALUATION

It was clear that no trainings were conducted on IFCs to the employees despite training need identified during the formal performance appraisal though roles and responsibilities were said to have been clearly.

### 6.2. CONCLUSION

The research was set out to assess whether Local Authorities in Zambia had effective internal financial control systems. The research objectives were set as;-

- To assess the existence of Internal Financial Control systems at Zambezi and Mufumbwe Town Council.
- To assess the extent to which Internal Financial Controls were adhered to by Zambezi and Mufumbwe Town Council.
- To find out if the internal financial control systems at the Councils were adequate and applicable.
- To assess effectiveness of the internal financial control systems in the Local Authorities.
- To examine the measures that were put in place by the Local Authorities in order to enhance effectiveness of the internal financial controls.

Arising from the research findings, the following conclusion was derived that:-

Local Authorities Internal had Internal Financial Control systems that existed. Internal Financial Control systems and procedure were not followed to the later. Internal financial control systems at the Local Authorities were adequate and applicable though there was

no deliberate policy for orientation of new members of staff. Internal financial control systems in the Local Authorities were ineffective.

The research revealed that the Council had well educated members of staff with an attainment of at least minimum tertiary level which formed a well-informed knowledge base. However it also clearly showed that most workers had worked for less than 5 years at their respective Councils. The research further revealed that Councils had internal financial control systems in place which were not effective. This was as a result of Councils not having policies in place that were meant to orient the new members of staff so as to enable them understand the available IFCS and how they operate. Further the Audit Unit which is charged with ensuring that IFCs were effective did not perform to expectation since there were not independent from the Local Authority management.

### 6.3. RECOMMENDATIONS

Following the research findings some recommendations related to this study can be proposed as follows-;

- Audit units of the Councils be allowed to operate independently.
- There be periodic reviews of internal financial control systems.
- Information dissemination on financial control systems in the local authorities be enhanced.
- New members of staff should be oriented so that they are acquainted with the financial control systems.

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## APPENDICES

a) Research Questionnaire

**UNIVERSITY OF LUSAKA**

**SCHOOL OF POST GRUATE STUDIES**

**RESPONDENTS: MANAGEMENT AND STAFF AT THE THREE COUNCILS IN NORTHWESTERN PROVINCE.**

This questionnaire is for a research project under the topic “Assessment on the effectiveness of Internal Financial Controls in the Local Authorities of Zambia: a case study of Zambezi Town council and Mufumbwe Town Council being conducted by Janet Banda Samahanda a Master of Business Administration General (MBAGEN) student under the school of Post Graduate.

### **To the respondent.**

I am kindly seeking for your participation in this research by helping to fill in the questions provided below. I wish to give assurance that any information that will be provided through this questionnaire will be treated as confidential and will be accorded the necessary confidentiality that it deserves and that it will be used only for academic purposes.

### **Demographic Information**

*(Please Tick)*

#### **1. Age category**

20-30

- a) 31-40
- b) 41-50
- c) above 51

#### **2. Gender**

Male

Female

**3. Level of Education attained. (Please Tick)**

1. Masters  2. Bachelors  3. Diploma  4. Certificate

2. Any other (plse Specify).....

**4. No. of years Worked in the Council (Please Tick)**

- (a)1-5  (b)6 -10  (c)11-15  (d)16-20  (e) above 20

**Date ----- Designation-----**

**Department -----**

**A. (Sources of revenue for the Local Authority)**

1. Does the Council have reliable sources of revenue?

Yes..... No .....

2. If yes to question 1. List down the sources of revenue for the Council?

.....  
.....

3. Are the revenue collected by the Council used according to the Local Government financial guidelines?

Yes  No.

4. Does the Council have plans which guide implementation of activities and spending of financial resources? Yes  No.

4.1. If yes in question 4 above please state below the plans that are used.

- a). .....
- b).....
- c).....
- d).....

**B. (Control Environment)**

5. Do the Council have a clear organization structure? Yes  No.

6. Code of conduct and ethical consideration exist in the Council. Yes  No.

7. Does the Council have an established and appropriate internal financial control arrangements that ensures financial resources are properly safeguarded used economically, efficiently, effectively, appropriately, with due Propriety and used in accordance with the statutory instruments?

Yes  No.

7.1. If the answer in question 7 above is yes, what type of financial controls exist?

a) Preventative b) Detective c) Directive d) others, specify.....

8. Responsibility for setting up internal financial controls is charged by. (Please Tick) .

a) Management b) Ministry of Local Government c) Local Government Service Commission.

9) There is an internal audit unit that exist within the Council. Yes  No.

10) The internal Audit Unit that exist within the Council operate independently

a) Strongly Agree b) Agree c) Strongly Disagree d) Disagree

11) The line of authority in the internal financial control system is clearly defined.

a) Strongly Agree  b) Agree  c) Strongly Disagree  d) Disagree

2) Management periodically review policies and procedures to ensure proper financial controls are in place.

a) Strongly Agree  b) Agree  c) Strongly Disagree  d) Disagree

13) Audits and other control systems are done periodically to test compliance with the statutory instruments and instructions.

a) Strongly Agree  b) Agree  c) Strongly Disagree  d) Disagree



**C. (Risk Assessment)**

14) The Council has clearly set objectives which are disseminated to all the employee.

- a) Strongly Agree  b) Agree  c) Strongly Disagree  d) Disagree

15) There are clear management statements on risk management and internal financial controls

- a) Strongly Agree  b) Agree  c) Strongly Disagree  d) Disagree

16) Technological issues are considered within the Internal Financial controls and are appropriately addressed.

- a) Strongly Agree  b) Agree  c) Strongly Disagree  d) Disagree

17) The Council's periodic risk assessment is conducted

- a) Strongly Agree  b) Agree  c) Strongly Disagree  d) Disagree

18) The Council has put in place compensation measures for any risk.

- a) Strongly Agree  b) Agree  c) Strongly Disagree  d) Disagree

**D. (Control Activities)**

18). Internal control is one of the major components for work performance. Do you agree?

- (a) Strongly agree (b) Agree (c) Neutral (d) Disagree (e) Strongly disagree

19) Does the Council have any form of internal financial control systems availability?

- Yes  No

20). Do you know of any internal control procedures performed at the Council?

- a) Yes [ ] b) No [ ]

21) Do you understand and appreciate the procedures?

- a) Very well [ ] b) Well [ ] c) Unclearly [ ]

22) Do you think the internal control procedures established by the Council are effective?

a) Yes [ ] b) No [ ]

23) If no in question 5, why do what do you think could be the challenge?

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

24) Are you aware of any evaluation or monitoring mechanism and review of internal controls at the Council?

a) Yes [ ] b) No [ ]

25) If yes, state what you know.....

.....

26) What do you think are some of the effects of internal control?

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

27) Are there any breaches experienced in the internal control in the council?

Yes..... No.....

28) How are the control breaches handled in the Council?

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

29) What measures will you recommend to curb internal control breaches and conflict situations?

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

**E. (Information and Communication)**

30) The Council has a risk management policy.

a) Strongly Agree  b) Agree  c) Strongly Disagree  d) Disagree

31) The Risk management Policy has been disseminated to all employees of the Council.

a) Strongly Agree  b) Agree  c) Strongly Disagree  d) Disagree

32) All employees understand and appreciate the role of Internal Financial Controls.

a) Strongly Agree  b) Agree  c) Strongly Disagree  d) Disagree

33) There are clearly established channels of communication for employees to report suspected noncompliance of the statutory instruments and instruction.

a) Strongly Agree  b) Agree  c) Strongly Disagree  d) Disagree

#### **F. (Monitoring and Evaluation)**

Using a scale of 1 – 5, with 5 being the highest and 1 the lowest in the ranking in agreement, complete the applicable questions by circling the appropriate scale.

34) The Council conducts training programs for its Employees with regards to internal financial control implementation. 1 2 3 4 5

35) Training needs for employees are identified through a formal performance appraisal mechanism. 1 2 3 4 5

36) There are Formal training programs to induct new employees on the internal controls they need to observe for the effective performance of their jobs. 1 2 3 4 5

37) Employees are provided with internal control performance based feedback and counseling

1 2 3 4 5

38) Employees are allowed to contribute to decisions relating to the instituting of internal financial controls as well as cost and quality.

1 2 3 4 5

39) Employees are provided with the opportunity to suggest improvements regarding internal control implementation.

1 2 3 4 5

40) The roles and responsibilities of every job are clearly defined.1 2 3 4 5