

**THE EFFECTIVENESS OF INTERNAL CONTROLS AT LUSAKA CITY
COUNCIL**

BY

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of the Requirements for the Award of the Master of Business Administration
in Finance**

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DECLARATION

I, **Sibeso Anaenyi**, do hereby declare that this work is my original work achieved through personal reading and research. This work has never been submitted to the University of Zambia or any other universities. All sources of data and literature on related works previously done by others used in the production of this dissertation have been duly acknowledged. If any omission has occurred, it is not by choice but by error.

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APPROVAL

This dissertation by **Sibeso Anaenyi** is approved as fulfilment of the requirements for the award of degree of Master of Business Administration in Finance.

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ABSTRACT

The current business trends have made it imperative for almost all large organizations to uphold effective internal control systems. Internal control has attracted intense debate and scholarly attention across industries in accountancy and auditing literature over the past decades. Lusaka City Council is facing challenges in revenue collections which has resulted into failure to meet its operational obligations. In this regard, this study evaluated the components of Internal Control Systems of Lusaka City Council using COSO's principles and attributes of assessing the effectiveness of internal control systems. The five components of internal controls; Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring and Evaluation, were individually assessed to ascertain their effectiveness in the council. A five-point Likert scale was used to measure respondent's knowledge and perception of internal controls and the council's internal control system effectiveness. Responses ranged from strongly agree to strongly disagree. Based on the values indicated in the questionnaires a frequency and percentage values were calculated to reflect the effectiveness of internal controls. The statistics presented the aggregated results of the all internal control activities. 17% of the respondents were strongly agreeable to the effective internal control activities in the council. Whilst, 44% were agreeable. Giving the total to 61% (17% + 44%), translating that Lusaka City Council has adequate internal control systems. The study also identified factors that are affecting the implementation of internal control activities and these are; Lack of employees' honesty and integrity, Unachievable employee financial goals, Employees' personal financial problems, Control measures for unusual transactions, Poor remuneration of internal control staff and Unwillingness to effect changes. It further analyzed the effect these factors have on the implementation of internal control activities by establishing correlation between the variables. The study revealed that there was a strong relationship between the Internal Control activities and the factors that are affecting their implementation. The aggregate scored 0.9 indicating that the relationship is positively strong. Therefore, the identified factors strongly have effect on the implementation of internal control activities at Lusaka City Council.

Key words: Internal controls, effectiveness and Implementation.

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DEDICATION

I dedicate this work to my husband Richard Orichie Chalwa and my children; Lupo, Oleta and Mututo Chalwa. I hope they will get inspired by this work to do even more to achieve the highest level of academic excellence.

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ACROWNS AND ABBREVIATIONS

IC - Internal Control

LCC – Lusaka City Council

PAYE – Pay As You Earn

COSO - Committee of Sponsoring Organizations

HR – Human Resource

MPAs – Ministries, Provinces and Agents

ERM – Enterprise Risk Management

CHAPTER 1

INTRODUCTION TO THE STUDY

1.1.Introduction

This chapter highlights the main reasons for the study. It also gives the background of the problem, problem statement, research objectives, research questions, significance of the study, scope of the study, limitations of the study and chapter summary.

1.2.Background of the study

The study focused on the effectiveness of Internal Controls (IC) at Lusaka City Council (LCC). Lusaka was established as a settlement in 1913. The administration of Lusaka City Council is divided into two, the first is a political wing headed by the Mayor while the administration part is led by the Town Clerk and eight directors representing eight departments namely: Department of Human Resource and Administration, Department of Legal Services, Department of Engineering Services, Department of City Planning, Department of Public Health, Department of Housing and Social Services, Department of Finance, and Department of Valuation and Real Estate Management. As a Local Authority, Lusaka City Council operates a representative type of Local Government, with elected local leaders (the Councilors) constituting the Council as community representatives.

It is a fact that most local government authorities are weak in the implementation of internal control system. This argument is supported by Ringo (2013) who suggests that despite the existence of internal audits in various local authorities with internal control systems in place, financial crimes persist in the form of fraud irregularities and even breaches of other controls. In addition to this, a study by Mbwanji (2013) states that, despite all the requirements to ensure internal control, still most organizations suffer from liquidity problems, insufficient accountability, untimely financial reports, fraud, resources misuse and unyielding decisions that do not lead to expected outcome. Another study by Ngopa (2013) conducted in Tanzania supports that, internal control in public sector was a major challenge caused by insufficient facilities, inadequate skills among internal auditors, poor cooperation from staff, weak transparency and accountability and poor commitment from management.

The Auditor General Report revealed that the Lusaka City Council (LCC) misapplied over K3 million of the Local Government Equalization Fund by using it to procure motor vehicles for senior management. And, the Auditor General Report has also revealed that the local authority was as at 31st December 2017 owing Pay as You Earn (PAYE) and other contributions amounting to over K160 million which were deducted from employees' earnings but not remitted to the respective institutions. This is contained in the Report of the Auditor General on the accounts of Local Authorities for the financial years ended 31st December 2015, 2016 and 2017. In the report, the Auditor General explained that LCC management stated that they had refunded the misapplied funds when in fact not (Diggers, August 10, 2019).

Recently, the council has been experiencing workflow interruptions due to strikes by unionized staff. These strikes are as a result of delayed and non-payments of salaries at times. It has also affected the skilled and professional staff category which has seen a high rate of resignations because of poor conditions of service. Several meetings were held with government officials and other stakeholders trying to solve the problem. One of the resolutions, was the implementation of the centralized payroll system that must take a long-term measure to addressing late salaries to local authorities before the close of 2018 (Lusaka Times, September 23, 2018). Despite all these efforts, in March 2019, the problem still emerged as workers downed tools because of non-payments of salaries. (Lusaka Times, March 30, 2019).

The Auditor Report (2019) revealed that there were weaknesses in the implementation of internal controls observed in Ministries, Provinces and Agents (MPAs) which are outlined as follows:

- Failure and delays in the collection of Government revenue.
- Failure to detect anomalies such as overpayments, under banking, unauthorized payments and misappropriation.
- Failure to adhere to Financial and Public Stores Regulations, Cabinet Office and other circulars, Terms and Conditions of Service for the Public Service, for example payment of remote and rural hardship allowances to officers in ineligible stations;
- Failure to adhere to procurement procedures and contract provisions. Misapplication of funds (funds are applied on an activity not budgeted for).
- Failure to insure Government assets.

- Failure to deduct and remit statutory contributions. (These include PAY As You Earn and Pension contributions).
- Failure to maintain books of accounts, payment vouchers and supporting documents. A payment made without a payment voucher or supporting document. Various goods paid for, were not delivered by some suppliers.

Zangeta & Chibomba (2019) conducted a study and revealed that generally, the failure by Lusaka city council to attract and retain qualified experienced personnel, was due to the prevailing poor salaries and conditions of service. The study noted that few qualified staff were available in key positions. Some local authorities lacked the necessary motivation to work towards achieving great and positive results. Given the high levels of unemployment prevailing in the country, it was plausible to assume, therefore, that most of the few well-qualified staff working for local authorities were doing so because “greener pastures” were not readily available. Such employees cannot reasonably be expected to be dedicated to their work or remain in the council if chance to leave arise. The productivity is negatively impacted as there is less contribution coming from such employees. The level of resignations may not necessarily have impact because the problem already exists given either way.

In view of the outlined studies and statistics supporting the challenges in internal control in the public sector, conclusively acknowledges a huge problem regarding internal controls. An analysis of the problems related to these failures indicates that they could probably have been avoided had the institution maintained effective internal control systems. Such systems would have prevented or enabled earlier detection of the problems that led to these circumstances, thereby limiting damage to the organization. Therefore, this study purpose is to assess the effectiveness of internal controls in the Lusaka City Council.

1.3. The research problem

The Lusaka City Council ensures that the city’s goals are met. Major projects and infrastructural improvements ranging from community growth to land use, finances and strategic planning are all perfect. Among other plans, the Council wishes to invest excess revenue into income generating ventures in order to expand its revenue sources. It also wishes to improve conditions of service for workers. Despite a good number of existing ventures for revenue collection, the

council is failing to generate the required revenue for its daily operations. The situation which has negatively affected the workflow of its unionized workers because of repeated strikes due to delayed and non-payments of salaries at times. It has also affected the skilled and professional staff category which has seen a high rate of resignations because of poor conditions of service. This does not just result to adverse impact on productivity but subsequently, it also reduces revenue generation which is a topic problem. Therefore, the study that profiles the council's failure to generate the required revenue for its operations, by assessing its internal control activities will provide solutions and best practices for sustainability. It is against this background that the study has been undertaken to investigate the effectiveness of internal controls of Lusaka City Council with a view to recommending measures to curb the problem.

1.4. Aim of study

To investigate effectiveness of Internal Controls (IC) at Lusaka City Council and recommend best practices.

1.5. The objective of the study

2. To assess the effectiveness of IC Activities at LCC
3. To identify the factors affecting the implementation of effective IC activities at LCC.
4. To analyze the effect these factors, have on the implementation of effective IC activities.

1.6. Research questions

1. How effective are the IC activities at LCC?
2. What are the factors affecting the implementation of effective IC activities at LCC?
3. How do these factors affect the implementation of effective IC activities?

1.7. Significance of the study

The findings of the study are expected to provide relevant and evidence-based information on the effectiveness of internal controls in ensuring good corporate governance as well as guidance on the implementation of IC activities. The study also suggests ways for improving the effectiveness of internal controls in LCC as it implements most of the development projects in the capital city. Considering the magnitude and environment of unethical conduct in public institutions in

Zambia, the results of the study would add a distinct and important input to the existing literature. Similarly, these findings can also be used as supplementary counteractive measures against unethical conducts in the council. Finally, the findings of the study might be important to policy makers in the public institutions and private institutions, since, they might be used to formulate and evaluate existing policies in strengthening practice of internal controls. Also, the study serves as a steppingstone for other researchers and scholars on the same topic.

1.8. Scope and location of the study

This research was confined to Lusaka City as its operations are centrally in the Lusaka town. Lusaka is the capital city of Zambia and one of the fastest growing cities in Southern Africa. Its central position has made Lusaka to be one of the most important economic hubs of Zambia. Economically, Lusaka has seen a lot of activities. The projected population statistics of 2017 show a total of 2 426 898 people (Mtonga, 2012). This entails that Lusaka city has the highest demand for developmental projects. The central position that connects to the country's four main highways leading North, East, South and West of the country. Lusaka is the busiest and fastest growing city in Zambia, in terms of infrastructure, most of projects are implemented here.

The other reason for selecting Lusaka City Council was that the researcher could have easy access to information and reaching those who matter most in the capital city as far as high profile and the complex operations were concerned.

Being the council in the capital city, it is displayed as a role model and inspiration to other councils in the country. Therefore, other councils easily learn from its operations and other activities managed, with confidence.

1.9. Limitation of the study

The challenges faced in the study included resource constraints in terms of finance, time, and logistics as well as difficulty in accessing information. This was highly caused by COVID 19, which roamed allover and people were usually working from home. However, various measures were put in place to minimize the problems which emerged in order to reach the goal of this dissertation. Therefore, the research results cannot be taken to be absolute. Notwithstanding that,

the researcher was of the view that the results were still adequate and useful for the purpose for which it was undertaken

1.10. Chapter summary

The study is organized into five chapters, Chapter one dealt with the introduction, background of the study, the problem statement, research questions, research objectives, significance and scope of the study. Chapter two dealt with review of related literature on internal controls. Chapter three considered the methodology used while chapter four dealt with the analysis of the data, and finally chapter five dealt on the results, conclusion and recommendations.

CHAPTER 2

LITERATURE REVIEW

2.1. Introduction

This section was aimed at reviewing literature on organization's internal controls activities and systems. The section begins by explaining the internal control and the its effectiveness, challenges and factors that affect the implementation, and finally the theoretical frameworks including theories of internal control have all been explained. The conceptual framework of the study has also been illustrated together with the operationalization theory and knowledge gaps.

2.2. Internal Controls

Internal Control system is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: operational efficiency and effectiveness, reliability of financial reporting, and compliance with relevant laws and regulations. From the above definition of internal control system, it clearly indicates that the provision of internal control systems will assist in the achievement of organizational objectives. Therefore, for the purpose of this study, effective internal control system refers to the effective control measures established by an organization with the aim of safeguarding their assets, ensure the reliability of records both financial and non-financial, as well as compliance with relevant policies and procedures that will ensure the achievement of organizational objectives. Internal control encompasses the policies, rules, and procedures enacted by management to provide reasonable assurance that financial reporting is reliable, the operations are effective and efficient, and the activities comply with applicable laws and regulations.

2.3. Effectiveness of Internal Controls

The word "effectiveness" has been defined by different researchers, for instance Arena and Azzone (2009) defined effectiveness "as the capacity to obtain results that are consistent with target objectives," while, Dittenhofer (2001) views effectiveness as the ability towards the achievement of objectives and goals. In the same context, a program is effective if its outcome goes along with its objectives. Mihret et al, (2010)

For management to conclude that its system of internal control is effective, all five components of internal control and all relevant principles must be present and functioning. Being “present” implies a given component or principle exists within the design and implementation of an entity’s system of internal control. “Functioning” implies the component or principle continues to exist in the operation and conduct of the control system. Effective internal control also requires that all five components operate together in an integrated manner. Management can conclude that its system of internal control is effective if each component is present and functioning and the aggregation of internal control deficiencies across the components doesn’t result in one or more major deficiencies (COSO 2013). There is synergy and linkage among these components, forming an integrated system that reacts dynamically to changing conditions. The internal control system is intertwined with the entity’s operating activities and exists for fundamental business reasons. Internal control is most effective when controls are built into the entity’s infrastructure and are a part of the essence of the enterprise. “Built in” controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick response to changing conditions. However, COSO didn’t come out clearly on the challenges associated with the incorporation of these five components of internal controls.

Table 1 IC components by IC principles as presented in Committee of Sponsoring Organizations (COSO) ’s 2013 Framework

Component	Principles imbedded
Control Environment	<ol style="list-style-type: none"> 1. Demonstrates commitment to integrity and ethical values 2. Exercises oversight responsibility 3. Establishes structure, authority, and responsibility 4. Demonstrates commitment to competence 5. Enforces accountability

Risk Assessment	6. Specifies suitable objectives 7. Identifies and analyzes risk 8. Assesses fraud risk 9. Identifies and analyzes significant change
Control Activities	10. Selects and develops control activities 11. Selects and develops general controls over technology 12. Deploys through policies and procedures
Information and Communication	13. Uses relevant information 14. Communicates internally 15. Communicates externally
Monitoring & Evaluation	16. Conducts ongoing and/or separate evaluations 17. Evaluates and communicates deficiencies

2.3.1. Control environmental

Control environmental sets the tone for the organization, providing the foundation for all other components of internal control. It includes integrity, ethical values and the competence of the people. Control Environment is a set of standards, processes, and structures that provide the foundation for the continuity of internal control within the organization. The good Control Environment creates a positive atmosphere and sets the tone for the implementation of effective internal control (Yurniwatia, Afdhal Rizaldi 2015). Meanwhile, Theophanous et al (2011) in his research found that Control Environment is the most important aspect in managing the

organization as it reflects the management's policies and attitudes. In addition, Amado and Niangua (2009) stated that Control Environment guides the reduction of fraud activities in organizations. The quality of the internal control system depends on the function and quality of the Control Environment. Tudor (2006) in his research in the Romania public sector organization revealed that managers are responsible for creating a positive Control Environment by regulating a positive ethical tone, providing guidelines for better behavior, eliminating distractions for good behavior and discipline. They are also responsible for setting up a written code of ethics, that ensures personnel have a developed level of competence to perform their duties, as well as to clearly define the key areas of authority and responsibility of each personnel.

2.3.2. Control activities

Control Activities are policies and procedures established and executed to ensure that actions identified by management are necessary to mitigate risks. More specifically, control activities are the policies and procedures that help ensure that the management directives are carried out properly and in a timely manner. Necessary actions are taken to manage, reduce and to address risks towards the achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions (COSO 2013) These are policies, procedures and mechanisms that ensure management's directives are properly carried out (Aikins, 2011). Proper documentation of policies and procedural guidelines in these aspects help to determine not only how the control activities are to be executed but also provide adequate information for auditors' examination of the overall adequacy of control design over financial management practices (Aikins, 2011). These control activities ensure that all necessary actions are taken with the aim of addressing risks so that organizational objectives are achieved. Examples of control activities include; segregation of duties, job rotation, daily deposit of cash receipts, bank reconciliations and limiting access to check stock.

2.3.3. Risk assessment

This is the process or procedures the organization goes through to identify and analyze the relevant risks which may affect the organization's ability to achieve its major objectives. Risk assessment involves using professional judgement carefully in identifying and evaluating factors which can affect the organization adversely and result in possible losses both financially and non-financially

(Ofori 2011). Risk assessment is intended to assist in determining exactly what kinds of risks are present, how to manage those risks identified and what kinds of controls are needed to be established (Kumuthinidevi 2016).

2.3.4. Information and communication

This involves capturing and imparting pertinent and timely information in a form that enables the board, management, and employees to carry out their responsibilities. Information and communication systems enable all personnel to understand their roles in the control system, how their roles relate to others, and their accountability (Kumuthinidevi 2016). Effective communications should occur in a wider sense with information within the various sections of the organization (Theofanis et al, 2011). Most of the recent literature on internal control system frameworks gave consent to information and communication as one of the internal control system components, because of their importance in influencing the working relationship within the organization at all levels. Hence, information must be communicated throughout the entire organization in order to permit personnel to carry out their responsibilities regarding objective achievement.

2.3.5. Monitoring and evaluation

It is usually accepted that internal control systems need to be adequately monitored in order to assess the quality and the effectiveness of the system's performance over time. Monitoring provides assurance that the findings of audits and other reviews are promptly determined (Theofanis et al, 2011), also monitoring of operations ensures effective functioning of internal controls system. Hence, monitoring determines whether policies and procedures designed and implemented by management are being carried out effectively by employees. Internal control systems need to be monitored, a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two.

2.4. Challenges or factors affecting the implementation of internal control activities

According to Ndalaha (2018), the implementation of internal control systems has challenges or problems which lead to the weak internal control measures. There are so many challenges which contribute to ineffective internal control procedures. According to Agung (2015) the three challenges of ineffective internal control systems are opportunity, pressure from colleagues or managers, and rationalization among parties involved in illicit behavior. It further provided a different perspective of challenges of internal control implementation and emphasized that non-existent or weak internal control is due to; lack of employees' honesty and integrity, unachievable employee financial goals, employees' personal financial problems and industry in which the company is apart has history or tradition of occurrence of fraud. Furthermore, the study sites the existence of conflict of interest, unwritten policies, no sanction to fraudsters, unrealistic goals to be achieved by employees and bonuses based on performance will tempt managers to do window dressing in implementing the division reports. Meanwhile Ofoli (2011) says the effectiveness of internal controls depends on -the competency and dependability of the organization's people. Limitations of internal control include faulty human judgment, misunderstanding of instructions, errors, management override of controls, and collusion. Loustea (2006) further stated that, because of cost-benefit considerations, not all possible controls will be implemented. Therefore, because of these inherent limitations, internal controls cannot guarantee that an organization will meet its objectives.

Akani & Akaninyene (2015) lists the following as determinants of effective internal controls; Presentation of early report, Respect for authority, Willingness to effect changes, Lack of workers collusion, Workers competence, Independence of internal control staff, Management observance of controls, Good remuneration of internal control staff, Cost of instituting internal control measures, Willingness to enforce control measures, Control measures for unusual transactions, and Well-designed organizational structure.

Except for Loustea (2006), other authors didn't explore their studies in the aspect of local governments. Loustea's study was specifically on the role of internal control at Lusaka City Council but the aspect of effectiveness was again not touched.

2.5. Service delivery

The responsibility of the local government among others is to deliver a complete range of services and infrastructure required by their individual communities e.g. parks and gardens, roads, streets, bridges, libraries and swimming pool maintenance ranging of family, community and including general services such as garbage collection and animal registration.

Lusaka city council, provides the following services to the city's citizens from which its revenues are directed to: Street lighting; Waste management and sanitary administration; Road construction, maintenance and drainage; Funeral services through making land available for burials; Processing title deeds and land records including facilitating other aspects of land management administration; Providing recreation facilities and promotion of sports activities; Registration of marriages, births and deaths including solemnizing of marriages.

Service delivery is a cardinal component in the local government operations which needs systematical checks. Internal control is a process guided by the organization's framework that reliably assures the entity that its purpose for existence will be achieved (COSO, 2013). The effectiveness of internal controls helps to enhance the desired health service quality in local government (Otieno and Kalenzi, 2019). Therefore, organizations that implement internal controls tend to have improved performance in health service delivery and they are likely to meet stakeholders' expectations (Asiimwe C et al 2021). Both Authors focused their studies in the health service delivery in the local governments. However, the general aspect of service delivery in a complete range in local government was not of emphasis.

2.6.Theoretical framework

2.6.1. Contingency theory

A contingency theory is an organizational theory that claims that there is no best way to organize a corporation, to lead a company, or to make decisions. Instead, the optimal course of action is contingent (dependent) upon the internal and external situation. A contingent leader effectively applies their own style of leadership to the right situation (Wikipedia Contributors, March 10,2020) The word "contingency" means something is only true under specified conditions. Contingency has also referred to the situation that the effects of one variable on another variable depend on third

variables. Similarly, in the aspect of internal control effectiveness, Jokipii (2010) used contingency theory to discover the effectiveness of internal control system via considering the following contingent variables; size of the firm, perceived environmental uncertainty, organizational structure and strategy with a mediating variables of internal control structure that comprised the entire five component of internal control system in determining the internal control effectiveness and this reprises COSO 2013.

2.6.2. Agency theory

Agency theory suggests that the firm can be viewed as a nexus of contracts between resource holders. An agency relationship arises whenever one or more individuals, called principals, hire one or more other individuals, called agents, to perform some service and then delegate decision-making authority to the agents. The primary agency relationships in business are those between stockholders and managers, and secondly between debt holders and stockholders. These relationships are not necessarily harmonious. Indeed, agency theory is concerned with the so-called agency conflicts, or conflicts of interests between agents and principals. This has implications for, among other things, corporate governance and business ethics.

The issues of business ethics as a result of agency relationship has been discussed thoroughly by Culpan & Trussel (2005) who based their study on the famous Enron case in the U.S. which attracted the attention of the spectators around the world on the ethics of the accounting profession as well as the ethical conduct of business. This theory is built based on two key assumptions: first the desires or goals of the principals and agents' conflicts and second that it is difficult or too expensive for the principal to verify what agent is doing. The second assumption is emphasizing on the fact that, it is this assumption that makes the internal control system and internal audit function be more relevant in explaining the agency problems. Internal control is one of many mechanisms used in business to address the agency problem (Ringo 2013)

2.6.3. Stewardship theory

Stewardship theory has been considered as other alternative to agency theory - since the theory is more comprehensive and more realistic in viewing management actions and motivations than

agency theory. This is because agency theory is based on the economic models whereas stewardship theory is based upon the psychological literature and sociological as well.

The theory is mainly concerned with identification of situations in which the interests of the principal and the steward are aligned. In fact, Ebimobowei and Binaebi (2013) noted that, auditing exists as result of stewardship concept and stewardship accounting. Adoption of stewardship approaches within the government sectors will bring several changes within the sector, because stewardship theory saves as accountability mechanisms for ensuring good monitoring, good audit and reporting in order to assists in objective achievement. Equally, Ebimobowei and Binaebi (2013) recommended that, auditing enhance appropriate stewardship reporting. Therefore, using this kind of theory within the context of government agencies will lead to the attainment of their respective objective because the stewardship theory has concerned that might lead to organization success. Stewardship theorists put down a model of governance which promotes the ability of employees to contribute toward strategic objectives achievement (Hernandez, 2012).

Employees can become a steward through developing self-regulatory instrument in order to ensure the achievement of customer demand especially by way of good quality service delivery. Because stewardship ensure the alignment of interests, employee's additional efforts from self-actualization in order to benefit the customer (Schepers et al., 2012). This shows that internal auditors can also be a steward in assisting the achievement of organizational objective through the influence of various relevant variables. Stewardship governance also has concerned over the rewarding system to employees which might improve their long-term effectiveness on objective achievement (Hernandez, 2012). Therefore, if the organization do well, its staff will also do well thereby investing their energy in their respective organizations' success (Davis, Allen & Hayes, 2010). The same applicable to local government context, if the local government councils do well therefore, their internal auditors will also do well toward the objective achievement of the local government.

2.6.4. COSO's (2013) Internal Control Integrated Framework

The Committee of Sponsoring Organizations (COSO), was commissioned in 1980 by National Commission on Fraudulent Financial Reporting (the Treadway Commission) to identify factors that caused fraudulent corporate financial reports and make recommendations, and has since

developed to become a thought leader in enterprise risk management (ERM), internal control, and fraud deterrence. In 1992, COSO published a landmark report on internal control: Internal Control Integrated Framework, referred to as “COSO 1992”. In its efforts to achieve objectives, the framework classifies an organization’s internal control system into five integrated components which must be built into business processes across the entire entity. The components are; 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication and 5. monitoring activities. In the spirit of continuous improvement, companies should periodically reassess their systems of internal control over external financial reporting to identify opportunities to improve its efficiency and effectiveness. COSO’s 2013 Framework, which formalizes the principles embedded in the original framework more explicitly, incorporates business and operating environment changes over the past decades, and improves the Framework’s ease of use and application. This sets out the framework in detail, defining internal control, describing the components of internal control and their underlying principles. It also provides direction for all levels of management in designing and implementing internal control and assessing its effectiveness.

The Framework provides for three categories of objectives, which allow organizations to focus on differing aspects of internal control. These are:

- Operations Objectives—These pertain to effectiveness and efficiency of the entity’s operations, including operational and financial performance goals, and safeguarding assets against loss.
- Reporting Objectives—These pertain to internal and external financial and non-financial reporting and may encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or the entity’s policies.
- Compliance Objectives—These pertain to adherence to laws and regulations to which the entity is subject.

2.7. Description theory chosen

From the above theories, the study adopts COSO (2013) integrated internal control framework. The framework defines internal control system as an integrated system, with management processes to achieve overall organizational goals. For an organization to achieve its organizational

objectives, the five components of internal control system which are; control environment, risk assessment, control activities, information and communication, and monitoring and evaluation must be integrated into management processes over the entire organization (Subsidiaries, Divisions and Units). Like the body system, the internal control components and business processes must interact ceaselessly for a healthy and effective internal control system. The seamless and collaborative interaction of an internal control system with business processes is a prerequisite for the effectiveness of an internal control system.

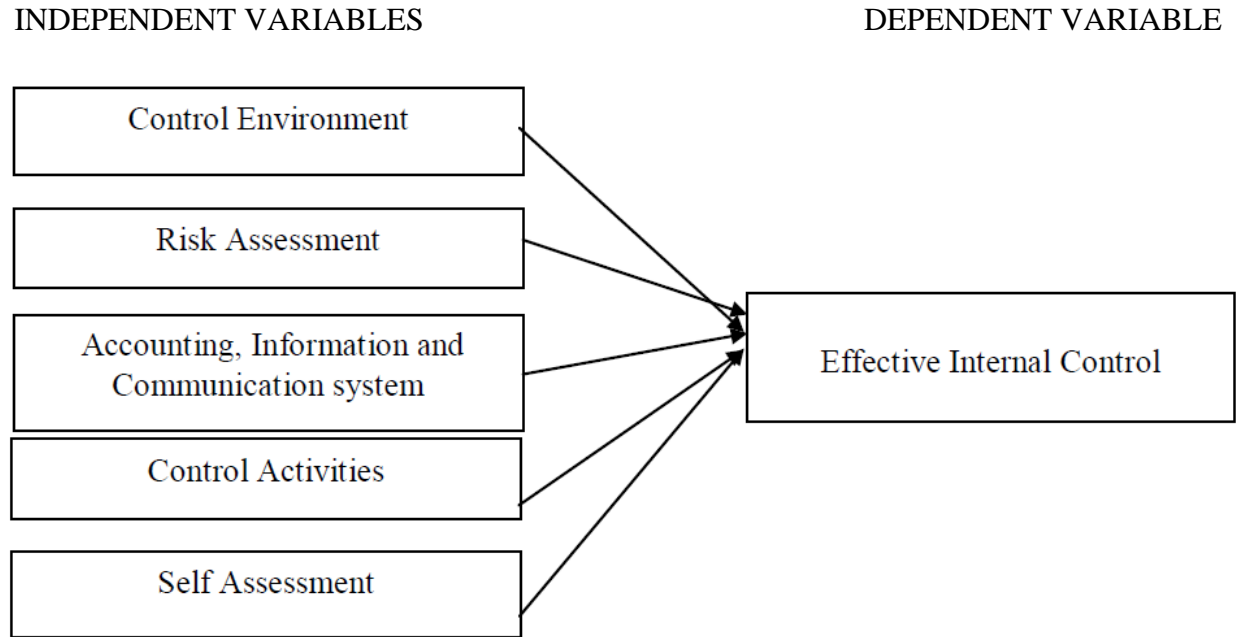
The framework clearly elaborates and defines the effectiveness of internal controls. It also explains further, what it takes or what is required for internal control to be effective. COSO also provides the basic principles representing the fundamental concepts of effective internal control in five components of the framework.

The study topic has not been well elaborated in other theories like the way COSO has, therefore the concentration is on the COSO framework. Also, unlike contingency theory where there is no standardized framework to guide managers to conform to the requirements of effective internal control systems, COSO framework provides detailed direction to achieving effective internal controls. Whilst agency theory focuses on the capabilities of managers to resolve agency problems and conflicts by using internal control mechanism, stewardship theory focuses on good performance of internal auditors through incentives. All in all, the above theories still require COSO integrated internal control framework to provide guidance in achieving effective internal controls. Consequently, the choice of COSO integrated internal control framework for the study's theory.

2.8. Conceptual framework

A conceptual framework is a structure in which the researcher can best explain the expected relationship between the variables. The variables herewith are components of internal controls and effective internal control.

Figure 1 Conceptual Framework 1



Source: Kumuthinidevi 2016

Figure 1 Shows the conceptual framework of dependent and independent variables. On the left, we have the five components of internal control which are independent variables. These are Control Environment, Control Activities, Risk Assessment, Information and Communication, and Monitoring and Evaluation (self-assessment). On the right, we have a single dependent variable which is the effective internal control. This illustrates that effective internal control is dependent on the availability and proper functioning of all the five components of internal controls. Effective internal control cannot exist on its own. It is therefore, achieved by the presence and proper functioning of all the predefined independent variables in relation to each category of the organization's objectives. The organization's objectives are; operational efficiency and effectiveness, reliability of financial reporting, and compliance with relevant laws and regulations. Mihret et al, (2010) explained that, a program is effective if its outcome goes along with its objectives.

Proper functioning of independent variables provides reasonable assurance of proper functioning of dependent variable. For management to conclude that its system of internal control is effective,

all the five components of internal control and all relevant principles must be present and functioning.

2.9. Operationalization of Variables

Table 2 Operationalization of Variables

Concept	Variables	Indicators	Measurement
Effectiveness of Internal control	Control Environment	<ul style="list-style-type: none"> • Management decisions are made collectively • Existence ethics policies • Policies regarding the importance of ICs • Control systems exist to periodically test for compliance • Management periodically reviews policies and procedures • Staff have good working relationships between themselves • Staff are committed in implementing jobs • All jobs are given on competency basis • All workers have work schedules hence no job conflicts • All Council activities are standardized • Council activities are performed according to the approved standards • Hiring process for contract staff is transparent • Employees are treated equally during implementation of the Council activities • Activities are performed in an atmosphere of creativity and innovation 	Questionnaire 5 Point Likert Scale

	<p>Risk Assessment</p>	<ul style="list-style-type: none"> • Communicated clear objectives to provide effective direction • Management appropriately evaluates risk when planning for new product • Enough staff members who are competent and knowledgeable to manage company activities, with adequate resources • Technology issues are considered and appropriately addressed • Internal and external operational, financial, compliance and other risks are identified and assessed • Mechanisms in place to identify and react to changes that can have adverse effects on the Council activities. • Risks are assessed in relation to changes in the council project operational environment • Changes of new staff is clearly examined for the risks it may cause • Organizational restructuring brings limited risks to the organization projects • Managers are kin in identifying risks • All risks facing LCC projects are managed 	<p>Questionnaire</p> <p>5 Point Likert Scale</p>
	<p>Control Activities</p>	<ul style="list-style-type: none"> • Policies and procedures exist to ensure critical decisions are made with appropriate approval • Processes exist for independent verification of transaction (to ensure integrity) • system in place to ensure that duties are rotated periodically 	<p>Questionnaire</p> <p>5 Point Likert Scale</p>

		<ul style="list-style-type: none"> • Processes are in place to ensure that policy overrides are minimal, and exceptions are reported to management • People have the knowledge, skill and tools to support them in their duties • Employed security guards • Staffs are given up to date internal control manuals for reference purposes • Staff are aware of the penalties for breaking internal control procedures • Council activities are reconciled on monthly basis to detect errors • All activities are authorized by responsible officer before implementation • Procedures are followed for all activities • Employees have clear duties and there is no conflict of duties • internal check which operates continuously during the implementation of the Council activities 	
	<p>Information and Communication</p>	<ul style="list-style-type: none"> • Effective reporting procedures in communicating a balanced and understandable • Established channels of communication for individuals to report suspected breaches of laws • All staff understand their role in the control system • Information flows freely without any interference • Staff have information on internal controls and projects • All channels of communication are utilized by staff • No ambiguity in information communicated • Operational information is given to staff in time 	<p>Questionnaire 5 Point Likert Scale</p>

		<ul style="list-style-type: none"> • Good communication between departments • Current information flow is quick and effective 	
	Monitoring and Evaluation (self-assessment)	<ul style="list-style-type: none"> • Ongoing processes to monitor the effective application of the policies, processes and activities related to internal control and risk management • processes to monitor the company’s ability to re-evaluate risks and adjust controls in response to changes in its objectives, business, and external environment • effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risks and control assessments • Reports on significant failings or weaknesses are reported to management on a timely basis • Monitoring strategies are used at any time during monitoring process • Quality assurance is adhered to for LCC • Internal audit is independent of management influence • External auditors can rely on the work of internal auditors when auditing 	Questionnaire 5 Point Likert Scale

2.10. Knowledge gaps

Internal control systems and activities comprise of the following components; controls activities, control environmental, risk assessment, information and communication, and monitoring and evaluation. Studies reviewed indicates that no study has embarked on these five components of Internal Controls as a measure of effectiveness of internal control systems in local government in Zambia.

Furthermore, the reviews show that no study in developing countries including Zambia has embarked on effectiveness of internal controls in city council. Otherwise, similar studies have focused on other organizations than in city councils, or on internal audits and other aspects of internal controls than the effectiveness.

The effective implementation of a sound internal control system helps to ensure that organizations meet their objectives, such as providing services to the community professionally, while utilizing resources efficiently and minimizing the risk of fraud, mismanagement or error. Lusaka City Council (LCC) is not an exception to this, as it is committed to providing services to the Lusaka community. The studies reviewed mainly focused on the health service delivery other than the general service delivery in the local government.

Lastly, number of authors narrated different challenges faced whilst implementing effective internal controls, however, solutions or measures to curb these challenges were not clearly coming out.

CHAPTER 3
METHODOLOGY

3.1. Introduction

This section presents the methodology that was adopted for this research. The section looked at the research design matrix, type of research, research approach, research design, and sources of data, sample size, sampling methods, and data collection methods, reliability of data, validity of data, trustworthiness of data, data analysis techniques and the ethics applied when conducting the research.

Table 3 Research Design Matrix

Research Questions	Objectives	Population and Sampling	Data Collection Methods	Data Analysis
How effective are the IC activities at LCC?	To assess the effectiveness of IC Activities at LCC	A population of 85 of which only 61 employees from Finance, Human Resource and Internal Audit Departments at LCC responded. Random sampling from Excel formula function	Gathering information was done by using research administered questionnaires.	Five-point Likert Scale was used to assess the effectiveness of the internal control system. Based on the values indicated in the questionnaires a frequency and percentage values were calculated. The benchmark of 50% and above was considered as effectiveness. William (2011)

		Internal Control documents by using availability sampling	Documentary review	Qualitative content analysis
What are the factors affecting the implementation of effective IC activities at LCC?	To identify the factors affecting the implementation of effective IC activities at LCC.	Total population of 85 employees from LCC and was initially planned. However, only 61 employees from LCC responded to the questionnaires.	Gathered information using research administered questionnaires	Content analysis was used to analyze responses from respondents. Univariate (descriptive statistic) Analysis was used to identify the factors affecting the effectiveness of IC activities. Particularly frequency statistics was used to identify the most scoring factors and were expressed to percentages. The benchmark of 50% and above, positively supported by the respondents was adopted. Ngopa (2013)
How do these factors affect the implementation of effective IC activities?	To analyze the effect these factors, have on the	61 out of population of 85 answered the questionnaires.	Gathered information using research administered questionnaires.	Content analysis was used to analyze responses from respondents.

	implementation of IC activities.			<p>Inferential analysis - Correlation that describes the relationship between two variables was calculated. In this case; the Internal Control Activities vs the factors affecting the implementation of Internal Controls. Ndalawa (2018)</p>
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3.2. Type of research

The type of research conducted was looked at from two angles: Firstly, the research was evaluative in nature. Evaluation research is one that is carried out to assess the impact of social interventions hence determining their worth, merit or significance. Its purpose is to see whether a programme or activity is meeting or has met its objectives (Palton, 1996). Evaluation research formulates “What” and “How” research questions (Mc Combes 2019). Secondly, it was a one-time research, to conform to the timeframe within which this research was expected to be completed for the purposes of obtaining a master’s degree in Business administration.

3.3. Research approach

This research used the mixed methods approach. Mixed methods approach combines elements of qualitative and quantitative approaches in collecting and analyzing data. On the one hand, qualitative approach focuses on the collection of qualitative data. It is concerned with understanding a phenomenon from the informant’s perspective and emphasizes collection of in-depth information about the issue under investigation. On the other hand, quantitative approach focuses on the collection of quantitative data. It assumes a fixed and measurable reality and is concerned with issues that can be quantified or turned into statistics or numbers (McLeod, 2008).

Mixed methods approach was adopted in this research because it provided breadth and depth of information while offsetting the weaknesses attributed to using one approach by itself. The use of mixed methods approach in this research helped to generate unique insights into the phenomenon under investigation that were not available from either type of approach alone.

3.4. Research design

This research adopted a non-experimental design. The use of this design means that the researcher had little control over the conditions under which the research was conducted. The researcher interacted with the research participants in their natural settings. This implies that the researcher didn't have control over the variables under investigation. This is because there was no baseline study (i.e. a pre-test) that was conducted before the implementation IC systems and activities in Lusaka city council. As such, it was difficult to effectively compare the situation before and after the implementation of the internal controls.

3.5. Source of data

This research used both Primary and Secondary sources of data. Primary data are data which are undocumented and are collected for the first time by the researcher (Surbhi, 2016). Secondary data are data that have already been collected and reported by others (Dittenhofer, 2001). This data was collected through desk research from documents that related to the research topic.

3.6. Sample population/size

In this study, the sample size was sixty-one instead of initial eighty-five participants which was inclusive of those in management. Mugenda and Mugenda (2003) indicate that a sample size of 30 and above of the population is usually enough for a study. Sixty-one participants were workers from Finance, Human Resource (HR) and Internal Audit departments. The reason for selecting this sample size was based on the course to be inquired, time constraint and manageability, and easy analysis of data.

3.7. Sampling methods

In this study, the sample size was obtained using the Simple Random Sampling Method. Simple Random Sampling was used to select the workers in the Finance, HR and Internal Audit departments. The advantages of a Simple Random Sampling include; it is easy to use, and its accurate representation of the larger population and it also gives equal chances to selecting a sample group from the sample population. Moreover, Simple Random Sampling Method was used because it was a subset of a statistical population in which each member of the subset had an equal probability of being chosen.

The questionnaires were distributed to everyone found in the internal audit and finance offices. The remaining were distributed to officers in the registry office under HR department.

3.8. Data collection methods

In this study, both primary and secondary data was used. Data was collected using the researcher-administered questionnaires which were directed to the participants and consisted of closed-ended questions to ensure uniformity and reduced complexities in the sense that it was easy to collect and analyze data.

The target respondents in this study were Finance, HR and Internal Audit personnel departments of LCC because they are the ones involved in preparation of proposals and budgets of the various activities through which the organizations deliver services to their clients. The questionnaires were administered through hand delivery and through electronic mail (e-mail) for those respondents whose emails were obtainable.

Document analysis was done through documentary review of internal control documents using availability sampling. Documentary review involved collection of data through reading internal control documents. Documentary analysis was used by the researcher to collect historical information of internal control systems, internal auditing and corporate governance.

3.9. Reliability of data

This research used internal consistency to measure the reliability of data. Internal consistency is a measure of reliability that is used to evaluate the degree to which different test items that probe the same construct produce similar results.

To ensure internal consistency, this research asked logically related questions and the answers were checked for their logical relationship to the corresponding questions. Only responses that were found to be logically related to the corresponding questions would be taken to be reliable. These were the data presented in this research. The responses that were contradictory to the corresponding questions were taken to be unreliable hence discarded from this research.

3.10. Validity of data

Validity refers to the extent to which empirical measures of a concept accurately represent the concept. Content validity was used to ensure validity of the data in this research. This involved the use of a research instrument which represents the full content of the subject under investigation (Bless and Achola, 1988). The research instruments were structured in a way that they covered all aspects of the phenomena under investigation. That is, taking into consideration the components of sustainability of projects which included financing and management of a project.

3.11. Trustworthiness of data

What is trustworthiness and what does it mean? For quantitative studies, it is referred to as validity and reliability. However, in qualitative studies, this concept is more obscure because it is put in different terms. Since qualitative researchers do not use instruments with established metrics about validity and reliability, it is pertinent to address how qualitative researchers establish that the research study's findings are credible, transferable, confirmable, and dependable. Trustworthiness is all about establishing these four things, which are described in more detail below.

Credibility is the how confident the qualitative researcher is in the truth of the research study's findings. This boils down to the question of "How do you know that your findings are true and accurate?" Qualitative researchers can use triangulation to show the research study's findings are credible.

Transferability is how the qualitative researcher demonstrates that the research study's findings are applicable to other contexts. In this case, "other contexts" can mean similar situations, similar populations, and similar phenomena. Qualitative researchers can use thick description to show that the research study's findings can be applicable to other contexts, circumstances, and situations.

Confirmability is the degree of neutrality in the research study's findings. In other words, this means that the findings are based on participants' responses and not any potential bias or personal motivations of the researcher. This involves making sure that researcher bias does not skew the interpretation of what the research participants said to fit a certain narrative. To establish confirmability, qualitative researchers can provide an audit trail, which highlights every step of data analysis that was made in order to provide a rationale for the decisions made. This helps establish that the research study's findings accurately portray participants' responses.

Finally, dependability is the extent that the study could be repeated by other researchers and that the findings would be consistent. In other words, if a person wanted to replicate your study, they should have enough information from your research report to do so and obtain similar findings as your study did. A qualitative researcher can use inquiry audit in order to establish dependability, which requires an outside person to review and examine the research process and the data analysis in order to ensure that the findings are consistent and could be repeated. (Statistical Consulting Blog. 2020).

3.12. Data analysis techniques

Data analysis is defined as a way of processing data so that what has been learnt can be disseminated to others. Generally, it involves the search for meanings. This research adopted both qualitative and quantitative data analysis techniques. For quantitative data, Five-point Likert Scale, Univariate (descriptive statistic) and Inferential analysis. Qualitative data were analyzed using the content analysis method. This method relied on the content of written or spoken words or visual representation of individuals (Hatch, 2002). The applications of this method in this research were such that the issues brought out by key informants and respondents were examined in relation to the subject of investigation. This involved creating appropriate themes based on the collected data.

3.13. Ethical issues

Research ethics is defined as moral principles that are adhered to in conducting a research.

Ethical issues were considered when carrying out this research and below, is how they were dealt with in the study:

1. Permission to collect data was sought from the organizations. The letter from the institution was submitted and positive response was received.
2. Informed consents were employed where participants had to be agreeable to participate in the study, meaning that participation were voluntary, and participants were free to withdraw from the study whenever they felt like doing so.
3. Besides, the participants were told about the research and that they could ask questions about the research where they needed clarity.
4. Furthermore, participants were assured of their rights to decline to answer questions which they felt uncomfortable with in the process of data collection.
5. Confidentiality was also employed, and participant's identities were kept anonymous. However, the employees declined to sign consent form.
6. Lastly, participants were as well informed how long it would take to complete the questionnaires.

3.14. Time scale

A one-time research was ideal in this case because, firstly, it conformed to the timeframe within which this research was expected to be completed for the purpose of obtaining a master's degree in Business administration.

Therefore, the time scale for this research was executed within the period of four months between November 2020 to February 2021.

3.15. Objectivity and subjectivity

The quantitative and qualitative (mixed methods) used in social science research are founded on different ontological and epistemological understandings and generally associate themselves with contrasting concepts and methods. Traditionally, quantitative approaches tend to focus on

objective, statistical descriptions of reality whereas qualitative methods often reject the notion of non-subjective knowledge. Subjectivity is judgment based on individual personal impressions and feelings and opinions rather than external facts. Objectivity assumes that a truth or independent reality exists outside of any investigation or observation.

However, Objectivism integrates subjectivity and objectivity because it argues that objective knowledge requires active, sophisticated subjective processes, such as perception, analytical reasoning, synthetic reasoning, logical deduction, and the distinction of essences from appearances. Conversely, subjective processes can enhance objective comprehension of the world (Ratner Carl 2002 p8). Meanwhile, Subjectivism will be also exposed by behavioral results which contradict its arbitrary conclusions. If qualitative methodology emphasizes this distinction and strives to direct researchers' subjective processes to objectively study the psychology of subjects, it will make a great contribution to social science (Ratner Carl 2002 p29).

Therefore, this research propounds both objectivity and subjectivity because postmodernist contention and hermeneutic procedures for interpretation comprehends the real psychological meanings that are expressed.

CHAPTER 4 RESULTS

4.1. Introduction

The data was collected by use of questionnaire and documents analysis. The questionnaire targeted at ordinary employees from Finance, HR and Internal Audit departments, which saw 61 respondents. Whilst the documents analysis was done from Internal Audit department. Three documents were reviewed: Internal Audit Annual Plans, Internal Audit Manuals and Audit Reports from 2020.

4.2. Personal data of respondents

The questionnaire had a component of personal data and the results were as follows:

Table 4 Personal Data of Respondents

Profile	Category	Number	% Frequency
Gender	Male	40	67
	Female	21	33
	Total	61	100
Age (Years)	19 and Less	0	0
	20 – 29	15	24
	30 – 39	23	38
	40 – 49	22	36

	50 and Above	1	2
	Total	61	100
Department	Finance & Admin	46	75
	Internal Audit	8	13
	Others (HR)	7	12
	Total	61	100
Staff	Junior	22	36
	Senior	21	34
	Management	18	30
	Total	61	100
Education attainment	School Certificate	9	15
	Diploma	28	46
	First Degree	24	39
	Master's Degree	0	0
	PHD	0	0
	Others	0	0

	Total	61	100
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Source: Field Survey Data

4.2.1. Gender Distribution of Respondents:

Regarding the gender distribution of the employees of the LCC included in the study, more than half of the respondents, 67% (40 out of 61) were males and the remaining proportion, 33 % (21 out of 61) representing females' respondents. This implies that male respondents were more willing to respond to the questionnaire than female respondents.

4.2.2. Age Distribution

Concerning the age distribution of the respondents from the council, 24% (15 out of 61) were within the age group of 20-29 years whilst 38% (23 out of 61) were within the age group of 30-39 years. 36% (22 out of 61) were within the age group of 40-49. One respondent was above 50 years and no respondents were found to be under 20 years. Overall, all the respondents were above 20years whilst only 1 respondent was above 50 years of age.

4.2.3. Departmental Distribution

With regards to the respondents in the departments of the council, more than half 75% (46 out of 61) were employees of Finance department, 13% (8 out of 61) were involvement of internal audit and the remaining 12% (7 out of 61) , other category of employees who were from Human Resource department.

4.2.4. Staff Category Distribution

Staff category consistent of 36% (22 out of 61) as junior employees. 34% (21 out of 61) were under senior staff category and 30% (18 out of 61) were under management. The distribution was at least balanced.

4.2.5. Education Attainment Distribution

15% (9 out of 61) of respondents have school certificate whilst respondents with diploma are 46% (28 out of 61) and first degree have 39% (24 out of 61). Therefore, most of the respondents have diplomas and degrees presenting ability to understand the internal control systems in the council and were able to understand the questionnaires fully.

4.3. To assess the effectiveness of IC activities at the council

The objective to assess the effective internal control activities in the council was done on the questionnaire that involved employees in the council and documents review from Internal Audit department.

The ordinal measures called “Five Point Likert Scale” was used. A Likert Scale consisted of series of evaluative statements concerning an attitude object; respondents were asked to rate the object on each statement using five points as follows: Strongly Agree, Agree, Not Sure, Disagree, and Strongly Disagree. Strongly Agree and Agree are combined as positive rating. The threshold of 50% and above are effective.

By using this scale, it was easy to assess effectiveness of the internal control system.

4.3.1. Control Environment

There are 14 questions / indicators under this activity, therefore, total answers are 14 x 61 respondents = 854.

Table 5 Effectiveness of Control Environment

Indicators	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Totals
• Management decisions are made collectively	28	23	7	3	0	61

• Existence ethics policies	14	37	6	4	0	61
• Policies regarding the importance of ICs	17	32	5	5	2	61
• Control systems exist to periodically test for compliance	17	25	11	8	0	61
• Management periodically reviews policies and procedures	19	28	10	4	0	61
• Staff have good working relationships between themselves	10	24	10	7	0	61
• Staff are committed in implementing jobs	14	24	8	14	1	61
• All jobs are given on competency basis	6	22	19	13	1	61
• All workers have work schedules hence no job conflicts	11	30	7	12	1	61
• All Council activities are standardized	18	24	10	8	1	61
• Council activities are performed according to the approved standards	15	26	4	13	3	61
• Hiring process for contract staff is transparent	4	23	15	16	3	61

• Employees are treated equally during implementation of the Council activities	3	19	20	15	4	61
• Activities are performed in an atmosphere of creativity and innovation	12	17	9	21	2	61
Totals	188	364	141	143	18	854
Frequency %	22	43	16	17	2	100

Source: Field Survey Data

The table above shows that only 22% (188 out of 854) of respondents strongly agree to the effective control environment whilst 43% (364 out of 854) of respondents agree. 16% (141 out of 854) of the respondents were not sure if the control environment activities were effective. Respondents presenting 17% (143 out of 854) disagreed to the availability of effective control environment and 2% (18 out of 854) strongly disagreed to that. The results indicate that the positive aggregated scores are 65% (22%+43%), therefore, control environment is effective in the council.

4.3.2. Risk Assessment

This activity has 11 questions: 11 x 61 = 671 answers

Table 6 Effectiveness of Risk Assessment

Indicators	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Totals
• Communicated clear objectives to provide effective direction	12	21	15	9	4	36
• Management appropriately evaluates risk when planning for new product	5	34	16	6	0	36

• Enough staff members who are competent and knowledgeable to manage company activities, with adequate resources	1	30	10	16	4	36
• Technology issues are considered and appropriately addressed	9	33	6	12	1	36
• Internal and external operational, financial, compliance and other risks are identified and assessed	8	32	11	8	2	36
• Mechanisms in place to identify and react to changes that can have adverse effects on the Council activities.	8	23	14	10	6	36
• Risks are assessed in relation to changes in the council project operational environment	9	23	20	6	3	36
• Changes of new staff is clearly examined for the risks it may cause	1	15	13	22	10	36
• Organizational restructuring brings limited risks to the organization projects	6	26	13	10	6	36
• Managers are kin in identifying risks	9	35	5	9	3	36
• All risks facing LCC projects are managed	8	19	12	17	5	36
Totals	76	291	135	125	44	671
Frequency %	11	43	20	19	7	100

Source: Field Survey Data

As indicated above on the table, only 11% (76 out of 671) of the respondents were strongly agreeable to the effectiveness of risk assessment, while 43% (291 out of 671) were agreeable. 20% (135 out of 671) were not sure and 19% (125 out of 671) and 7% (44 out of 671) of respondents were disagreeable and strongly disagreeable respectively. Aggregated positive scores are 54% (11% + 43%) indicating that risk assessment is moderately effective.

4.3.3. Control Activities

This has 13 questions. 13 x 61 giving 793 answers.

Table 7 Effectiveness of Control Activities

Indicators	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Totals
• Policies and procedures exist to ensure critical decisions are made with appropriate approval	19	33	4	1	4	61
• Processes exist for independent verification of transaction (to ensure integrity)	15	36	2	5	1	61
• system in place to ensure that duties are rotated periodically	21	21	6	6	7	61
• Processes are in place to ensure that policy overrides are minimal, and exceptions are reported to management	15	25	13	6	2	61
• People have the knowledge, skill and tools to support them in their duties	10	31	7	12	1	61
• Employed security guards	17	20	7	3	1	61

• Staffs are given up to date internal control manuals for reference purposes	8	18	16	12	7	61
• Staff are aware of the penalties for breaking internal control procedures	15	30	4	8	4	61
• Council activities are reconciled on monthly basis to detect errors	7	22	10	14	8	61
• All activities are authorized by responsible officer before implementation	19	36	5	1	0	61
• Procedures are followed for all activities	13	24	5	14	5	61
• Employees have clear duties and there is no conflict of duties	13	27	7	8	6	61
• Internal check which operates continuously during the implementation of the Council activities	6	36	5	9	5	61
Totals	178	372	93	99	51	793
Frequency %	22	47	12	13	6	100

Source: Field Survey Data

22% (178 out of 793) of the respondents strongly agreed to control activities in the council.

Whilst 47% (372 out of 793) of the respondents were agreeable to the control activities. 12% (93 out of 793) of the respondents were not sure. 13% (99 out of 793) and 6% (51 out of 793) of the respondents were respectively disagreeable and strongly disagreeable to the control activities.

Positive results show 69% (22% +47%) effective, which is quite substantial. Control activities are effective in the council.

4.3.4. Information and Communication

This section has 10 questions giving the total answers to 610 (10 x 61)

Table 8 Effectiveness of Information and Communication

Indicators	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Totals
• Effective reporting procedures in communicating a balanced and understandable	9	34	13	5	0	61
• Established channels of communication for individuals to report suspected breaches of laws	16	38	5	1	1	61
• All staff understand their role in the control system	6	29	11	12	3	61
• Information flows freely without any interference	9	21	9	13	9	61
• Staff have information on internal controls and projects	2	36	11	8	4	61
• All channels of communication are utilized by staff	2	33	10	14	2	61
• No ambiguity in information communicated	6	22	13	16	4	61
• Operational information is given to staff in time	5	16	17	17	6	61
• Good communication between departments	7	22	7	14	11	61
• Current information flow is quick and effective	7	20	10	14	10	61
Totals	69	271	106	114	50	610

Frequency %	11	45	17	19	8	100
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Source: Field Survey Data

In the survey above, it shows that the positive part totals to 56% (11 + 45) outweighing the uncertainty and the negative side. 11% (69 out of 610) of the respondents were strongly agreeable to the effectiveness of information and communication in the council. Whilst 45% (271 out of 610) of the respondent were agreeable. 17% (106 out of 610) of the respondents were not sure. 19% (114 out of 610) of the respondents are disagreeable and 8% (50 out of 610) of the respondents are strongly not agreeable. 56% for positive results indicates that information and communication is effective in the council.

4.3.5. Monitoring and Evaluation

Under here, there were 8 questions giving 488 answers (61 x 8)

Table 9 Effectiveness of Monitoring and Evaluation

Indicators	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Totals
• Ongoing processes to monitor the effective application of the policies, processes and activities related to internal control and risk management	9	26	18	8	0	61
• processes to monitor the company's ability to re-evaluate risks and adjust controls in response to changes in its objectives, business, and external environment	2	33	14	12	0	61
• effective follow-up procedures to ensure that appropriate change or action occurs in	5	34	11	9	2	61

response to changes in risks and control assessments						
• Reports on significant failings or weaknesses are reported to management on a timely basis	6	25	14	12	4	61
• Monitoring strategies are used at any time during monitoring process	6	25	11	14	3	61
• Quality assurance is adhered to for LCC	9	20	17	12	3	61
• Internal audit is independent of management influence	9	25	9	6	12	61
• External auditors can rely on the work of internal auditors when auditing	5	25	21	3	7	61
Totals	53	213	115	76	31	488
Frequency %	11	44	24	15	6	100

Source: Field Survey Data

The positive results 55% (11 + 44) are above half of the statistics. 11% (53 out of 488) and 44% (213 out of 488) of the respondents were respectively strongly agreeable and agreeable to the effectiveness of monitoring and evaluation activities in the council. 24% (115 out of 488) of the respondents were not sure. 15% (66 out of 488) of the respondents were disagreeable and 6% (31 out of 488) of the respondents were strongly disagreeable to the effectiveness of monitoring and evaluation in the council.

4.3.6. The overall results of aggregated figures of all the internal control activities in the council.

Table 10 Overall Effectiveness of Internal Control Activities

Measure	Control Environment	Risk Assessment	Control Activities	Information and Communication	Monitoring and Evaluation	Totals	% Frequency
Strongly Agree	188	76	178	69	53	564	17
Agree	364	291	372	271	213	1511	44
Not Sure	141	135	93	106	115	590	17
Disagree	143	125	99	114	76	557	16
Strongly Disagree	18	44	51	50	31	194	6
Total	854	671	793	610	488	3416	100

Source: Field Survey Data

The above statistics present the aggregated results of the all internal control activities. 17% of the respondents were strongly agreeable to the effective internal control activities in the council.

Whilst, 44% were agreeable. Giving the total to 61% (17% + 44%).

17% of respondents were not sure. This is quite substantial, such a huge figure to represent the people who do not know or rather understand the internal control systems.

22% (16+6) of the respondents were not agreeable to the effective internal control activities in the council.

Therefore, internal control activities in the council are 61% effective.

4.3.7. Documentary Analysis

To confirm the responses from the employees, document analysis was also done to cement and confirm the findings other than relying on the employees' responses. The following documents were reviewed: Annual audit plan; Internal audit manual; and Internal audit plan.

Annual Audit Plan

This is prepared at the beginning of the year to provide a roadmap of the internal audits programed for the whole year. This is followed and monitored to make sure that all the programed audits are achieved. Should any of the audits fails to take place as planned, the plan will be rescheduled to another date possibly within the year. However, the council do have ad-hoc activities which sometimes affect the audit plan. In such cases, the audit plan will have to be adjusted to accommodate new activities.

Internal Audit Manual

This is a booklet providing the guidance, procedures, formats and so on from which the internal controls are drawn. Concepts are in line with the management of the council. This is to make sure that council policies and strategies are included to enable it to meet its goals. An audit manual outlines the authority and scope of the internal audit function, documents standards, and provides cohesive guidelines and procedures. These guidelines promote consistency, stability, continuity, acceptable performance standards, and a means of coordinating the efforts of audit staff effectively.

Internal Audit Reports

This are collective information from the findings of internal audits. They are produced whenever the audit is carried out. An internal audit report is a document with the formal results of an audit. It is used by the internal auditor to show what was examined, highlighting positives, negatives and conclusions, so that the council's management knows what is going well and what needs to be improved.

The analysis

Documentary analysis was used by the researcher to collect historical information of internal control systems, internal auditing and corporate governance. The researcher used this method of data collection in order to get knowledge about the topic under study, to acknowledge the research gap, and provide methodologies used during the study.

The above analyzed documents adhere to the call of effective internal control as explained above. Control Environment is a set of standards, processes, and structures that provide the foundation for the continuity of internal control within the organization. The documents analyzed above, provide the foundation and a yard stick from which control activities are based on.

Control activities are the policies and procedures that help to ensure that the management directives are carried out properly. By virtue, and the role they play in the internal control arena, the documents analyzed are control activities themselves because they contain internal control packages that are lined-up to guide the operations of the internal audit function.

The documents also provide way of communication and provide information to the users including management as part of good governance.

Risk assessment is intended to assist in determining exactly what kinds of risks are present, how to manage those risks identified and what kinds of controls are needed to be established. This is included in the documents analyzed above with different interventions during the internal control processes.

As internal control activities fall in and out, the documents serve as monitoring and evaluation tools so that any variances are corrected there and then.

Conclusively, effective internal controls are achieved if all the components of internal controls are present and integrated in the organizational structures. Therefore, basing on the documents analyzed above, the internal control practices in the council are effective.

4.4. To identify the factors affecting the implementation of effective IC activities at LCC

The objective to identify the factors affecting the implementation of effective IC activities at LCC was done on the questionnaire that involved employees in the council. The analysis was done by identifying which factors were most agreed to by the respondents. The 50% threshold

was used. Out of 30 factors only 6 factors scored 50% and above. Respondents were asked to rate the object on each factor using five points as follows: Strongly agree, Agree, Not sure, Disagree, and Strongly disagree. Those that were rated strongly agree and agree, were combined and from which if their threshold was 50% and above, they were identified as factors affecting the implementation of the internal control activities at LCC.

Table 11 Factors Affecting the Implementation of Internal Control Activities

Factors		Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Totals
Pressure from colleagues or managers	F	10	12	10	22	7	61
	%	16	20	16	36	11	100
Rationalization in illicit behavior	F	7	15	17	17	5	61
	%	11	25	28	28	8	100
Lack of employees' honesty and integrity	F	10	22	4	15	10	61
	%	16	36	7	25	16	100
Unachievable employee financial goals	F	13	20	9	14	5	61
	%	21	33	15	23	8	100
Employees' personal financial problems	F	20	20	9	5	7	61
	%	33	33	15	8	11	100
History or tradition of occurrence of fraud	F	11	15	16	14	5	61
	%	18	25	26	23	8	100
	F	6	17	10	19	9	61

Unrealistic goals to be achieved by employees	%	10	28	16	31	15	100
Existence of conflict of interest	F	6	20	12	18	5	61
	%	10	33	20	30	8	100
Unwritten policies	F	7	10	12	19	14	61
	%	11	16	20	31	23	100
No sanction to fraudsters	F	5	9	5	26	16	61
	%	8	15	8	43	26	100
Bonuses based on performance	F	6	18	5	15	17	61
	%	10	30	8	25	28	100
Incompetency	F	6	9	14	18	14	61
	%	10	15	23	30	23	100
Lack of workers' collusion	F	5	13	16	20	7	61
	%	8	21	26	33	11	100
Faulty human judgment	F	5	16	16	16	8	61
	%	8	26	26	26	13	100
Misunderstanding of instructions	F	4	22	9	12	14	61
	%	7	36	15	20	23	100
Errors	F	4	18	13	14	12	61

	%	7	30	21	23	20	100
Management override of controls	F	7	11	11	19	13	61
	%	11	18	18	31	21	100
Cost-benefit considerations	F	3	23	10	14	11	61
	%	5	38	16	23	18	100
Inherent limitations	F	4	24	12	12	9	61
	%	7	39	20	20	15	100
Not well-designed organizational structure	F	7	15	3	15	21	61
	%	11	25	5	25	34	100
Control measures for unusual transactions	F	13	25	5	13	5	61
	%	21	41	8	21	8	100
Unwillingness to enforce control measures	F	10	9	11	24	7	61
	%	16	15	18	39	11	100
Poor remuneration of internal control staff	F	13	22	4	12	10	61
	%	21	36	7	20	16	100
Non-compliance of controls by management	F	15	9	12	18	7	61
	%	25	15	20	30	11	100
Lack of independence of internal control staff	F	14	13	7	18	9	61
	%	22	22	14	31	11	100

Unwillingness to effect changes	F	13	17	10	11	10	61
	%	22	31	17	19	11	100
Lack of respect for authority	F	5	15	5	21	15	61
	%	6	22	11	42	19	100
Late presentation of reports	F	9	14	4	16	18	61
	%	17	22	8	25	28	100
Lack of information & communication systems	F	11	15	3	18	14	61
	%	17	22	6	36	19	100
Others.....	F	3	11	29	9	10	61
	%	3	14	58	8	17	100

Source: Field Survey Data

The highlighted factors above were identified as affecting the implementation of effective IC activities at LCC. These are:

1. Lack of employees’ honesty and integrity 52%
2. Unachievable employee financial goals 54%
3. Employees’ personal financial problems 66%
4. Control measures for unusual transactions 62%
5. Poor remuneration of internal control staff 57%
6. Unwillingness to effect changes 53%

4.5. To analyze the effect these factors, have on the implementation of IC activities

To analyze these effects, there was need to establish the correlation between internal control activities and the factors that are affecting their implementation.

Table 12 Identified Factors affecting the Implementation of Internal Control Activities

Factors affecting IC Activities	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Totals
Lack of employees' honesty and integrity	10	22	4	15	10	61
Unachievable employee financial goals	13	20	9	14	5	61
Employees' personal financial problems	20	20	9	5	7	61
Control measures for unusual transactions	13	25	5	13	5	61
Poor remuneration of internal control staff	13	22	4	12	10	61
Unwillingness to effect changes	13	17	10	11	10	61
Totals	82	126	41	70	47	366

Source: Field Survey Data

Table 13 Internal Control Activities

IC Activities	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Totals
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Control Environment	188	364	141	143	18	854
Risk Assessment	76	291	135	125	44	671
Control Activities	178	372	93	99	144	793
Information and Communication	69	271	106	114	50	610
Monitoring and Evaluation	53	213	115	76	31	488
Totals	564	1511	590	557	194	3416

Source: Field Survey Data

The relationship between the Control Environment and the factors affecting the implementation of IC activities:

$$r = (5 \times 77,917 - (366 \times 854)) / \text{square root } ((5 \times 31,390 - 366^2) \times (5 \times 208,494 - 854^2))$$

$$77,021/84,856.71 = \mathbf{0.91 \text{ or } 0.9}$$

There is a positive strong relationship between the Control Environment and the factors affecting the implementation of ICs

The relationship between the Risk Assessment and the factors affecting the implementation of IC activities:

$$r = (5 \times 59,251 - (366 \times 671)) / \text{square root } ((5 \times 31,390 - 366^2) \times (5 \times 126,243 - 671^2))$$

$$= 50,669/64,508.264 = \mathbf{0.785 \text{ or } 0.8}$$

There is a positive strong relationship between the Risk Assessment and the factors affecting the implementation of ICs

The relationship between the Control Activities and the factors affecting the implementation of IC activities:

$$r = (5 \times 78,979 - (366 \times 793)) / \text{square root } ((5 \times 31,390 - 366^2) \times (5 \times 209,254 - 793^2))$$

$$= 104,657/97,970.29 = \mathbf{1.068 \text{ or } 1}$$

There is a positive perfect relationship between the Control Activities and the factors affecting the implementation of ICs

The relationship between the Information and Communication, and the factors affecting the implementation of IC activities:

$$r = (5 \times 54,480 - (366 \times 610)) / \text{square root } ((5 \times 31,390 - 366^2) \times (5 \times 104,934 - 610^2)) \\ = 49,140/59230 = \mathbf{0.83 \text{ or } 0.8}$$

There is a positive strong relationship between the Information and Communication, and the factors affecting the implementation of ICs

The relationship between the Monitoring and Evaluation, and the factors affecting the implementation of IC activities:

$$r = (5 \times 42,676 - (366 \times 488)) / \text{square root } ((5 \times 31,390 - 366^2) \times (5 \times 68,140 - 488^2)) \\ = 34,782/48,561 = \mathbf{0.71 \text{ or } 0.7}$$

There is a positive strong relationship between the Information and Communication, and the factors affecting the implementation of ICs

The overall relationship between the internal control activities and the factors affecting their implementation:

$$r = (5 \times 308,932 - (366 \times 3416)) / \text{square root } ((5 \times 31,390 - 366^2) \times (5 \times 3,297,202 - 3416^2)) \\ 294,404/332,807.81 = \mathbf{0.88 \text{ or } 0.9}$$

This represents a positive strong relationship between the variables. The identified factors affecting the implementation of internal control activities have a strong relationship with internal control activities. Therefore, the identified factors strongly have effect on the implementation of internal control activities at LCC.

4.6. Discussion of findings

Under this study, researcher has analyzed effectiveness of the internal control system of Lusaka City Council based on the internal control activities which are; control environment, risk assessment, accounting, information and communication, control activities and Monitoring and evaluation. These are analyzed based on the univariate analysis by calculating frequencies and

percentages. The study identified the factors that are affecting the implementation of internal control activities by selecting the most scoring factors. It further analyzed the effects the identified factors have on the implementation of the internal control activities. This was done by establishing the relationship between the two variables by calculating the correlation coefficient.

4.6.1. Effectiveness of Internal Control Activities

The effectiveness of internal controls at the council is adequate but not perfect. The overall score is 61%. This means that the council still need to improve on its operations of the internal controls to at least score the remaining 39%. There are ranging scores among the individual activities agreeing to the effectiveness of internal controls in the council as follows: Control Environment 65%; Risk Assessment 54%; Control Activities 69%; Information and Communication 56%; and Monitoring and Evaluation scored 55%.

The imperfection could have also been contributed by the 17% of respondents who were not sure, the percentage is quite substantial to represent the people who do not know or rather not understand the internal control systems despite the satisfactory educational background displayed under 4.1.5. All in all, there is a lot still needs to be done to close the gaps to perfection.

The gap is also in line with the study conducted by Aikins (2011) who revealed that internal control systems in local authorities tend to be ineffective, as local authorities normally fail to achieve their objectives. This is echoed by Loustea (2006) whose study revealed that, because of cost-benefit considerations, not all possible controls will be implemented. Therefore, because of these inherent limitations, internal controls cannot guarantee that an organization will meet its objectives.

4.6.2. Factors affecting implementation of internal control activities

Several factors have been identified as affecting the implementation of the internal control activities. These include; Lack of employees' honesty and integrity, Unachievable employee financial goals, Employees' personal financial problems, Control measures for unusual transactions, Poor remuneration of internal control staff and Unwillingness to effect changes.

These factors are mostly pointing to employees' dissatisfaction; this is highlighting the impact raised in the research problem where skilled and professional staff category has seen a high rate of resignations because of poor conditions of service. This does not just result to adversely impact on productivity but subsequently, it also reduces revenue generation which is a topic problem.

The other factor to be highlighted is the control measures for unusual transactions; the council has ad-hoc activities which are not seen during the preparation of annual internal audit plan. If there are no provisions for such activities in the IC manual, then it is a problem which needs to be addressed immediately.

This finding agrees with Ndalahwa (2018), whose study revealed that the implementation of internal control systems has challenges or problems which lead to the weak internal control measures. The study emphasized that non-existent or weak internal control is due to lack of employees' honesty and integrity, unachievable employee financial goals, employees' personal financial problems and ill behaviors.

4.6.3. Effects of factors on the implementation of internal control activities

The study has revealed that there is a positive strong relationship between these two variables. The identified factors have a strong effect on the implementation of the internal control activities. The effects of factors on the implementation of internal control activities are ranging as follows: Control Environment has 0.9 indicating to have a positive strong relationship; Risk Assessment and Information and Communication have both 0.8 indicating that there is positive strong relationships; whilst Control Activities has a positive perfect relationship with the factors scoring 1. Monitoring and Evaluation scored 0.7 which is also an indication of strong relationship. The overall or the aggregated score is 0.9 indicating that there is a positive strong relationship between the identified factors and the internal control activities. The factors identified, have strong effects on the implementation of internal control activities in the council. This implies that if the identified factors are not addressed, the implementation of internal control activities will be inadequate.

CHAPTER 5

CONCLUSSION AND RECOMMENDATIONS

5.1. Introduction

In this section, the researcher summarizes and presents various comments and ideas directed towards finding solutions based upon the response that was obtained from analyzing the data. The comprises of conclusion, recommendations and areas of further research.

5.2. Conclusion

There is effectiveness of internal control activities at Lusaka City Council, although further improvement is required to address the mentioned factors. Factors that are adversely affecting the implementation of internal control activities were identified. These factors were mostly pointing to the welfare of employees. From the analysis carried out, the study revealed that there is a positive strong relationship between the internal control activities and the factor that are affecting their implementation. Therefore, these factors have a strong effect on the implementation of the internal control activities.

Furthermore, there seem to be some gap between current practices and the COSO framework. The Auditor Report (2019) revealed that there were weaknesses in the implementation of internal controls observed in Ministries, Provinces and Agents (MPAs) in Zambia to be specific. COSO's 2013 internal control framework provides detailed direction to achieving effective internal controls. COSO says management can conclude that its system of internal control is effective if each component is present and functioning. However, it does not state or address the weaknesses and challenges faced during implementation of internal controls. It is common knowledge that efforts may be made trying to achieve the implementation of effective internal controls using COSO 2013 as explain, but if these weaknesses are not addressed there are possibilities that the

effective implementation may not be attained. Therefore, COSO needs to extend its internal control framework to address how challenges or weaknesses associated with the implementation of internal controls to be included.

From the analysis above, Lusaka City Council has some challenges that are affecting the implementation of internal controls. These challenges have adverse effect on the implementation. If COSO had provided guidance on how such challenges can be addressed, better recommendations perhaps could have been included.

5.3. Recommendations

Based on the findings of the study, the following recommendations are offered to assist in improving on the effectiveness of internal control systems in Lusaka City Council and Zambia as a whole:

1. There is need to further train staff members on internal control systems. The rate of uncertainty or not sure answers in the questionnaire indicate that substantial number of staff members were not able to understand internal control systems. The training should also be extended to other staff members than those in the internal control department.
2. The factors identified as affecting the implementation of internal control activities should be considered amicably. Most of them, they are pointing to the welfare of staff members. The HR department in conjunction with the council management should come up with policies that will satisfy the needs of staff members as indicated in the findings above. Furthermore, specific areas should be identified and attended to individually regarding the rate of needy. The council is already losing skilled and professional employees because of poor conditions.
3. The council has ad-hoc activities that need to be audited but usually they are not planned for. These activities are not seen in the beginning of the year for them to be planned. Therefore, there should be guidelines in the IC manual that will allow the considerations of such deviations.
4. The effectiveness of internal controls in the council only indicates 61%, therefore, the council is further encouraged to address these factors and investigate other avenues than

those already being implemented to strengthen the internal control activities so that the 39% gap can be closed.

5. The Auditor' report (2019), revealed a number of weaknesses in the implementation of internal controls in MPAS. Further efforts should be applied to quench these challenges.
6. The use of COSO integrated internal control framework is highly recommended to the council, this does not just bring the inclusion of integrated components of internal controls and their principles but will further provide managers with guidance in achieving effective internal controls.
7. Lastly, future researchers should explore other factors that affect the implementation of internal controls in the council. The current evidence is that most of the staff of the council are not motivated. There is also a need to carry out similar studies in other organizations, both public and private, in order to get further input on the topic.

5.4. Areas of further research

Future researchers should explore other factors that influence the motivation of staff at Lusaka City Council than those discussed in the study. The current evidence is that most of the staff of the council are not motivated and for that matter, high rate of resignations. Solutions to such effects will complete the purpose.

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APPENDIX

THE UNIVERSITY OF ZAMBIA

GRADUATE OF BUSINESS

TO INVESTIGATE THE EFFECTIVENESS OF INTERNAL CONTROLS AT LUSAKA CITY COUNCIL

QUESTIONNAIRE

Dear Respondent,

I am **Sibeso Anaenyi** a post-graduate student at the University of Zambia. This study is purely an academic exercise and is meant to enable me to partially fulfil the requirements of the Degree of Master of Business Administration [MBA].

You have been selected to complete this questionnaire and I would be very grateful if you would spare a few minutes to respond to the questions. Please answer the questions to the best of your knowledge and be assured that the information you will offer will be kept strictly confidential. However, you are free to withdraw at any time from the study without giving reasons.

I thank you in advance.

INSTRUCTION

Please tick the appropriate answer to the question. Where the question asks you to write the answer, please do so in the space provided.

1. Personal Data

1. Sex: Male Female

2. Age: 19 or less 20–29 30–39 40–49 50 or more

3. Which Department do you belong?

Finance and Admin. Internal Audit Others (specify).....

4. Which staff category do you belong?

Junior staff senior staff Management

5. Education attainment

School certificate Diploma First Degree Master Degree PHD

Others.....

2. The effectiveness of internal control activities at Lusaka City Council

A. CONTROL ENVIRONMENT

6. Management decisions are made collectively and not controlled by one dominant individual.

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

7. Codes of conduct or ethics policies exist in the company

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

8. Policies regarding the importance of internal controls and appropriate conduct are communicated to all staff.

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

9. Audit or other control systems exist to periodically test for compliance with codes of conduct or policies.

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

10. Management periodically reviews policies and procedures to ensure that proper controls are in place.

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

11. Staff have good working relationships between themselves

Strongly agree [] Agree [] Not sure [] Disagree [] Strongly Dis agree []

12. Staff are committed in implementing jobs

Strongly agree [] Agree [] Not sure [] Disagree [] Strongly Dis agree []

13. All jobs are given on competency basis

Strongly agree [] Agree [] Not sure [] Disagree [] Strongly Dis agree []

14. All workers have work schedules hence no job conflicts

Strongly agree [] Agree [] Not sure [] Disagree [] Strongly Dis agree []

15. All Council activities are standardized

Strongly agree [] Agree [] Not sure [] Disagree [] Strongly Dis agree []

16. All the Council activities are performed according to the approved standards

Strongly agree [] Agree [] Not sure [] Disagree [] Strongly Dis agree []

17. The hiring process for contract staff is transparent

Strongly agree [] Agree [] Not sure [] Disagree [] Strongly Dis agree []

18. All employees are treated equally during implementation of the Council activities

Strongly agree [] Agree [] Not sure [] Disagree [] Strongly Dis agree []

19. Council activities are performed in an atmosphere of creativity and innovation

Strongly agree [] Agree [] Not sure [] Disagree [] Strongly Dis agree []

B. RISK ASSESSMENT

20. The company has clear objectives, and these have been communicated so as to provide effective direction to employees on risk assessment and control issues.

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

21. Management appropriately evaluates risk when planning for new product or activity.

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

22. There are sufficient staff members who are competent and knowledgeable to manage company activities, and these have been provided with adequate resources.

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

23. Technology issues are considered and appropriately addressed.

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

24. Significant internal and external operational, financial, compliance and other risks are identified and assessed on an ongoing basis.

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

25. There are mechanisms in place to identify and react to changes that can have adverse effects on the Council activities.

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

26. Risks are assessed in relation to changes in the council project operational environment

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

27. Changes of new staff is clearly examined for the risks it may cause

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

28. Organizational restructuring brings limited risks to the organization projects

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

29. Managers are kin in identifying risks

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

30. All risks facing LCC projects are managed

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

C. CONTROL ACTIVITIES

31. Policies and procedures exist to ensure critical decisions are made with appropriate approval.

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

32. Processes exist for independent verification of transaction (to ensure integrity)

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

33. There is a system in place to ensure that duties are rotated periodically.
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

34. Processes are in place to ensure that policy overrides are minimal, and exceptions are reported to management
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

35. People in the Company have the knowledge, skill and tools to support them in their duties in order to effectively manage risk and achieve company objectives.
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

36. The company has employed security guards.
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

37. Staffs are given up to date internal control manuals for reference purposes
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

38. Staff are aware of the penalties for breaking internal control procedures
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

39. Council activities are reconciled on monthly basis to detect errors
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

40. All activities are authorized by responsible officer before implementation
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

41. Procedures are followed for all activities
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

42. All employees working on Councils have clear duties and there is no conflict of duties
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

43. There is internal check which operates continuously during the implementation of the Council activities.
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

D. INFORMATION AND COMMUNICATION SYSTEMS

44. There are effective reporting procedures in communicating a balanced and understandable account of the company's position and procedures.
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

45. There are established channels of communication for individuals to report suspected breaches of laws or regulation or other improprieties.
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

46. All staff understand their role in the control system.
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

47. Information flows freely without any interference
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

48. Staff have information on internal controls and projects
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

49. All channels of communication are utilized by staff
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

50. There is no ambiguity in information communicated
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

51. All operational information is given to staff in time
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

52. There is good communication between departments
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

53. The current information flow is quick and effective
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

E. MONITORING AND EVALUATION

54. There are ongoing processes within the company's overall business operations, and these are addressed by senior management to monitor the effective application of the policies, processes and activities related to internal control and risk management
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

55. There are processes to monitor the company's ability to re-evaluate risks and adjust controls in response to changes in its objectives, business, and external environment.
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

56. There are effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risks and control assessments.
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

57. Reports on significant failings or weaknesses are reported to management on a timely basis.
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

58. Monitoring strategies are used at any time during monitoring process
Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

59. Quality assurance is adhered to for LCC.

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

60. Internal audit is independent of management influence

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

61. External auditors can rely on the work of internal auditors when auditing

Strongly agree [] Agree [] Not Sure [] Disagree [] Strongly Disagree []

Partly sourced (Ofori 2011)

Source Partly: Ofori (2011)

3. The factors affecting the implementation of effective IC activities at LCC.

Indicate the extent to which you agree or disagree to the following factors related to implementation of effective internal control activities at this organization. Circle (1-5) for each

item as appropriate (5=Strongly Agree; 4=Agree; 3=Not Sure; 2=Disagree;

1=Strongly Disagree)

#	Factors	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
1	Pressure from colleagues or managers	5	4	3	2	1
2	Rationalization in illicit behavior	5	4	3	2	1
3	Lack of employees' honesty and integrity	5	4	3	2	1
4	Unachievable employee financial goals	5	4	3	2	1
5	Employees' personal financial problems	5	4	3	2	1
6	History or tradition of occurrence of fraud	5	4	3	2	1
7	Unrealistic goals to be achieved by employees	5	4	3	2	1
8	Existence of conflict of interest	5	4	3	2	1
9	Unwritten policies	5	4	3	2	1
10	No sanction to fraudsters	5	4	3	2	1
11	Bonuses based on performance	5	4	3	2	1
12	Incompetency	5	4	3	2	1

13	Lack of workers' collusion	5	4	3	2	1
14	Faulty human judgment	5	4	3	2	1
15	Misunderstanding of instructions	5	4	3	2	1
16	Errors	5	4	3	2	1
17	Management override of controls	5	4	3	2	1
18	Cost-benefit considerations	5	4	3	2	1
19	Inherent limitations	5	4	3	2	1
20	Not well-designed organizational structure	5	4	3	2	1
21	Control measures for unusual transactions	5	4	3	2	1
22	Unwillingness to enforce control measures	5	4	3	2	1
23	Poor remuneration of internal control staff	5	4	3	2	1
24	Non- compliance of controls by management	5	4	3	2	1
25	Lack of independence of internal control staff	5	4	3	2	1
26	Unwillingness to effect changes	5	4	3	2	1
27	Lack of respect for authority	5	4	3	2	1
28	Late presentation of reports	5	4	3	2	1
29	Lack of information & communication systems	5	4	3	2	1
30	Others.....	5	4	3	2	1

Source Partly: Ngopa (2013)

THANK YOU VERY MUCH FOR YOUR COOPERATION.