



THE UNIVERSITY OF ZAMBIA
INSTITUTE OF DISTANCE EDUCATION
SCHOOL OF HUMANITIES

**AN EXAMINATION OF THE EFFECT OF INTERNAL CONTROLS ON THE
MANAGEMENT OF FINANCES IN ZAMBIAN SECONDARY SCHOOLS: A CASE OF
MPIKA BOYS SECONDARY SCHOOL.**

**BY
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**A Thesis Submitted in partial fulfilment of the requirements for the Award of the Degree
of Master of Business Administration of the University of Zambia**

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CERTIFICATE OF APPROVAL

This dissertation by Mulenga Fred has been approved as partial fulfilment of the requirement for the award of Master of Business Administration by the University of Zambia in collaboration with Zimbabwe Open University.

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DECLARATION

I, Mulenga Fred, student number 718000262, declare that this Thesis is my own work and that the work of other persons and institutions utilised in this dissertation has been duly acknowledged. This work presented here has not been previously presented at this or any other university for similar purposes.

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DEDICATION

This research is dedicated to my daughter Precious to testify that with God, self-belief and determination, you can achieve anything there is to achieve in life. It is vehemently hoped that this accomplishment will be a source of encouragement to you to never call it a quit in life no matter the adversity of the odds. You are the architect of your destiny, and through God, you can navigate around all the hurdles of life until you wear the crown of success.

LIST OF ABBREVIATIONS AND ACRONYMS

ACCA- Association of Certified and Chartered Accountants

AGR- Auditor General's Report

COSO- Committee on Sponsoring Organisations of the Treadway Commission

DEBS- District Education Board Secretary

DFID- Department for International Development (2013)

F- Frequency

GPE- Global Partnership for Education

ICS- Internal Control system

IFMIS- Integrated Financial Management Information System

INTOSAI- International Organization of Supreme Audit Institutions

PFMA- Public Finance Management Act No. 1 of 2018

MOGE- Ministry of General Education

S.D- Standard Deviation

SDGs- Sustainable Development Goals

SPSS- Statistical Package for Social Sciences

UNICEF-United Nations International Children Emergency Fund

ZANEC- Zambia National Education Coalition

ZICA- Zambia Institute of Chartered Accountants

% - Percentage

ABSTRACT

Financial internal controls are critical in the attainment of organisational objectives. This study focused on the effect of internal controls on the management of finances at Mpika boys' secondary school. The study was prompted by revelations of alarming levels of financial impropriety in secondary schools by the Auditor General's Reports (AGR). The study was anchored on the general objective of assessment of the effect of internal controls on the management of Finances at Mpika boys' secondary school. Fifty-Six (56) questionnaires were distributed to purposively and randomly selected respondents, out of which 51 were returned, translating into a response rate of 91%. Primary data was collected using a 5-point Likert scaled questionnaire with closed-ended questions while secondary data was collected through an archival method. Data were analysed using descriptive analysis methods with the help of SPSS. Based on the significance of mean scores of responses under each component of internal controls (3.53 for Control Environment, 3.77 for Control Activities 3.42 for information and 3.59 Monitoring Activities) internal controls were adjudged to have significant positive effect on financial management. In addition, the study provided evidence that financial internal control system at Mpika boys' secondary school were functional and adequate although component of Risk Assessment required significant improvement as it was found to be neither effective nor inadequate. Most significantly, the study reaffirmed the existence of Agent-Principal relationship between the state and school authorities through evidence that characteristically upheld fundamental concepts of Agency Theory of Agency Relationship, conflict of interest and Agency costs as embedded in the Autonomy of the school authority over school funds, monitoring of financial activities of the school by external authorities and review of financial activities of the school through internal and external audits. The study, therefore, recommended that management at Mpika boys' secondary school should address aspects of Risk Assessment and Monitoring Activities that were reported to be weak. The Researcher further recommended for a study that would focus on the causes of financial impropriety in Zambian secondary schools that continue to be revealed through Auditor General's Report.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Overview

The chapter presents the background of the study, statement of the problem, theoretical framework, the purpose of the study, objectives, research questions and the significance of the study. Other aspects to be discussed in this chapter are the delimitation of the study and acronyms and abbreviations of the study.

1.2 Background of the study

1.2.1 Introduction

Since independence, the Zambian education system has been of particular interest to the government (MOGE,2015). The sector has been subjected to several sector reforms to promote efficiency and effectiveness in educational service delivery (Education Act No.23 of 2011). One key sector transformation the Ministry has experienced is the decentralisation of school management powers introduced through the national policy on Education "Educating Our Future,1996".

A decentralised approach to educational management was adopted to enhance efficiency through broader stakeholder participation, promoting a sense of local ownership and greater responsiveness of the school to local needs and eliminating bureaucratic procedures that impeded efficiency in education delivery (Education our future,1996).

Furthermore, the constitution of Zambia (Amendment Act No.2 of 2016) provided for fiscal decentralisation, which involves the transfer of financial management responsibilities from the central government to the lower levels of government. The principal objective of fiscal decentralisation was to promote efficiency in delivering public services to the people of Zambia.

Due to administrative and fiscal decentralisation, the decision-making authority and responsibility has been shifted to school levels such that school headteachers are responsible for making decisions over and around the utilisation of material, human and financial resources. Therefore, one critical decision area over which secondary schools headteachers exercise authority is the area of school finances which ought to be administered under the provision of the Public Finance Management Act No. 1 of 2018(PFMA)

1.2.2 The need for internal controls

The constitution (Amendment) Act No. 16 through part XVI requires all the institutions charged with responsibilities over public funds to exercise financial prudence. Prudent financial management involves the administration of public funds based on value for money principles of efficiency, economy and effectiveness through the application of tenets of sound corporate governance principles of accountability, transparency, professionalism, segregation of duties and adherence to the rule of law (the Royal Republic of Bhutan,2013). In this regard, headteachers in secondary schools are expected to put in place a properly functioning system and mechanism to derive maximum benefits from the funds that are charged to their institution (Mestry,2006)

In order to promote sound governance of public finances, the PFMA has made it a mandatory requirement for all institutions charged with one responsibility or another over management of public funds to design and implement an effective system of internal controls. Furthermore, the PFMA bestows the responsibility of evaluating and reporting on the status of internal controls so designed and implemented in any particular government institution in the hands of internal and external auditors. The underlying objective of emphasising a robust internal control system is to promote operational efficiency and safeguard the institutional resources against abuse and mismanagement.

From the preceding, it is clear that secondary school authorities are under a legal obligation to put in place a robust system of internal controls as a deliberate measure to promote efficiency and effectiveness in their daily operations and much more in their management of public finances (Widyaningsih,2015)

Internal control as a concept has evolved to respond to ever-changing political, social, economic and technological environments in which it is designed to operate. The Public Finance Management Act No. 1 of 2018 defines internal control as business practices, policies, or procedures established within Government institutions to create value or minimise risk. This definition is consistent with what has been propagated by COSO (2013), which defined internal controls as an integral process that is affected by the entity's management and personnel and is designed to address risks and provide reasonable assurance in the pursuit of an entities' mission and ensure as far as practicable the orderly and efficient conduct of the business.

Robust internal control systems are reported to promote the attainment of institutional objectives by emphasising efficiency and effectiveness in utilising organisational resources (Boakye,2016). Studies have revealed that solid systems of internal controls promote financial prudence and foster transparency, accountability, ethical behaviour, professionalism and adherence to the rule of law (The Royal Republic of Bhutan, 2013). In this regard, strong internal controls are critical in aligning any institution on the right path to attaining institutional goals and steering confidence in the organs of authority among the stakeholders (Eton, 2019). For this reason, the Royal Republic of Bhutan stressed that internal controls need to be institutionalised at all levels of Government Machinery.

On account of the preceding adequate internal controls in public institutions are paramount in promoting the creation of a healthy cultural environment where the tenets of sound financial management are strongly emphasised in the delivery of public service (Zambian Public Finance Reforms, 2013). Subsequently, solid and adequate internal controls safeguard public resources against improper use and enhance the public's quality of service.

1.2.3 State of funding to Ministry of Education

Education is the footing upon which sustainable social-economic development of any country thrives. Through quality education, the country is guaranteed the skills and expertise critical for the present and future development of the country. The government of Malawi (2018) defines educational quality as the level of material inputs allocated per pupil and the efficiency level with which fixed amounts of material inputs are organised and managed to raise pupil achievement. Resources that are critical in the pursuit of educational goals include human capital, material and financial Resources (UNICEF,2019)

While Zambia has scored significant success in acquiring human and material resources, the nation's effort to attain the educational goal as enshrined in the SDGs No. 4 has greatly been impeded by inadequate funds for many years (DFID,2013). The National Policy on Education (1996) pointed out that the Zambia education sector has suffered from insufficient, declining and inconsistent levels of public funding as far back as the early 1980s

UNICEF (2019) and DFID (2013) reported that funding to the Ministry of education always falls short of the required minimum 20% of the total national budget as provided for under the SADC protocol on education except in 2015.

In recent years, international agencies such as the World Bank and DFID have reported a downward trend in budgetary allocation to the Ministry of education. According to UNICEF (2019), the Ministry of Education funding posted a sharp decline from 20.02% in 2015 to 16.1% in 2018 and 15.3% in 2019. The budgetary allocation to the Ministry reduced further to 12.4%,11.5% and 10.4% of the total 2020, 2021 and 2022 budgets, respectively (Budget speeches, 2020,2021 and 2022)

Table 1.1 Educational Allocation Against National Budget

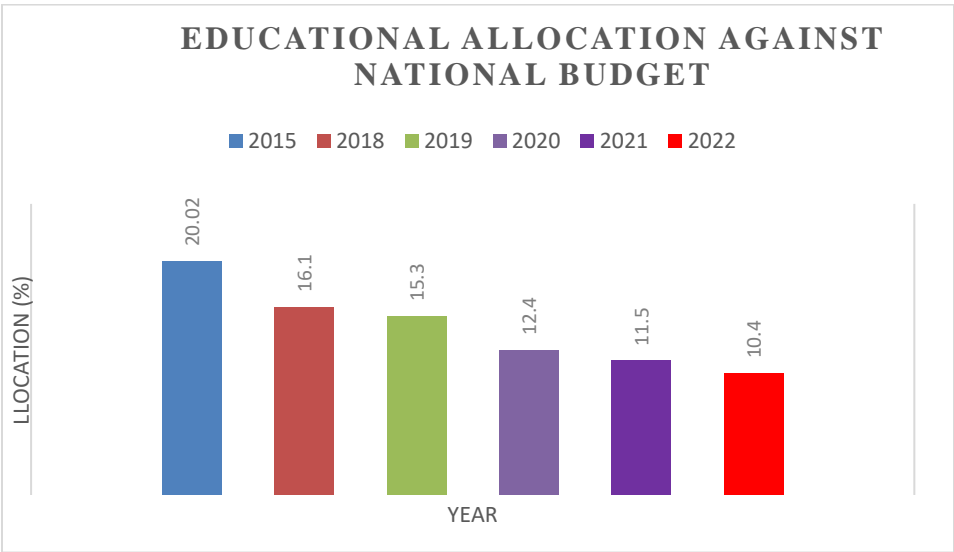


Table 1.1 above, depicts the down trend in budgetary allocations to the Ministry of education against the national budget.

In addition to the low levels of budgetary allocation to the education sector, the government and key international and local agencies have made alarming disclosures to the effect that most of the budgetary allocation to the education sector covers Personal emoluments resulting in only a minimal budget portion for activities that have a direct impact on the quality of education such as teaching and learning aids and in-service training for teachers (World Bank,2015)

For example, Education our Future (1996) highlighted that in 1988-1993, 83% of the Ministry of Education's recurrent expenditure was absorbed by personal emoluments. Of the small portion that remained, a significant portion was reserved for the administrative overheads such as lighting, water and communication. The result is that a seemingly colossal budget is very insignificant towards areas directly impacting education. Furthermore, the World Bank (2015) revealed that Out of a total allocation of ZMW1,102 million to the secondary education sector in 2014, ZMW 1,060 million covered salaries and remunerations, taking up to 96 per cent of the sector recurrent allocation.

1.2.4 Funding to Secondary Education Sector

Besides the inadequacy and misallocation of budget to the education sector, the funding is reportedly skewed towards primary education at the expense of Secondary and tertiary education (Educating Our Future, 1996). The DFID (2013) reported that out of the total allocation of 8.6 billion to the Ministry of education, only 1.9 billion was allocated to the secondary education sector, representing only 20% of the total allocation in 2014. The Ministry of education, through its annual progress report for 2015, further revealed that out of the total budgetary allocation of 9.4 billion to the education sector, only 2.1 billion was allocated for secondary education function in the 2015 budget.

The funding trend to the secondary education sector has continued in recent times. The sector was allocated 2.9 billion and 2.3 billion out of the total education sector allocations of 13.3 billion and 13.1 billion for 2019 and 2020 fiscal years, respectively (UNICEF, 2019). Furthermore, the 2021 budget speech revealed that only 2.7 billion out of the total budget allocation to the Ministry of 13.8 billion has been allocated to support secondary education activities in 2021.

Besides inadequate budgetary allocation, the secondary education sector is exposed to under releasing of funds by the treasury. For example, the Ministry of education, through its 2015 annual progress report, revealed that out of the total budget allocation of K 1.923 billion and 2.111 billion for secondary education activities in 2014 and 2015, only K 1.063 billion and 1.177 billion was released, resulting in underfunding of 45% and 44% respectively.

The scenario portrayed by available literature regarding the status of funding to the secondary education sector renders an equivocal need to exercise financial prudence in the management of

funds in secondary schools; otherwise, the quality of secondary education and subsequent quest for the attainment of SDGs No. 4 in Zambia risks being thrown into jeopardy (ZANEC,2020)

In this regard, secondary schools' authorities are expected to implement robust financial controls systems so that the little available resources can be applied effectively and efficiently in pursuit of the national educational agenda (Educating Our Future, 1996).

However, contrary to the general expectation, the Auditor General's reports continue to reveal (unearth) alarming levels of financial impropriety in the Ministry of education, particularly secondary education, which calls for concern among educational stakeholders regarding the status of internal financial controls in secondary schools.

1.2.5 Sample of Secondary Education Sector Audit Findings

Cases of financial impropriety in secondary school in Zambia continue to be exposed through the auditor general's report.

Table .1 .2 Sample of Secondary schools related Audit queries

Year	Secondary School	Province	Amount (ZMW)	Audit Query
2017	Chibote	Copperbelt	102,853	Funds were withdrawn by the accounting officer by forging the signature of the Headteacher
2017	Namwala	Southern	1,460,000	Two Accountants altered amounts on cheques resulting in the withdraw of 2,295,350 instead of authorised 835,350
2017	Chiba	Northern	118,740	Payments lacking relevant supporting documents
2018	Chinsali Day	Muchinga	312,693	Misapplication of funds

2018	Kwayama	North-Western	16,626	Unretired imprest involving 28 payments
2018	Kenneth Kaunda	Muchinga	31,164	21 Payments without supporting documents
2019	Chisamba	Central	41,014	Misapplication of funds
2019	Mununga	Muchinga	58,191	Failure to follow procurement procedures-irregular use of accountable imprest

(Source Auditor Generals Reports: 2017,2018 and 2019)

From the synopsis of cases of financial mismanagement in secondary schools, a good case can be established that the state of internal controls requires an assessment as a matter of urgency so that corrective measures can be implemented and save public funds from unwarranted misuse.

1.2.6 state of internal control in the education sector.

The primary measure of the effectiveness of internal controls in public institutions lies in the level and nature of audit queries in the auditor general's report. According to the Auditor-General- South Africa (2013), an effective internal control system would promote compliance with regulations and results in clean audits. In this regard, the prevalence of audit queries in Zambian secondary schools indicates that internal controls may be defective. However, we cannot draw an empirical conclusion on the state of internal controls merely on audit queries because the audit process, to a more considerable extent, falls short of the requirement for a scientific approach into the matter for empirical conclusions to be reached.

1.3 Statement of the Problem

Prudent management of public finances and implementation of effective systems of financial controls are legal requirements for all public institutions. As such, secondary schools are under a legal obligation to set up effective systems of internal financial controls as a footing for financial prudence and the ultimate realisation of secondary educational goals.

However, the auditor general's report continued to reveal alarming levels of financial impropriety in secondary schools, making us wonder whether secondary schools have adequate financial internal controls in place.

Based on the preceding, there is a need to carry out a study focused on gaining an insight into the state of internal controls at Mpika boys' secondary schools as an indirect measure of positioning the nation on course to attain its Sustainable Development Goal No.4

1.4 Theoretical Framework

The primary research guidelines require every research to be built on a well-articulated and appraised theoretical foundation (Cohen, Morrison and Manion, 2007). A theory should demonstrate precision and universality and set the grounds for its falsification and verification (Popper 1968). Theoretical framework, therefore, aids the researcher in finding an appropriate approach to research (Adom, Hussein and Agyem,2018). In this regard, the theoretical foundation of the research must exhibit a logical link between such theory and the research questions so established for the study (Cohen, Morrison and Manion, 2007).

The leading theory underpinning the theme of internal controls regarding the management of public funds is the Agency theory. Jensen and Meckling founded agency theory in the year 1976. The theory attempts to define the relationship between the agent and the principal (Muhunyo,2018)

The agency theory analyses the relationship between managers and shareholders and is brought into context on the separation of ownership and management (Jensen and Meckling,1976). Modern thinking about internal controls and financial performance has been influenced by agency theory. Agency theory holds that managers may act to maximise the returns to shareholders (stakeholders) unless appropriate governance structures are put in place in an organisation to safeguard the interests of shareholders (Jensen and Meckling, 1976).

Like any form of contractual arrangement, the parties under the Agency theory have rights, responsibilities and obligations embedded in terms of references defining the relationship (Berlie and Means,1932). The Agency theory operates on the premise that both the agent and the principal ought to act rationally and use the relationship for the attainment of objectives embedded in the contract (Jensen and Meckling,1976)

On one hand, the principal has the obligation of assigning adequate authority to the agent as the essential requirement for the performance of the underlying duty (Fama,1980). Further, the principal is responsible for ensuring that the agent is empowered with adequate information and other resources pertinent to the performance of the underlying duty. Most importantly, the principal must ensure that the agent is well rewarded and motivated to protect his/ her interest against any form of manipulation on account of conflict of interest (Ross,1973). Agency theory specifies mechanisms that reduce agency loss, including deliberate incentive schemes for managers that reward them financially for maximising shareholder interests (Eisenhardt, 1989).

According to Ross (1973), The Agent is obliged to act in the principal's best interest and is always expected to subordinate his interest to the principal's interest in all contractual circumstances.

In addition, the agent is under obligation to avail the principal of all information emanating from the contractual circumstances (Jensen and Meckling,1976). The theory further fosters expectation for the agent to exhibit professionalism, accountability and expertise that commensurate the nature of duty assigned.

The proponents of Agency theory have also highlighted challenges associated with Agent-Principal relationship and presents challenges as agency problems. Central to the agency problems is the conflict of interest and the agency costs. (Fama, 1980, Jensen, 1986 and Ronen & Balachandran, 1995)

The prevalence of agency issues has been highlighted in various academic projects. Agency issues have been reported in different fields such as accounting (Ronen & Balachandran, 1995), economics (Jensen & Meckling, 1976; Ross, 1973), organisational behaviour (Kosnik & Bittenhausen, 1992) and finance (Fama, 1980; Fama & Jensen, 1983; Jensen, 1986). The wider prevalence and implication of agency problems in organisations has made the theory the centre of much attention in finance and economic literature (Adom, Hussein, and Agyeman, (2018

According to Jensen and Meckling (1976), conflict of interest arises when the agent succumbs to the temptation of subordinating the principal's interest to his/her interest. Further, the other problem borders on information asymmetry where the agent deliberately elects to give the principal incomplete or distorted information, which has the consequence of adversely impacting the decisions made by the principal (Jensen and Meckling,1976)

The principal ensures that their interests are not being flouted through the internal control systems and subjecting the activities of the agency to an independent evaluation by auditors (Muhunyo,2018)

Agency costs are actual costs of having an agent make the decisions on behalf of the principal. Jensen and Meckling (1976) define agency costs as any loss the principal may suffer based on divergent interests between the principal and the agent and categories such as monitoring costs, bonding costs, and residue loss.

Monitoring costs encompass all costs associated with establishing a system for monitoring actions and performance of the agent, while Residue costs are those suffered by the principal due to the agent making irrational decision (Mitnick (1975). Bonding costs, on the other hand, are all such costs that stem from the principal's provision of incentives aimed at making the agent make rational decisions (Ross 1973)

As agents of the state, public workers, individually and collectively, have a fiduciary duty to the state. A fiduciary duty is a duty of trust. A public worker must act on behalf of the state in total good faith and must not put his interests before the state's interests. Furthermore, the agency theory also poses the expectation that individuals serving in various portfolios in public institutions should exhibit a level of expertise and professionalism that commensurate the positions they hold.

Vedung (1997) argues that the application of the agency theory in public institutions is rather complex on account of the multi-dimensional nature of government structure and systems, which gives rise to multi-agent and multi- principal challenges. At its basic level, the state entails taxpayers individually and collectively, and at its complex level, it entails the government as an institution of governance. The primary principle further compounds the complexity; taxpayers are a heterogeneous group comprising a more significant number of individuals who may take divergent positions on what constitutes a good agency ship. On the one hand, the government is the agent of the state, and on the other hand, the government serve as the principal to individuals serving in public institutions (Waterman and Meir 1998).

As an institution of governance, the central government decides how public money should be spent and establishes structures and modalities for spending the money and is thus a primary agent of the state. Agency complexities arise when the wishes of the taxpayers are at variance with the

government's interest due to political interest. In such situations, agents get tempted to peruse the interest of the secondary principal to the detriment of the primary principal, making agency problems more complex in public institutions (Kivisto,2007)

Arising from the aforementioned the suitability of agency theory to this study can be ascertained. Secondary schools and individuals operating in such institutions are agents of the state who are expected to execute fiduciary duties in the state's best interest. In addition, the state advocates for establishing internal control system and has an established mechanism of ensuring that the internal control systems adopted for managing public funds are subject to an independent evaluation by auditors. These measures are aimed at addressing possible agency problems that may impair the attainment of national objectives and are thus a clear indication that agency problems are expected within public institutions.

Additionally, the agency theory has been considered appropriate for this study since it demonstrated how the management of secondary schools as agents should carry out their duties and responsibilities in finance. In the performance of their roles, management (agents) should know that what is paramount is the principal's interests (government, management board and the general public). When this is recognised, internal controls and financial performance would be enhanced

1.5 Aim and Objectives of the study

Every research must highlight the objectives underpinning the impetus to carry out the study (Khoo, 2005). Kombo and Tromp (2014) posit that objectives serve to provide the foundation upon which the relevance of the research may be validated. The literature further directs that objective may be divided into general and specific objectives (Khoo,2005).

1.5.1 General objectives

The general objective of the study was to assess the effect of internal controls on financial management in Zambian Secondary schools

1.5.2 Specific objectives

In order to achieve the general objective, academicians have emphasised the need to identify specific objectives that must be derived from the general objectives in such a manner that the

attainment of specific objectives position the study on course to the achievement of the primary objective.

In this regard, the specific objectives of the study were;

1. To Determine the appropriateness of internal controls on financial management at Mpika boys' secondary school.
2. To Assess the effectiveness of internal controls on financial management at Mpika boys' Secondary school.
3. To Examine the effect of internal controls on financial management at Mpika boys' secondary school

1.6 Research questions

Research questions form an impermeable foundation upon which the whole research is guided and directed (Kombo 2002). It is an academic requirement for any research to identify and spell out the study's questions in the researcher's quest to achieve the study objectives. In this context, the questions that will guide this study are as follows;

1. How appropriate are internal financial controls established at Mpika boys' secondary school?
2. How effective are the internal controls for financial management at Mpika boys' secondary school?
3. What is the effect of internal financial controls on financial management at Mpika boys' secondary school?

1.7 Rationale

The underlying reasons for carrying out this study were:

1.7.1 No similar study had been carried out in Zambia.

The impetus to carry out a study focusing on the effect of internal controls on financial Management in secondary schools was driven by the existing knowledge gap on the subject matter as available literature indicates that the subject is scarcely studied in Zambia. Mbetwa and Phiri did one Zambian based study on the subject focusing on tertiary educational institutions. This study, therefore, was crucial in the addition of the latest knowledge to the body of academia on the

subject of internal controls, which would be of great significance to policy setters and educational monitors.

1.7.2 Improve efficiency in secondary schools.

The secondary educational system plays a pivotal role in both the holistic development of individuals and the social-economic development of the nation. Adequate internal controls are reported to promote the attainment of organisational goals through efficient and effective utilisation of resources. This study had an embedded benefit of promoting the attainment of SDGNo.4 by highlighting areas of financial internal controls that required improvement in secondary schools.

1.7.3 Requirement for award of the Master of Business Administration Degree.

This research is justified as an indispensable requirement for the Master of Business Administration Degree (MBA) award by the University of Zambia senate.

1.8 Scope of the study

This study assessed the effectiveness of financial internal controls at Mpika boys' secondary school of Mpika District in Muchinga province of Zambia. According to information obtained from the DEBS' office, Mpika boys' secondary school had a total enrollment of 729 pupils and a total workforce of 65 teachers comprising 42 males and 23 females.

1.9 Significance of the study

The study would be critical in raising awareness regarding the nature of internal financial controls obtaining in Secondary Schools of Mpika District, which is fundamentally essential in fostering corrective action if the internal controls are inappropriate. The study would further provide empirical evidence to the stakeholders on the kind of systems to which public funds in Secondary schools are exposed.

In addition, the research would be instrumental in adding the latest information regarding internal controls to the body of knowledge and setting a solid foundation for further research. Most importantly, the study provided feedback to policy setters regarding compliance to the statutory requirements among the authorities in secondary schools. From such an understanding, a more responsive and robust policy framework on financial management in secondary schools may be designed.

1.10 The organisation of the dissertation

This research is organised in chapters running from chapter one (1) through to chapter Five (5)

Chapter 1 presented the introduction, background of the study, statement of the problem, Theoretical Framework, the purpose of the study and Research objectives and Research questions. It further covers the Rationale, scope, significance, delimitation, and organisation of the study and concludes with the chapter summary.

Chapter 2 covers a review of the related literature within the context of the study while Chapter 3 deals with research methodology and focuses on the research design and approaches, data collection and analysis. Research ethical considerations are also addressed in chapter 3.

Chapter 4 encompasses the research results, analysis of data. It also discusses each finding of the research objectives, and Chapter 5 summarises research findings through conclusions and recommendations.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

Literature review seeks to propagate existing information on the subject of study. It further sets the foundation upon which the current study could be developed and put the perspective of the research into the context of understanding the reality underpinning a phenomenon. This section will take an in-depth review of related literature on the subject of the study.

2.2. Existing perspectives of internal controls

This section addresses different perspectives from which internal controls have been studied and acknowledged. The presentation of empirical evidence will transcend from the global level, through continental level up to Zambian level.

2.2.1 Global Perspectives

Being predominantly a global concept, internal controls as a theme has attracted a fair attention among academicians and institutions. This section presents the empirical evidence showing some extent to which the phenomena has been studied on global level

COSO (2013) The committee of Sponsoring on Organisation of the Tread way Commission (COSO) was constituted in the wake of numerous corporate failures that were reported in the United States of America and across Europe. Preliminary investigations into the collapse of corporate giants such as Enron and Dot, Com in 2001 revealed that weak internal control systems were predominantly responsible for reported corporate failures. On this account, a reviewed COSO framework which provided the basis on which listed companies could report on the effectiveness of internal controls over financial reporting was a resultant concept from the committee's deliberations.

Overtime, countries such as Japan, China and North Korea tailored their financial reporting legislation to the COSO framework and organisations the world over have continued to voluntarily tap into the valuable provision of the COSO framework for the creation development and continuous improvement of their internal control system.

The COSO framework emphasised that the development and evaluation of internal control system should be anchored on five pillars of Control Environment, Control Activities, Risk Assessment, Information and Communication and Communication. The state of the Five (5) components

individually and collectively influences the effectiveness of internal controls. The Framework further provided benchmarks against which the effectiveness of each component of internal control may be determined.

Based on its embedded value over internal controls, the COSO framework has proved to be the widely used concept among the internal controls academicians as the guide for designing the internal control system and the appraisal of the effectiveness of internal control in any institution. For instance, Agopyang (2017) submitted that researchers should take particular cognisance of how internal control activities as advanced by the COSO framework influence the entity's aims, goals, and objectives while the INTOSAI (2004) also opined that internal control standards which encompass guidelines as propagated by COSO model could be used both by government units as a foundation of internal control and by auditors as a tool to assess internal control.

Notwithstanding the influential role the COSO framework has over the theme of internal control, the concept ought to be assumed as an internal control system tool whose value lies in its proper application and utilization. Serve to say the effectiveness of COSO model as an internal control tool may only be determined by the manner in which it is used.

This study, through the application of the COSO model, therefore, will provide an opportunity over which the suitability and validity of the framework as a tool to determine the effectiveness of internal control system in public institutions in general and Zambian Secondary school in particular was ascertained and by which the study would benefit from valuable provision of the framework.

In the field of academia, the study that was published in the Asia-Pacific Management Accounting Journal, by Aziz, Alam and Said (2016) under the theme ‘Assessment of the Practices of Internal Control System in the Public Sectors of Malaysia. attempted to assess the statuses of practices of internal controls systems in 6 schemes of Financial, Administrative and Support, Engineering, Information Systems, education and Medical and Health care. The study collected data through an administration of questionnaires on 109 head of departments and Agencies under the 24 federal Ministries. Data was analysed using descriptive statistics and Factor Analysis such that Descriptive statistics was applied on general data while Factors Analysis was used to determine the consistency of data collected. The findings of the study showed that internal control systems were practised in all the 6 schemes though only financial schemes and Administrative Support operated strong

strongly internal controls which, however, lacked emphasis on documentation. By contrast, internal controls in engineering, information systems, education and Medical and Health schemes were reported to be weak.

The study indicated that in both schemes(Financial and Administrative Support) were internal controls were reported to be strong, aspects of approvals by top management on the written policies on internal controls, proper dissemination of information relating to rules and regulations among all the stakeholders ,communication of policies and procedures in the organisation, ensuring personnel understood their roles and were aware of the importance of their daily activities, documentation of financial transactions and dissemination of information about internal control systems accounted for the effectiveness of internal controls in such schemes .

The lessons learnt from this study were that all the aspects highlighted above have a significant influence on the state of internal controls and the study of internal controls at Mpika boys' secondary school the researcher will endeavour to incorporate them in the study

Hermanson, Smith, and Stephens (2012) in the study published in Current Issues in Auditing Journal pursued the assessment of effectiveness of internal controls systems of various organisations with the focus on specific aspects of internal control components. The study was done on the backdrop of COSO Framework of 1992 against the aim of gaining an insider's view of the perceived strength of organizations' internal controls in the specific areas of Control Environment, Risk Assessment, and Monitoring components of the Committee of Sponsoring Organizations. The study was based on surveyed responses from approximately 500 Chief Audit Executives (CAEs) and other internal auditors regarding the state of internal controls among organisations in Banking sector, Financial Services sector, Health Care sector and Service organisations in other sectors

The study found that the strength of internal controls was relatively high, in all organisations However, several areas of internal controls were identified for potential improvement especially Control Environment aspects of “tone at the top,” following up on deviations from policy and management override of controls. The study reported variations in the state of control elements among organisations in different industries where public companies' controls were consistently rated as more effective than those of other organizations. Furthermore, the study reported

differences across key industries in the Monitoring component. For instance, the banks and other financial services firms were adjudged to have more robust Monitoring controls than do healthcare and other services firms.

While the study deserves the credit for the use of COSO model and for proper application of cross-sectional study by reporting the state of internal controls in each of the sectors studied it must be appreciated that the COSO model applied to that study was the 1992 framework which was later reviewed in 2013 in order to address some underlying weaknesses of the 1992 COSO model. In addition, the time lag between the time the study was time and the present time (10 years) may render the findings of the study obsolete thus necessitating the need for a fresh study adapted to the modern technological, social, legal and environmental development.

The study of internal controls at Mpika boys' secondary school will thus resonate with the modern times through the use of the 2013 COSO model as well incorporating modern legal, social, economic cultural and technological developments in the area of internal controls

In the study accessed through the International Journal of Civil Engineering and Technology Sari, Ghazali and Achmad (2017) sought to understand the effect of internal control and internal audit on Public Accountability in the Indonesian Public service universities through the administration of questionnaires to 148 target respondents selected on the basis of their perceived influence role in financial management across all the 37 public universities in Indonesia. The study managed to receive 70 of the distributed questionnaires which represented a response rate of 60%. Regression analysis was applied to data obtained through the questionnaire for the purpose of drawing the conclusion of the study.

The study discovered that internal audit had insignificant effect on Accountability while internal control system significantly influenced accountability in the public universities of Indonesia. The researchers further indicated that they strongly believed that that accountability was a fundamental factor in promoting sound governance of the universities.

Whereas, the validity of the findings of the study may not be questioned, the approach taken by the researchers is a call for academic concern in that consolidation of responses about internal controls in different universities to develop the general picture about the over effect of both internal audit and internal controls on Accountability may not be a good academic approach as

the effect of internal audit and internal controls in respective universities were overshadowed and remained unascertained. The researchers should have endeavored to explore the effects of both internal audit and internal control in each of the 37 universities studied as a way of adding value to the governance systems as well as enhancing accountability in each of the universities. Failure by the researchers to treat each university as a single and independent entity over which the academia world may be interested to learn about the effect of internal audit and internal control system on financial accountability weakened the value of the study.

In addition, the treatment of internal audit as a separate component from Internal Controls was a potential departure from COSO guidelines which the researchers reported to have adopted. Based on the COSO guideline, Internal Audit is considered as an element of internal Control Component of Control Activities that promotes the general functionality of the internal control system.

Based on the foregoing, the study of internal Control at Mpika boys' secondary school will adopt a different approach from the ones adopted by Sari, Ghazali and Achmad (2017). Specifically, this study will regard internal audit as an element of Control Activities as per guidance of COSO model and will as well present research findings that will be specific to Mpika boys' secondary school.

2.2.2 Continental Perspectives- Africa

Having discussed existing information about internal controls in global level, the focus of the discussion will now shift to address existing knowledge over internal controls on African level.

To begin with Agyapong (2017) researched on internal activities as a tool for financial management in public sector at Ghana post office. The objective of the study was to examine the Control Environment with the focus on segregation of duty, proper information flow and communication between employees and management and monitoring of the policies implemented by management. Stratified and purposive sampling was used to select 36 respondents from unknown population as the researcher revealed challenges in getting the information about the research population and hence regarded the sample as being the population as well. The study adopted a mixed research design and used descriptive statistics (frequencies, mean, and percentages) to analyse data collected using the questionnaire that comprised a mixture of open ended and closed ended questions. The result obtained from the analysis showed that internal controls were existent but were prone to major lapses which presented a fertile ground for

fraudulent activities. The study further reported that due to fraudulent activities in the company a good number of employees were either sent on forced leave or were appearing before the committee of inquiry. The study also revealed that the rate of implementation of recommendations to management by internal auditors was very low.

While the study reported to have used stratified and purposive sampling in the selection of the 36 respondents, the failure by the researcher to obtain information about the size of the population rendered the inferential quality of the findings questionable. Further, the revelation that the researcher encountered resistance in gathering information about the population size rendered the objectivity of the responses given by respondents questionable as a group that chose to withhold public oriented information as size of the work force could not be expected to voluntarily and objectively give information about internal controls.

In addition, although mixed research design is credited with quality of possible triangulation of research results the use of mixed research design is known to expose the studies to conflicting results from both qualitative and quantitative analyses and these inconsistencies were observed in the study. for example, while the information obtained through qualitatively revealed that recommendations of the auditors were not implemented by management and that internal controls were prone to lapses which accounted for numerous cases of fraud, quantitative results showed opposing results where respondents confirmed to the existence of internal controls systems (with the mean score of 4.58), existence of code of conduct and ethics(with the mean score of 4.08), existence of audits to test for compliance with policies(with the mean score of 3.75) and follow up to get feedback on delegated responsibilities with the mean score of 3.75). Furthermore, through mean scores of 3.75, 3.86, and 3.86 the study revealed that the institution had sufficient, competent and skilled man power that was provided with adequate resources, the payments were affected only after the transaction had been taken through a proper authorisation process and that documents were sequentially pre-numbered respectively. In addition, low mean score of 2.83 over the possibility of unauthorized transaction being carried out implied that respondents disagreed to such a possibility just as the mean score of 2.78 over the statement of complaints by suppliers and customers not being resolved on time implied that respondents believed all complaints from both suppliers and customers were resolved in time.

Therefore, the revelation of the study that internal controls were prone to lapses and that fraud was rampant in a company were; internal controls systems were in place, code of ethics was in place, auditors existed to test compliance to policies, workers were adequately competent and skilled, payments were effected only after proper authorisation, documents were sequentially prenumbered, the possibility of unauthorized transaction was nearly nonexistent raises more concerns about the authenticity and validity of the conclusion drawn because one cannot expect lapses talk less of fraudulent activities in a company with systems described above.

In this respect the overall conclusion could be adjudged to have contrasted significantly with results obtained from each of the critical components of internal controls as highlighted above and confusion could have arisen due to the use of mixed research approach.

This study, therefore, will be differentiated from Agyapong's (2017) by adopting a purely quantitative research design as a way of promoting coherence and consistence between results from individual elements of internal control components and the over conclusion drawn over the appropriateness, effectiveness and effect of internal controls on financial management at Mpika boys' Secondary school. This study was further distinguishable from Agyapong's by having a clearly identifiable and definable population size to which the research results could be inferred. In addition, while Agyapong (2017) focused on internal controls in the post office of Ghana adopted a different area of interest being Secondary schools in Zambia.

In study published in the International Journal of Science and Research Eton (2019) pursued a cross sectional study that sought to establish the effect of internal controls on budget implementation in Kabale District of Uganda. A structured five-point Likert Scaled questionnaire was administered to 176 respondents that were sampled purposively and randomly from undisclosed population size. A mixed research design was adopted for the study and data was analysed using a combination of descriptive, correlational and regression statistics. The academic project discovered that the internal control system in Kabale local authority in Uganda had control mechanism for management of risks and safeguarded organisation's funds against loss on one hand and that the overall management of risk and fraud was weak as envisaged in the poor corporate governance aspects of ineffective segregation of duties and inadequate performance review of workers on the other hand. The study further discovered that policy makers lacked objectivity and professionalism in the implementation of planned activities as the activities were in most cases

poorly coordinated and in worse cases abandoned. The study further adjudicated significance of internal controls on budget implementation to be low due to laxity in enforcing the existing internal controls.

The study of Eton (2019) just like that of Agyapong (2017) revealed significant weaknesses. The first weakness was the failure by the study to disclose the population size from which the sample was drawn and failure by the researcher to reveal the model that was used to determine the sample size. Determination of the population size is considered as a crucial component of the research process. This omission on the part of the researcher presented uncertainties in determining the adequacy of the study sample to give results that could be inferred on the population.

In addition, the findings of the study exhibited inconsistencies that casted a huge doubt on the validity of the findings. For instance, while test criterion for the effectiveness of internal controls for budget implementation revealed serious weakness to an extent that planned activities were poorly coordinated and in certain instances abandoned, the respondents indicated strong positivism in the internal control systems as whole. For instance, 73.9 % of respondents believed that the organisation was committed to safeguard the funds of the organisation against loss, 72.2% of the respondents held the view that the organisation had adequate control mechanism to manage risks and curb illegal activities. More so, 67% of the respondents felt that the corporate governance systems were appropriate and adequate while majority of respondents (65%) believed the interests of stakeholders were safeguarded in the utilisation of institutional resources by management.

Notwithstanding that the study reported, through R^2 of 0.318, that internal controls systems had insignificant effect on budget implementation, the findings of the study provoked a lot academic questions that requires straight forward answers such as how is that in an organisation where the funds are safeguard against loss and where resources are used to serve the interest of stake holders' high incidence of uncoordinated activities and abandoned programs are found? Secondly how is that an institution with a well-established mechanism to manage risk and curb all forms of illegalities could have incidences of fraud and budget indiscipline? Further how could an institution with strong corporate governance systems fail to properly implement segregation of duties and have inadequacies in performance review of workers? Again, these contradictions in finding could possibly be attributed to the adoption of mixed research design by the researcher.

This study will resolve the gaps identified in the works of Eton (2019) by being categorical over the population size and sampling model and by adoptive a purely descriptive quantitative design which is more likely to produce coherent and consistent results across the entire study.

In the research published in the International Journal of Economics, Commerce and management of United Kingdom, Rano, Njeru and Kwasira (2017) carried out a descriptive study focusing on the contribution of internal control systems towards financial prudence in public Universities of Kenya through the administration of a 5-point Likert scaled structured questionnaire on 127 respondents drawn across 6 chartered public universities which selected through a stratified random sampling technique. The study reported that effective internal controls enhanced financial prudence and the researchers advised finance managers to objectively implement policies on internal control systems to sustain financial prudence. The study recognised the significance of COSO framework through its emphasis that objectives of internal control systems could only be achieved on the backdrop of the five components of Control Environment, Control Activities, Risk Assessment, Information and Communication and Monitoring

However, while the study emphasised the need for functionality of all the five components of internal controls, the statements that were adopted to ascertain the presence and effectiveness of each of the components of internal controls were skewed towards Control Environment (CE), Control Activities (CA) and Risk Assessment at an expense Information and Communication (IC) and Monitoring (M) thus making it to appreciate how the state of the Two (2) Components of IC and M were determined. The eleven statements that the researcher adopted for the purpose of appreciating the effectiveness of internal controls were: (1) Top management is committed to integrity and ethics, (2) There is clear assignment of authority (3) There is effective authorisation and Approval (4) Reconciliations are done on schedule and checked (5) Risks identified, analysed and evaluated regularly (6) prompt payment for supplies and projects (7) No threats of interruptions because of debts (8) Capital projects are completed on schedule (9) No major audit issues raised by auditors (10) Departments are involved in budgetary preparation and (11) Department are required to explain any variances.

A critical analysis of the statements may show that statements 1,6,7,8 and 10 were aimed to provide information about the CE of the institutions while statements 2,3,4,9 and 11 intended to gather information about the CA and statement 5 was designed to provide information about the RA. This clearly showed that components of IC and M were not incorporated in the study.

Furthermore, considering that the study was cross sectional in nature, there was need for the researcher to analyse the data on the basis of responses from each of the six universities sampled unlike consolidating the responses from different universities in determining the contribution of internal control towards financial prudence which was never done. This is on account that no matter how homogeneity the universities could be, they would always be differences in the extent to which internal controls contributed to financial prudence among the universities for a number of reasons.

This study of internal controls on financial management at Mpika boys' secondary school will approached with open inclusivity of all the Five (5) components of internal controls in determining the extent to which the study objectives were achieved. The study further will avoid any possible cross-sectional based distortions to conclusions drawn by adopting a case study that focused on a single research unit (Mpika boys' secondary school)

Adetula et al. (2020) assessed the internal controls of tertiary institutions of Nigeria. The study was done across Four (4) universities that were selected from a total number of 152. The study adopted Stewardship theory on account that management being the agents were expected to implement internal controls and serve the interests of the principal with honesty. A questionnaire was used as a primary data collection tool and data was analysed using descriptive statistical values. The study found out that internal control systems was well in place except that the internal audit unit of the institutions was not independent

While the study purported to have reviewed academic works of church and Scneida (2008) were it was discovered that internal control systems were fundamental drivers towards quality of earnings, the works of Salihu (2015) were an assessment of the effect of internal audit on effectiveness of internal controls in Nigerian tertiary industry revealed that components of internal control system were inadequate among others , the study failed to highlight the research gaps in all the reviewed studies and further omitted to show how their study would resolve possible lacunas in the reviewed studies. These oversights rendered the review of literature ineffective for the research undertaking on account that a study must clearly show the knowledge gaps it aims to seal as a way of contributing to the body of knowledge.

Further, the failure by the researchers to make institutional based conclusions deprived the academia world of information about the state of internal controls in each of the respective universities that were considered for study as per expectations in all cross-sectional based studies. This is because study only presented a consolidated state of internal control in all the 4 universities studies.

Additionally, whereas, the study indicated that it adopted the stewardship theory to guide the study because it anticipated management as agents to serve the interest of the principals, the researchers did not show grounds to dispel the suitability of the Agency theory which stresses counter concepts to Stewardship Theory and failed to show how the findings of study confirmed or dismissed the underlying concepts of the Stewardship Theory thus rendering the inclusion of the theory an academic misplacement.

For this study, it has been considered a matter of great academic importance to critique all academic works of scholars on the subject matter as a way of showing knowledge gaps created by available literature and also provide a clear link between this study and the body of knowledge through the provision of information to seal the existing gaps in the body of knowledge. In addition, this study will ensure that its findings are aligned to both the objectives of the study and the conceptual provision of the Agency Theory in drawn up conclusions.

In the study published in the Journal of Sociology and Social work under the American Research Institute for policy Development Otieno and Nyangechi (2013) were motivated to carry out study due to the surge in concerns by parents and donor community over the misappropriation and misuse of free primary education funds under the theme “ *Effectiveness of Internal Control Procedures on Management Efficiency of Free Primary Education Funds: a case of Public Primary schools in Kisii central District, Kenya*. The study was carried out under the guise of Stewardship Theory. Primary data for the study was collected through the administration of a structured 5-point Likert scaled questionnaires containing closed ended questions to 117 respondents selected randomly from a population of 267 while secondary data was collected from existing literature. The study discovered that that the use of internal control procedures was effective on the efficient management of school funds.

Though the research revealed satisfactory results regarding internal control activities, the study adopted a narrow perspective of internal controls by overlooking critical aspects of internal

controls of Control Environment, Risk Assessment, Information and Communication and Monitoring. By focusing only on control procedures, the study deprived the academia world of possible valuable information on the overall functionality of the internal controls. The academia world would have gained if the researchers adopted a broader perspective of internal controls to include the other Four (4) components of internal controls. Sad enough the researchers did not disclose the reasons behind the adoption of a narrow view of internal controls and did not attempt to show the effect of adopting a broader view of internal controls in their study on the conclusion drawn.

Furthermore, while the study reported that there was proper maintenance of basic books of accounts, extraction of the trial balances and adherence to procurement procedures and stores control it alluded to the fact that the skills of accounting officers was low such that preparation of final accounts was not appropriately done which posed a threat for management efficiency.

Notwithstanding that control activities as a component of internal controls is multidimensional, concept, the conclusion that control procedures for management of funds were effective in an institution where the skills of accounting officer were so low as fail to prepare proper reports to help management in making decision is one case of an academic wonder. This is because the effectiveness of control procedures over management of funds is hugely determined by the skills and competences of accounting officers. Based on this, the researchers should have highlighted possible safeguards that management had put in place to mitigate the possible effects of reported incompetence such as sub-contracting of higher-level accounting skills. By failing to provide information on how effectiveness in control procedure over management of funds was achieved against the backdrop of poorly qualified accounting officers the researchers rendered their findings and conclusion questionable.

Even so, for the fact that the study used statistical means and standard deviation to draw conclusion on data collected using a 5- point Likert scaled questionnaire and secondary data from existing literature, this study would wish to see the extent to the procedures adopted by the researchers would be useful to the study of effect of internal control on financial management at Mpika boys' secondary school.

2.2.3 *Zambian Perspectives*

Having considered existing information on internal control of on both Global and African level, the study will now review perspectives of internal control on Zambian level.

The Republic of Zambia through PFMA (2018) has placed emphasis on the need for all Government institutions charged with any form of responsibility for public funds. to institute effective systems of financial controls beside providing a contextual meaning of internal controls in public institutions.

While the piece of law is categorically clear on the mandatory requirement of setting up the internal controls it does not provide any benchmark against which the effectiveness of internal controls in any Government department may be determined.

The study of internal controls at Mpika boys' secondary school has the potential to provide government some guidelines against which the effectiveness of internal controls in public institutions may be evaluated and determined.

In addition, the Auditor General's report (2018) made revelations regarding the existence of weak internal control systems in most public institutions. While it ought to be appreciated that the PFMA (2018) charges the auditors with the responsibility of evaluating the effectiveness of internal controls in public institutions and making a report thereof, the report failed to reveal the criterion used to determine the effectiveness or otherwise of internal controls obtaining in public institution and further failed to indicate aspects of internal controls that could have had the adverse effect on the overall adequacy of internal controls. Though audit report considered aspects as failure and delays in collection of Government revenue, poor record keeping and failure to maintain proper accounting records, failure to adhere to procurement procedures and contracts provision, failure to adhere to cabinet circulars and failure to detect anomalies such as overpayments, under banking, unauthorised payments, misappropriation and misapplication of funds as areas of internal control weaknesses, the true position is that what was reported were basically indicators of internal control weakness which required to be pursued further in order to identify areas of internal controls that could have led to the prevalence of each of the aspects. For example, failure to follow procurement procedures could emanate from poor information flow where end-users lack proper information over procurement process (Information and communication) or poorly skilled procurement or management personnel (Control Environment) or lack of segregation of duties or poor supervision

in procurement process (Control Activities) or probably lack of monitoring of the activities of government units (Monitoring)

This study however will ensure that the COSO framework is used as the benchmark for determining the effectiveness of internal controls at Mpika boys' secondary school and the study was further categorical on the components of internal controls that were responsible for promoting or compromising the effectiveness and efficiency of internal controls in the management of finances at Mpika boys' secondary school.

In academia, Phiri and Mbetwa (2017) in their research that was published in the International Journal of Multidisciplinary Research and Development investigated the link between internal controls and financial performance in technical colleges in Zambia through a study carried out at Kabwe institute of Technology. The study had an identified population of 90 subjects out of which a sample of 50 respondents was drawn. The objectives of the study included (1) analysis of the existing internal controls on financial performance (2) examination of the link between internal controls and financial performance and (3) examining the effectiveness and efficiency of the existing internal controls on financial performance at Kabwe institute. The study concluded that internal controls were functional but only to a certain extent and further established that a significant relationship between internal controls and financial performance.

However, though the study acknowledged COSO framework as the objective rule of the thumb in determining the functionality of internal controls, the researchers only considered Control Environment, Control Activities and Monitoring in their study and overlooked the critical roles that Risk Assessment and Information and communication plays in shaping the overall functionality and effectiveness of internal controls. Furthermore, the focus of their study was specific to tertiary institution and thus the findings emanating from that study could not be generalized to secondary schools without evoking validity concerns.

This study on the effect of internal controls on management of finances at Mpika boys Secondary will be distinguishable from the academic works of Phiri and Mbetwa(2017) by being so inclusive as to cover all components of internal controls of Control Environment, Control Activities, Risk Assessment, Information and Communication and monitoring as guided by COSO (2013) in both determination of appropriateness and effectiveness of internal controls as well as adjudging the

effect of internal controls on financial management at Mpika boys' secondary school. In addition, the focus of this study will be on Zambian secondary schools which implied significant diversions from the study of Phiri and Mbetwa (2017)

2.2.4 Validation of this study

Through the review of existing literature on internal controls it was highlighted that there is a need for a study to seal some of the gaps identified in this review. Therefore, this study will aim to fill the gaps revealed above and will be critical in adding value to the body of knowledge by providing information to take care of the existing studies' voids.

CHAPTER THREE: METHODOLOGY

3.1 Overview

This chapter discusses the study area, research approach, research design, target population, sample size, research sample and sampling procedure and research instruments. Others are validity and reliability of the research study, data collection procedures, data analysis and a reflection on ethical issues in the conduct of the study.

3.2 Research Design

A research design is considered as a systematic plan of the proposed research work., Ghosh (1992: 20) indicates that "a research design is the arrangement of conditions for the collection and analysis of data" which "aims to combine relevance to the research purpose with economy in procedure." In this regard, research design can be described as a flexible framework that guides a researcher in collecting, analysing, and interpreting data. This study adopted a descriptive research design.

Adoption of the descriptive design implies that the researcher will describe the phenomena and the paradigm as they exist and report on the findings. In addition, a case study approach allowed the researcher to have an intensive inquiry into the phenomena in its real-life context, which was critical in allowing the researcher to have a clear and better understanding of internal controls in secondary schools. A descriptive case study presented an opportunity to collect multi-dimensional data that encompasses people's attitudes, opinions, habits, or any variety of environmental and social issues through a questionnaire and archival methods. In light of this, a descriptive case study research design was used because it is the most appropriate when describing the state of internal controls at Mpika boys' secondary school.

3.4. Target population

Robson (2012) defined the population of a study as a complete set of individuals or subjects, objects or events having common observable characteristics in which the researcher is interested. One quality of good research is the existence of a population that is definable and identifiable. The target population further refers to the total elements under study to which the study findings may be inferred. The target population for this study comprised all teaching staff at Mpika boys' Secondary schools who, according to information obtained from the office of the District Board Secretary (DEBS), are currently 65 in total.

3.5 Research sample and sampling Techniques

Sampling is a process by which a relatively small number of individuals or measures of objects or events is selected and analysed to find out something about the entire population from which the sample was selected (Bellhouse and Rao,1975). This study drew a sample of 56 respondents based on the Yamane formula with the sampling error of 0.05.

3.6 Sampling Techniques

The researcher used both scientific and non-scientific sampling techniques in the selection of the respondents. Specifically, purposive sampling was used to select headteachers and accounting staff on the ground that they were assumed as key informants for internal controls-based information (Sigh,2006) posited that the idea behind purposive sampling was to pick out a sample or part of the sample that subscribes to some criterion critical to the study. However, since Headteachers and Accounting officers maybe assumed to have vested interest in internal controls, there is potential for them to give a biased view regarding the state of internal controls. The study, therefore, was extended to ordinary teachers who were considered to have a certain level of neutrality regarding the functionality of internal controls in their schools and who were, therefore, assumed to provide unbiased and a more objective view over internal controls at their schools. In this regard, simple random sampling was used to select respondents from ordinary teachers.

3.7 Sampling Model

The study adopted Taro Yamane's formula to determine the sample size with sampling error 0.05

In this regard, the sample size will be found as follows:

$$\text{Required sample} = \frac{N}{1+N(e)^2}$$

Where:

N = population size = 65

'e = sampling error = 0.05

$$\text{Sample size} = \frac{65}{1+N(e)^2}$$

$$\text{Sample size} = \frac{65}{1+65(0.05)^2}$$

$$\text{Sample size} = \frac{65}{1.1625}$$

$$\text{Sample size} = 55.91$$

Therefore, sample size = 56

3.8. Research Instruments

Sigh (2006) pointed out that the success of any research undertaking hinges on the nature, quality and appropriateness of instruments used to collect data. In this context, this study used a structured questionnaire containing closed-ended questions as the primary data collection instrument. Particularly, a Five-point Likert scaled questionnaire with Responses 1= “*Strongly Disagree*”, 2= “*Disagree*”, 3= “*Not Sure*”, 4= “*Agree*” and 5= “*Strongly Agree*” was used as the basis of data collection (Eton,2019)

3.9. Data collection procedure

The researcher collected primary data from Mpika Boys Secondary school while external secondary data was used to gain insight into the nature of internal controls at secondary schools of Mpika district.

3.9.1 Primary Data

Primary data was principally collected through the administration of a structured Five-point Likert questionnaire where 1 represented *Strongly Disagree*, 2 for *Disagree*, 3 was for *Not sure* while 4 and 5 represented *Agree* and *Strongly Agree* respectively (Eton,2019), Boakye (2016) and Adeyemi and Olarewaju (2019)

3.9.2 Secondary Data

Secondary data is information or data already collected by other researchers or institutions that may have a bearing on the study being pursued (Blumberg, Cooper, & Schindler, 2011). Secondary data enables the researcher to contextualise the existing knowledge into the perspectives of the study and is thus critical in broadening the researcher's understanding of the phenomena under study. On this strength, the study planned to gather school based secondary data but due to reason highlighted under limitation **3.12.5** school based secondary data was not accessed. The study, however, accrued significant benefits from externally accessed secondary data such as Auditor general’s report and existing works of other academicians on the subject matter.

3.10 Data analysis tools

The study used descriptive statistical factors of frequencies and percentages to analyse demographical data of respondents while frequencies, percentages, means and standard Deviations were used to determine the nature and effectiveness of internal controls as well as the effect of internal control on financial management at Mpika Boys' secondary school.

3.11 Ethical Considerations

The objective of this study was to establish the effect of internal controls on Financial Management at Mpika boys' secondary school. Pursuant to this, the study approach involved interaction with individuals in gathering information. During this undertaking, caution was taken to avoid the harm of any kind to all the voluntary respondents.

3.11.1 Permission to enter official premises and interact with participants.

Since this study required interaction with individuals in their official capacities as state agents, an appropriate level of authority to interact with the respondents was paramount. For this reason, authority was sought from both Mpika DEBS and Mpika boys headteacher before any form of interaction with participants. A letter of authority emanating from the office of the DEBS is annexed to this report.

3.11.2 Ensuring participants have given formal consent.

The concept of informed consent addresses the importance of informing the participants of the nature and purpose of the study (Saunders et al.,2009), participation in this study was voluntary, and respondents were assured that their participation and responses would be considered with utmost anonymity and confidentiality. This position was emphasised by making an explicit statement on the questionnaire.

3.11.3 Ensuring no harm comes to participants

Every study should provide adequate safeguards against the harm of the participants. The study ensured that participants were protected against exposure to both physical and psychological harm.

3.11.4 Ensuring confidentiality and anonymity

As a matter of best practice in academia, participation in a study must protect participants' privacy against invasion (Saunders et al.,2009), For this reason, care was taken not to reveal participants identities by keeping the questionnaire anonymous. The questionnaire, therefore, avoided the

revelation of their names or any information that might reveal the identity of respondents to guarantee the respondent's anonymity. Anonymity was the fundamental safeguard against victimisation for participants' role in the study. Further, all information gathered during the study was used handled in the strictest confidence and was used for academic purposes only.

3.12. Limitations of the study

Research limitations are the factors that presented impediments in carrying out this research and are discussed below.

3.12.1 Time and financial constraints:

Due to the limitation of time and financial resources, the scope of the study was narrowed. The researcher wished to carry out the study on broader scope covering all the Secondary schools in Mpika District. This limitation was addressed through a larger sample and a more comprehensive questionnaire.

3.12.2 Outbreak of Covid-19

The outbreak of covid-19 imposed unforeseen restrictions regarding the timing of the study and was a possible threat to the study's relevance. This study was scheduled to be carried out in the first quarter of 2021, but the higher prevalence of covid-19 resulted in a prolonged closure of schools, resulting in the study's delay by nearly nine months. Closure of schools meant access to research participants was rendered difficult. This drawback was managed through constant review of developments around the subject area to ensure that the significance of the study was not eroded.

3.12.3 Timing of the study

This study was undertaken after Zambia's 2021 general elections, which led to the shift of political powers from the Patriotic Front (PF) to the United Party for National Development (UPND). Upon assuming office, the UPND government emphasised tight measures in the management of public resources. The study, therefore, risked being misconstrued as a fault-finding undertaking against the school authority, the position which could have significantly influenced the results of the study. The underlying effects of the said presumption were addressed in a letter of authority from the office of the DEBS dated 19th February 2021. The date of the authority was adequate to dispel any consideration of the undertaking as an act of witch hunt. In addition, the researcher took time to

instil trust in both the school authorities and participants by emphasising the academic position of the undertaking.

3.12.4 Limitation in scope over school based Secondary Data

The research was designed to incorporate school based secondary data that was expected to be obtained through school financial reports, internal audit reports, verification of payment process among others. However, on account of sensitivity and confidential nature of documents sought, request to access such records was declined by school authority. On this account, the study had to entirely rely on opinionated questionnaire-based responses as the only school-based research data.

While the failure to access school based secondary data may have deprived the study of valuable internally generated collaborative data to support the conclusion drawn, questionnaire-based data supported by secondary data from external sources was sufficient enough to provide information upon which academically valid conclusion could be drawn. The strength of the presumption was on basis of other studies on internal controls where conclusions were drawn using questionnaire-based responses by analysing frequencies and means such as Agyapong (2017), Eton (2019), Boakye (2016) and Inusah and Abdulai (2015)

CHAPTER 4

RESULTS AND DISCUSSION

4.0. Introduction

The preceding chapter explored the research methodology. It discussed the possible approaches undertaken to carry out the study. Thus, the main purpose of this chapter is to present the findings of the research by carrying out analysis and discussion of data collected. It reports and discusses descriptive results of both demographical data of respondents and responses from the questions contained in the questionnaire. The results are based on the survey data from 56 employees of Mpika boys' secondary school. Additionally, the results are interpreted and discussed in the context of findings from this research and prior research. The score on each aspect of internal control components was obtained by averaging the score of all the responses on particular research matter.

This chapter is of significance for the sole purpose of drawing conclusions and recommendations on the data analyses and research. Its aim is to decrypt the analyses based on the answered questionnaires. Microsoft excel and SPSS helped in the analyses of the data in tables and charts for easy understanding. The descriptive statistical method was used to conduct the analysis.

Table 4.2: Response Rate

Questionnaires Administered	Questionnaires Returned	Response Rate
56	51	91%

Source: Field Data (2021)

4.2 Response Rate

The research's population comprised 65 members of staff at Mpika boys' secondary school. A sample of 56 was drawn using the Yamane formula at the confidence level of 95%, and questionnaires were distributed to all sampled participants. However, out of the 56 questionnaires distributed, 51 were returned representing a response rate of 91% which is a considerably an excellent response rate for any study (Mugenda and Mugenda,1999)

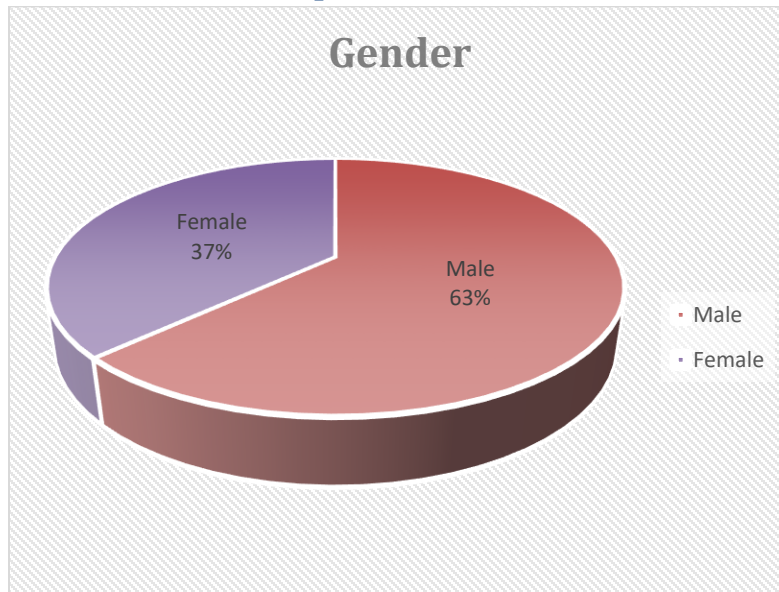
4.3 Presentation of demographic Characteristics of Respondents

The questionnaires were administered over a period of one-month to Mpika secondary school to purposefully and randomly sampled respondents. The descriptive analysis focused on the variables

such as gender, age marital status, highest academic qualification, sections to which they belonged and experience in the service was done using SPSS. The discussions, therefore gives an overview of demographic characteristics of respondents as sought in the questionnaire

4.3.1 Distribution of Respondents by Gender

Figure 4.3.1 Gender Distribution of Respondents



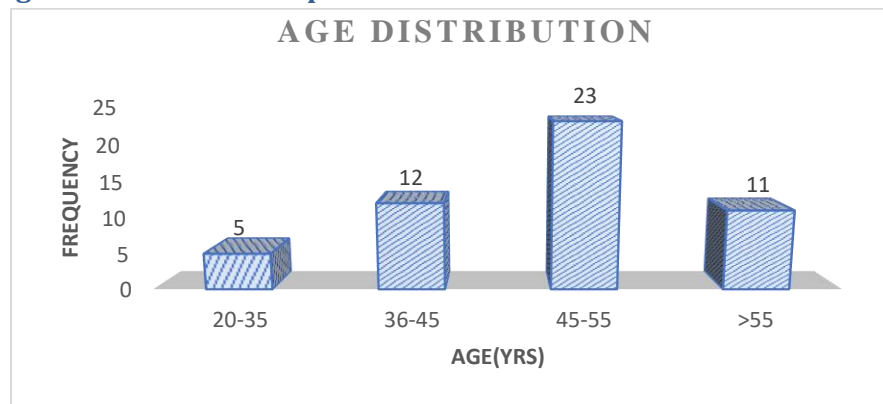
Source: Field data (2021)

Table 4.3.1 represents gender distribution of respondents and revealed that 32 respondents representing 63.1% of respondents were males while 19 representing 37.3% were females implying that the views of both sexes were captured in the research.

4.3.2 Age of the Respondents

The 4.3.2 below representing the distribution of ages of respondents revealed that 9.8% of respondents were between 20 and 35 years, 23.5% were between 36 and 45 years, 45.1% were between 45 and 55 while 21.6% of the respondents were 55 years and above. The results indicated that most of the respondents were adults with the capacity to provide reliable and objective information for the study.

Figure 4.3.2 Age Distribution of Respondent

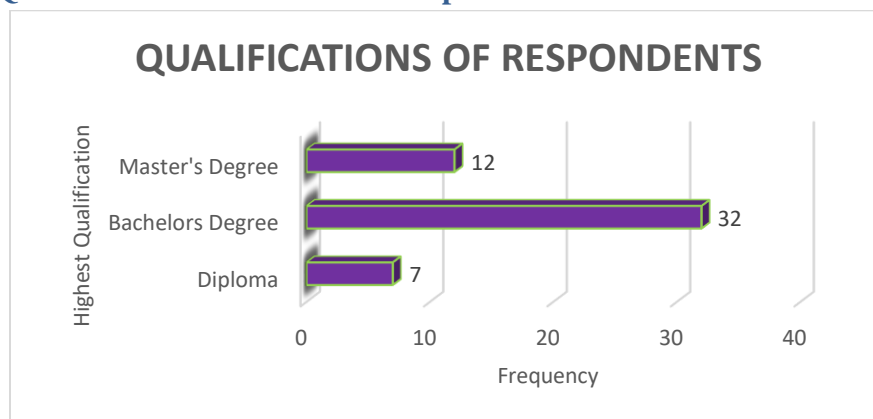


Source: Field data (2021)

4.3.3 Highest Qualification of Respondents

The study sought to understand the education levels of the respondents in order to ascertain the reliability of the responses the gave

Figure 4.3.3 Qualification Distribution of Respondents

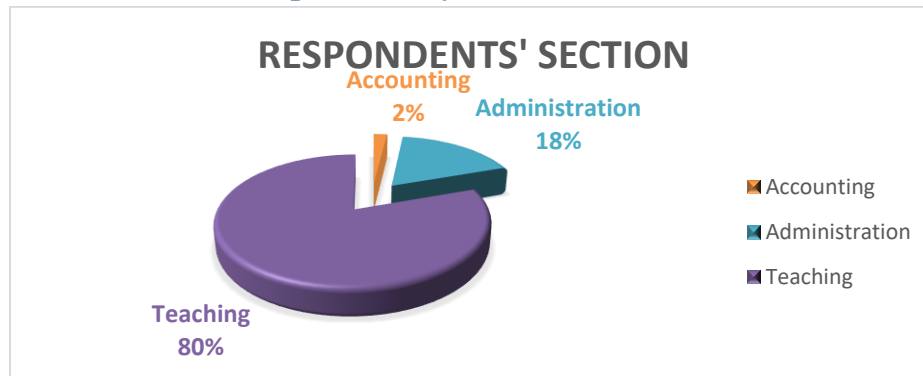


In regard to educational qualification, figure 4.3.3 above indicated that all the respondents possessed adequate qualifications critical for the provision of reliable information sought through the questionnaire. Particularly, (7) representing 13.7% of the respondents were diploma holders, 32 respondents representing 62.7% of all Research Participants held Bachelors' degree while 12 or 23.5% held Master's degree. The results implied that majority (86.3%) of individuals who provided data for the study held either first degrees or Master's qualification thus according the study assurance that objective responses were given to the questions contained in the questionnaire.

4.3.4 Distribution of Respondents by Section

The study wanted to understand the section to which respondents belonged for the purpose of understanding the inclusivity of study among various sections of the school.

Figure 4.3.4- Distribution of Respondents by section



Source: Field data (2021)

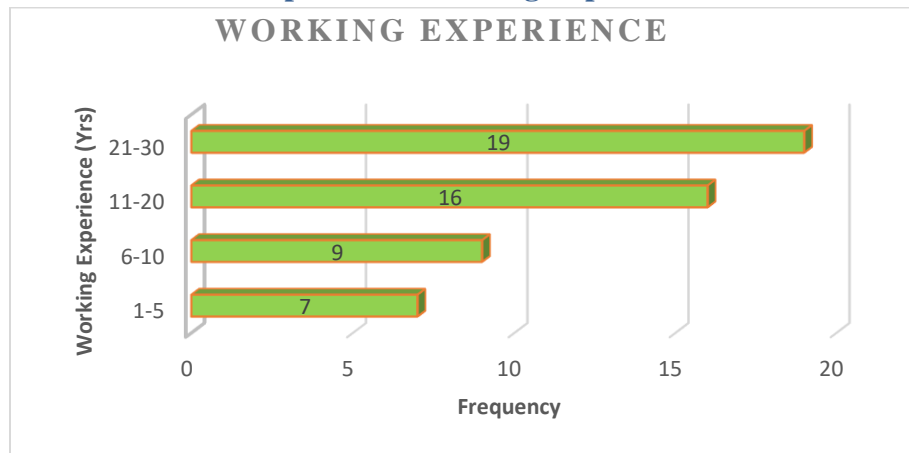
Figure 4.3.4 above represents the distribution of research participants in respect of the sections they belonged to. The information in the table above the distribution implied 1 or 2% of the respondents were from Accounts, 9 or 17.6% were from Administration 32% while the majority of respondents accounting for 80.4 % or 41 in number were from Teaching. This revealed strong indication that the views of all critical stakeholders in the management of school funds were sought and thus covered in the study.

4.3.5 Working Experience of Respondents

Working experience was assumed to be critical in understanding the systems and structures of the school. It is for this reason that respondents were requested to indicate their period of service the selecting the range that was appropriate to each of the respondents.

The figure (4.3.5) below presents distribution regarding the working experience of respondents. The analysis of table 4.3.5 indicated that 7 or 13.7% of the respondents had been in service for the period ranging between 1 to 5 years in service, 9 or 17.6% accounted for respondents with working experience of 6 to 10 years, 16 or 31.4% had working experience of 11 to 20 years while 19 or 37.3% of them had working experience of over 20 years. This revealed that high number of the respondents had spent more than 10 years an indication that majority of the questionnaire were completed by appropriate, experienced and knowledgeable respondents.

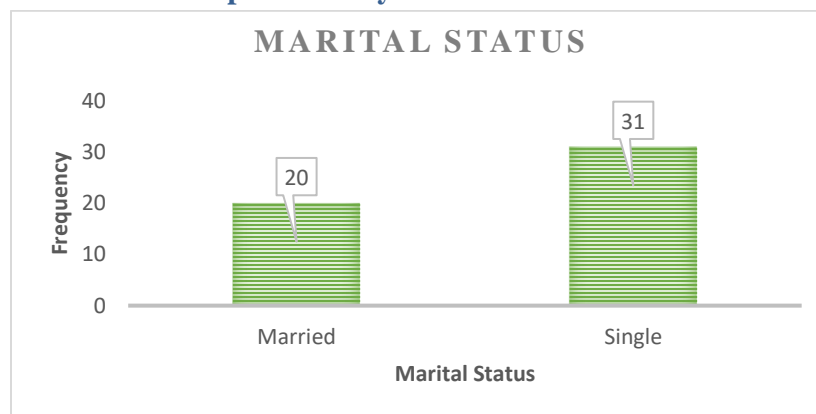
Figure 4.3.5- Distribution of Respondents Working Experience



4.3.6 Marital status

The questionnaire provided for provision of information concerning the marital status of all the participants in the research and Table 4.3.6 served to provide information about the distribution of respondents in respect to gender/sex. Analysis of table 4.3.6 showed that 20 or 39.2 % were married while 31 or 60.8% of the participants were single implying that majority of the respondents were single.

Figure 4.3.6 Distribution of Respondents by Marital Status



Source: Field data (2021)

4.3.7 General overview on Demographic Characteristics of Respondents

Based on the information obtained about the demographical characteristic of respondents it can adjudged that the respondents were mature, educated, experienced enough to provide reliable, unbiased and thus objective data for the study.

4.4 Descriptive Presentation of Research Findings

This section aims to present and discuss the descriptive finding of the Research as per extracts of Results from the Statistical Package for Social Sciences

Table 4.4.1 Frequencies and Percentages of Responses

Control Environment												
STATEMENTS	RESPONSES											
	Strongly Disagree		Disagree		Not Sure		Agree		Strongly Agree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
The school has controls for managing funds	4	7.84	10	19.6	2	3.9	23	45.1	12	23.5	51	100
All members of staff are involved in setting up financial internal controls	4	7.84	13	25.5	5	9.8	17	33.3	12	23.5	51	100
School management is competent enough to oversee the management of school funds	5	9.8	7	13.7	5	9.8	29	56.9	5	9.8	51	100
The school has qualified accounting officers	2	3.92	8	15.7	5	9.8	24	47.1	12	23.5	51	100
The school has identified and communicated to all staff key financial procedures	4	7.84	8	15.7	3	5.9	22	43.1	14	27.5	51	100
The school has established code of financial conduct on school funds	3	5.88	7	13.7	3	5.9	26	51	12	23.5	51	100

The school has system and policies of detecting fraudulent activities in managing school funds	7	3.57	10	19.6	5	9.8	22	43.1	7	13.7	51	100
Control Activities												
All payments are approved by the headteacher	2	3.92	5	9.8	1	2	31	60.8	12	23.5	51	100
All payments are checked and approved before they are processed	0	0	6	11.8	9	18	26	51	10	19.6	51	100
Internal Auditors and External Auditors audit the use of funds at the school	2	3.92	6	11.8	7	14	23	45.1	13	25.5	51	100
Key roles in managing school funds are done by different individuals	1	1.96	10	19.6	5	9.8	26	51	9	17.6	51	100
All school financial activities are recorded and documented for verification	2	3.92	5	9.8	6	12	26	51	12	23.5	51	100
Risk Assessment												
School has clear objectives on the management of school funds	1	1.96	8	15.7	4	7.8	30	58.8	8	15.7	51	100
Aware of any risks that may affect good management of funds at your school)	0	0	13	25.5	6	12	23	45.1	9	17.6	51	100

School maintains a register of risks related to managing school funds	11	21.6	22	43.1	6	12	11	21.6	1	1.96	51	100
School has put in place measures to minimize financial risks	2	3.92	8	15.7	7	14	27	52.9	7	13.7	51	100
Financial control activities are designed on the basis identified financial Risks	6	11.8	26	51	12	24	6	11.8	1	1.96	51	100
Information and Communication												
STATEMENT												
School has clearly established procedures on reporting financial information	1	1.96	6	11.8	8	16	25	49	11	21.6	51	100
Financial control procedures communicated to all members of staff	3	5.88	8	15.7	6	12	26	51	8	15.7	51	100
All members of staff understand their roles in the management of school funds	3	5.88	15	29.4	3	5.9	27	52.9	3	5.88	51	100
School has clearly established procedures for reporting suspected breach of law and regulations on financial management.	3	5.88	18	35.3	4	7.8	21	41.2	5	9.8	51	100
Monitoring Activities												

STATEMENT												
Financial activities in the school are monitored by external authorities.	0	0	3	5.88	4	7.8	33	64.7	11	21.6	51	100
The school implements recommendations of external monitors regarding the mgt of school funds	2	3.92	2	3.92	8	16	25	49	14	27.5	51	100
The school monitors changes in the laws and regulations on management of public funds.	4	7.84	18	35.3	18	35	9	17.6	2	3.92	51	100
The school is responsive to changes in laws and regulation on management of finances.	1	1.96	9	17.6	7	14	16	31.4	18	35.3	51	100
Reports on significant weaknesses in financial mgt are reported to management on timely basis	2	3.92	8	15.7	15	29	17	33.3	9	17.6	51	100
Financial Management												
STATEMENT												
The school usually have Enough cash to meet the school obligations	0	0	4	7.84	6	12	31	60.8	10	19.6	51	100
The school charges and fees are appropriate and adequate	1	1.96	18	35.3	17	33	11	21.6	4	7.84	51	100

School funds are duly and timely collected	0	0	6	11.8	6	12	27	52.9	12	23.5	51	100
outstanding bill are timely paid	0	0	6	11.8	5	9.8	28	54.9	12	23.5	51	100

(Source: Field data,2022) F= Frequency and P = Percentage

Table 4.4.2 Means and Standard Deviations

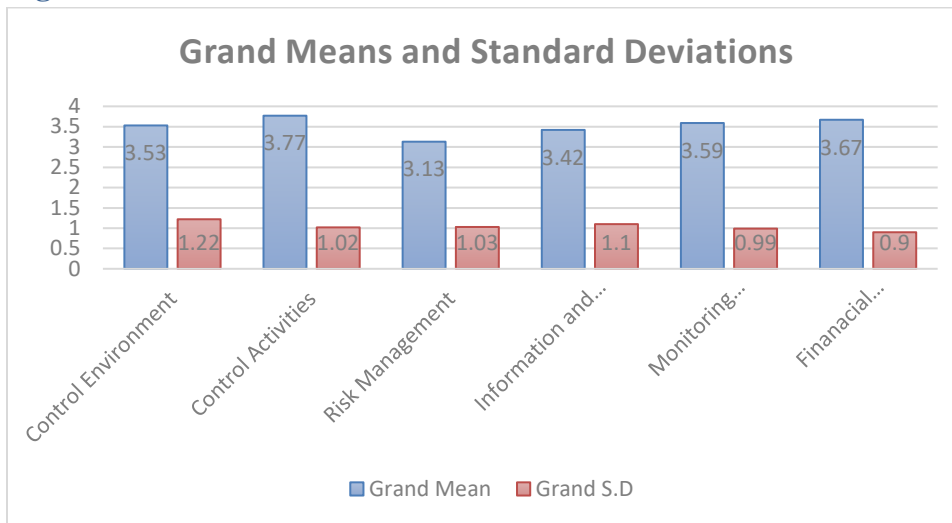
Control Environment		
STATEMENT	MEAN	S. D
The school has controls for managing funds	3.57	1.27
All members of staff are involved in setting up financial internal controls	3.39	1.31
School management is competent enough to oversee the management of school funds	3.43	1.15
The school has qualified accounting officers	3.71	1.12
The school has identified and communicated to all staff key financial procedures	3.67	1.26
The school has established code of financial conduct on school funds	3.73	1.15
The school has system and policies of detecting fraudulent activities in managing school funds	3.24	1.31
Control Activities		
STATEMENT	MEAN	S.D
All payments are approved by the headteacher	3.9	1.01
All payments are checked and approved before they are processed	3.78	0.9

Internal Auditors and External Auditors audit the use of funds at the school	3.76	1.09
Key roles in managing school funds are done by different individuals	3.63	1.06
All school financial activities are recorded and documented for verification	3.8	1.04
Risk Assessment		
STATEMENT	MEAN	S.D
School has clear objectives on the management of school funds	3.71	0.99
Aware of any risks that may affect good management of funds at your school)	3.55	1.06
School maintains a register of risks related to managing school funds	2.39	1.12
School has put in place measures to minimize financial risks	3.57	1.04
Financial control activities are designed on the basis identified financial Risks	2.41	0.92
Information and Communication		
STATEMENT	MEAN	S.D
School has clearly established procedures on reporting financial information	3.76	0.99
Financial control procedures communicated to all members of staff	3.55	1.12
All members of staff understand their roles in the management of school funds	3.24	1.12
School has clearly established procedures for reporting suspected breach of law and regulations on financial management.	3.14	1.18

Monitoring Activities		
STATEMENT	MEAN	S.D
Financial activities in the school are monitored by external authorities.	4.02	0.74
The school implements recommendations of external monitors regarding the mgt of school funds	3.92	0.98
The school monitors changes in the laws and regulations on management of public funds.	2.75	0.98
The school is responsive to changes in laws and regulation on management of finances.	3.8	1.17
Reports on significant weaknesses in financial mgt are reported to management on timely basis	3.45	1.08
Financial Management		
STATEMENT	MEAN	S.D
The school usually have Enough cash to meet the school obligations	3.92	0.8
school charges and fees are appropriate and adequate	2.98	0.99
School funds are duly and timely collected	3.88	0.91
outstanding bill are timely paid	3.9	0.9

Source: Field Data, (2021)

Figure 4.4.3- Grand Means and Standard Deviations



Source: Field data,2021

Table 4.4.4 Likert Scale mean Interpretation

Likert Scale Description	Likert Scale	Likert Scale Internal
Strongly Disagree	1	1.00-1.80
Disagree	2	1.81-2.60
Not Sure	3	2.61-3.40
Agree	4	3.41-4.20
Strongly Agree	5	4.21-5.00

Source Pimentel (2010)

Pimentel (2010) provided guidance over the interpretation of Likert means as follows: Strongly Disagree= 1.00-1.80, Disagree = 1.81-2.60, Not Sure= 2.61-3.40, Agree= 3.41-4.20 and Strongly Agree= 4.21-5.00

4.5 Thematic Discussion of Results

The following section aims to present results of the finding as presented in the tables above. A thematic approach had been adopted in analysing information that was obtained from the respondents. This was done as a measure of enhancing clarity in the discussion of the findings. The Results are, therefore, discussed based the basis of components of internal controls as propagated by COSO (2013) and Agency Theory being the theoretical foundation upon which the study was expected to be developed.

4.5.1 Control Environment

Tables 4.4 and 4.5 presents computations and outputs of the SPSS based on the field data of the study. The data presented in both tables indicated that majority of the respondents perceived that critical aspect of control environment are in place at Mpika boys' Secondary school. Specifically, 68.6 % of respondents agreed to the existence of controls over school funds while 56.8% affirmed the involvement of all members of staff in setting up financial controls. Further 66.7% and 70.6% of respondents perceived the school management to possess adequate competence and accounting staff to be sufficiently qualified to manage school funds respectively. In the similar manner the study revealed that 70.6% of school staff held a strong view that the school management had adequately identified and communicated key financial procures to all members of staff and 74.5% consented to the existence of code of financial conduct in the administration of school funds. In respect to the presence of systems and policies of detecting fraudulent activities in the management of school funds 56.8% members of staff believe such fundamentals are in place.

The above statistics on perception of members of staff over the aspects of control environment are further supported by significantly higher means across all variables ranging from 3.24 for the existence of policies and systems of detecting fraudulent activities through to 3.73 for school having established code of financial conduct. In addition, the mean of 3.39 and 3.43 for involvement of all members of staff in setting up internal controls and for management being competent enough to oversee the management of school funds respectively indicated that majority of respondents agreed to the existence of the phenomena at the school. In the same manner the means of 3.71 and 3.67 with were indicative of collective consensus among respondents regarding the school having adequately qualified accounting officers and the school establishing code of financial conduct respectively. Over the variable of the school having controls over funds, a mean of 3.57 implied that respondents held a positive perception about the variable.

Figure 4.4.2 presented 3.53 as the grand mean for Control Environment which could be established to represent “Agree” as guided under table 4.4.3. Therefore, indicated that the respondents held a collective position to the effect that control environment was adequately established. These findings, were in conformity with findings of Agyapong (2017) where control environment was adjudged to be efficient and effective on the basis of the mean score of 3.86.

4.5.2 Control Activities

The study sought to gain an insight of the state of Control Activities as a component of internal controls at Mpika boys’ secondary school through statements in question 8 of the questionnaire. Based on information presented in tables 4.4 and 4.5. It can be construed that majority of respondents expressed positivity in virtually all components of control activities covered in the study. Particularly 84.3% believed that all the payments at the school are made through the authority of the head teacher with only 13.7% holding adverse belief and 2% expressing indifference about the matter. This affirmative position of respondents could also be confirmed through the mean score of 3.9. In addition, the tables 4.4 and 4.5 through an insignificant aggregated adverse response of 11.8% revealed a strong collective agreement among respondents concerning the checking and approval of payments before they are processed with positive collective position of respondents being clearly revealed through the higher mean score of 3.78. Moreover, the study reported that 70.6% of members at staff at Mpika boys’ secondary school opined that the use of school funds is subjected to both internal and external audits and that position could be confirmed through the mean of 3.76. The tables (4.4 and 4.5) further revealed that 68.6% and 73.5% of respondents believed that key roles in managing school funds were adequately segregated and that all financial activities of the school were recorded and documented for verification respectively. Significantly higher mean scores of 3.63 and 3.80 further supported the positive perspectives held by the respondents over financially oriented activities being significantly segregated and the maintenance of adequate financial records respectively.

4.5.3 Risk Assessment

The questionnaire, through statements within question 9 pursued information concerning the state of Risk Assessment as a component of Internal controls at Mpika boys’ secondary school. Results presented in table 4.4 indicated that majority of respondents to the study (74.5%) believed that the school had in place clearly established objectives over the management of school funds though 17.7% held adverse views while a small section of respondents (7.8%) had neutral views over the

matter. The collective optimism of the respondents could also be confirmed through the mean score of 3.71 from table 4.5. More so, a cumulative affirmative response of 62.7% and 66.4% and correspondingly higher mean scores of 3.55 and 3.57 implied that majority of employees at Mpika secondary school were aware of potential risks that could affect the management of school funds and believed that the school had put in place financial risks mitigative measures respectively. In sharp contrast, the study revealed that majority of the respondents (64.7%) did not believe that the school maintained a register of risks that the school is exposed to concerning management of school funds. The collective skepticism of respondents over the study matter was further reflected through a lower mean score of 2.39. Regarding the alignment of control activities to financial risks the school faces, an aggregated negative response of 62.8% (51% disagree and 11.8% strongly disagree) and corresponding lower mean score of 2.41 indicated a strongly disbelief among majority of respondents over the research issue.

Generally, the grand mean score of 3.13 indicated that the respondents were not sure about the state of Risk Management as a component of internal controls at Mpika boy's school. The findings resonate with the findings of studies done by both Agyapong (2017) were, with the mean score of 3.43, it was reported that respondents were not sure about the effects and effectiveness of Risk Assessment and Eton (2019) where it was established that management of risk was weak.

4.5.4 Information and Communication

Statements on question 10 of the questionnaire sought to gain awareness about the state of pertinent components of information and communication. The study through table 4.4 provided evidence that Mpika boys secondary school had a moderately established information and communication systems. Specifically, 70.5% of respondents regarded the school to have clearly established procedures for reporting financial information and the favorable mean of 3.75 affirmed that position. However, 15.7% exhibited neutrality just as much as 13.7% disagreed to the presence of the research issue at the school. In addition, 66.7% agreed, 21.6% disagreed while 11.7% opted for a neutral response over the communication of financial control procedures to all members of staff at the school. Pertaining to whether or not all members of staff understood their roles in the management of school funds 58.8%, 33.3% and 5.9% of the respondents, agreed, disagreed and were neutral respectively. This designated that majority of respondents, as confirmed through the mean score of 3.24, were not sure about being enlightened of their respective roles in the management of school funds. The study further provided evidence that respondents to the study

held divergent views on whether or not the school had clearly established procedures for reporting suspected breach of the law on the management of public funds. This is on account that though 51% of respondents agreed that such a control was in place a significant section of respondents (41.2%) believed otherwise and 7.8% held neutral view over the research matter. The divergence of opinions of respondents on this research matter could also be adduced through the nearly central mean score of 3.14 which implied that the respondents were not sure about the phenomena.

4.5.5 Monitoring Activities

Question number 11 on the questionnaire contained statements that aimed to gather information about the state of different aspects of monitoring activities as an internal control component. On this score, table 4.4 and 4.5 revealed that predominantly, nearly all the respondents (86.3%) confirmed that the financial activities of the school were monitored by external authority and that collective affirmative position is supported by the highest mean score across all variables of 4.02. In the same vein, the study through an aggregated positive response rate of 76.5% (with mean score of 3.92) signified that respondent strongly believed that the school implemented the recommendations of external monitors over and around the management of school funds. Interestingly, the study revealed contrasting results over interrelated aspects of the school monitoring changes in laws and regulations and the school's responsiveness to changes in laws and regulations that cover the management of public funds. Although the majority of respondents (66.7% with corresponding mean score of 3.8) believed that the school was responsive to changes in laws and regulations only a minority of respondents (21.6%) were of the opinion that the school was monitoring changes in laws and regulations regarding the management of public funds. How the school manages to be responsive to changes in laws and regulation that it barely monitors is one academic puzzle that may attract the attention of every academician. Regarding the issue of timely reporting of significant weaknesses in financial management systems to management, the study revealed that 51% of members of staff believed that the internal control aspect was well in place while 29.4% were not sure and 19.6% held adverse opinion over the research issue. Overall, the respondents agreed, as indicated by the mean score of 3.45, that material weaknesses in the management of school funds were reported to management on a timely basis.

On the basis of the grand mean score of 3.59 which lies within the range for "Agree" the study established that the rank and file at Mpika boys secondary school believed that internal control component of Monitoring Activities was in place and effective. These findings were similar to the

findings of Muyunyo and Jagongo (2018) who in their study concerning the effect of internal controls on financial performance of public institution of higher learning in Nairobi established that monitoring component of internal controls was effective and the internal control component of Monitoring had a significant effect on financial performance through the grand mean of 3.61 meant

4.5.6 Financial Management

Fundamental aspects of financial management at school level were another focus of the study embedded in statements within question 12 of the questionnaire. Tables 4.4 and 4.5 indicated that the majority of staff at Mpika boys' secondary school (through aggregate favorable response of 80.4%), believed that the school had enough funds to meet the obligations of the school in the same manner most of the respondents (76.4%) agreed that the school funds were duly and timely collected while 78.4% of the respondents were optimistic that the schools honored its obligations on time. Cash availability and timely honoring of outstanding bills were identified as an indicator of prudent financial management (Wakuriba, Ngahu, and Wagoki,2015) However, the study revealed divided opinions among respondents regarding the appropriateness of fees charged by the school. While a cumulative total section of 37.3% disagreed over the appropriateness of fees charged by the school 29.4% of the respondents believed that the school fees were appropriately charged and 33.3% gave a neutral response an indication that there was lack of consensus among the members of staff at Mpika boys secondary. school over the appropriateness of fess charged at the school.

Appropriateness of fees charged by the school impacts service delivery (Symcon,2005). In this respect, lack of consensus on the appropriateness of fees charged by the school represented by the mean score of 2.98, presented a potential threat to public confidence in the operations of the school (Wakuriba, Ngahu, and Wagoki,2015)

In general terms, the grand mean of 3.67 over financial management indicated that respondents viewed financial management to be within acceptable levels of financial prudence at Mpika boys' secondary school and the finding were in line with the findings of Wanjau, Muiruri, & Ayodo, 2012).

4.5.7 General Overview over the prevalence of internal control components

Based on the preceding discussion and the information presented in figure 4.2.2 over the grand means for each component of internal controls and the interpretation of means as reflected in table 4.4.3 the following overview can be given about each of 5 Components of internal Controls.

Through the analysis of table 4.2.2 it could be adduced that Control environment (with the grand mean of 3.53), Control Activities (with the grand mean of 3.77), Information and communication (with the grand mean of 3.42) and Monitoring Activities (with the grand mean of 3.59) were well established at Mpika Secondary. This was on account that the grand means for each of these components were above 3.41 the minimum expected mean score for “*Agree*” as per guidance from Pimentel (2010). Nonetheless, on account that the grand mean score for responses given over Risk Management (3.13) lie within the score of “*Not sure*” Pimentel (2010) the overall effectiveness of Risk Management components of internal controls at Mpika boys Secondary school could neither be justified nor declined.

4.5.8 Suitability of Agency Theory as the Theoretical Framework of the study

The study adopted the Agency theory as the theoretical framework upon which the findings could be construed and validated. In this regard, the validity or otherwise of the theoretical framework would be determined by the extent to which the findings of the study conformed or contrasted with the fundamental concepts of the Agency Theory.

4.5.8.1 Agency Relationship

To begin with, the study posited that the key financial decisions of the school were made by the school head teacher as the head of administration on behalf of the state which indicated Agency relationship through separation of ownership and control. The State owns the school which is managed by individuals (the headteacher and other management staff) appointed by the state. This finding confirmed the existence of Agency Relationship which is a key concept of Agency Theory (Jensen and Meckling, 1976) in the management of finances at Mpika boys’ secondary school. This situation also implies that the school, as an agent, had been given adequate authority to act on behalf of the state (Principal) another crucial pre-requisite for effective Agency Relationship.

4.5.8.2 Conflict of Interest

The research further revealed that the financial activities of the school are subjected to both monitoring by external authorities as well as internal and external audit. These revelations

suggested prevalence of mistrust and intent to control and foster compliance which characteristically signified prevalence of another major concept of Agency Theory known as conflict of interest (Kivisto,2017). Monitoring and Auditing are known, the world over, to deter ill deeds and foster compliance to set standards and procedures and is thus used as a safeguard against any potential conflict of interest. Audits and monitoring could thus be assumed as measures of verifying Accountability for the purpose of fostering economic, efficient and effective use of school funds(Kivisto,2007), Based on the study's finding that the financial activities of the school are subject to both external monitoring and audit, the study suggested that the state as the principal anticipated occurrences where the state's interest could be subordinated to the interest of individuals within the rank and file of the school. The study in this case revealed skepticism that was held by the state over those charged with responsibility regarding school funds. In this regard, the study provided appealing information that suggested existence of conflict of interest between the state and the school management being the principal and the agent respectively.

4.8.5.3 Agency Costs

Agency costs is yet another concept underpinning the Agency Theory which entails the exposure of principal to extra cost in an effort to mitigate conflict of interest. On account of delegated responsibility, Agency Theory anticipates the principal to devise measures to address all aspects of conflict of interest. In this context, Audits and external monitoring being measures renowned to curb conflict of interest and foster fiduciary duties through compliance to set standards and practices were adopted by the state as suggested by respondents. However, literature has it that both monitoring and Auding processes are an embodiment of cost (Koivisto,2007). Jensen and Meckling (1976) assumed agency cost as those costs that are consequential to the principal's attempt to remove the divergence of interest between the owners and managers and cited monitoring and Auditing exercises as good examples. Through affirmation among the respondents that the financial activities of the school are subjected to external monitoring and auditing, the study implied that the state incurs agency cost in fostering financial prudence at the school. The study therefore confirmed the prevalence Agency Costs as a third concept of Agency Theory in the management of finances at Mpika boys' secondary school.

4.8.5.4 Competence and Expertise of the Agent

Further the overwhelming positive responses among research participants over the school having adequately qualified accounting officers and management being competent enough to management school funds indicated that the state was cognisant of the need to ensure that individuals who occupied key positions for managing funds school possessed adequate levels of expertise and professionalism that commensurate the positions they held as per fundamental requirement for effective Agency Relationship. These results were in conformity with the findings of Ross (1973)

Generally, the study revealed that the three fundamental concepts of the Agency theory of Agency Relationship, Conflict of Interest and Agency Costs in addition to autonomy of school management over school funds and the competence of those charged with responsibility over funds predominantly influenced the management of finances at Mpika secondary school, the position which supported the validity and suitability of Agency Theory as the Theoretical foundation of the study. The study therefore provided confirmatory evidence to accept the conceptual provisions of Agency Theory.

CHAPTER 5

CONCLUSION AND RECCOMENDATIONS

5.1 Overview

This Chapter presents the conclusions and Recommendation emanating from the study of the effect of Internal on financial management at Mpika boys' secondary school. The section is developed on the backdrop of the extent to which research results provided answers to Research questions and subsequently met the objectives of the study. The section will further endeavor to discuss the findings of the study in the context of Agency Theory being the fundamental Theoretical Framework around which the study was developed and, therefore, upon which the study was expected to be validated.

5.2 Determining the appropriateness of internal financial controls at Mpika boys' secondary school.

The study sought to determine the appropriateness of internal financial controls obtaining at Mpika secondary school where the determinant benchmark was the COSO (2013) guideline. In this regard, the presence of all internal control components as provided under the COSO framework was a basic indicator for the appropriateness of internal controls. On this score, the results analysed herein posited strong indication that all the five components of internal controls were present at Mpika boys' secondary school. The internal controls at Mpika boys' secondary school could, therefore, adjudged to be appropriate.

5.3 Assessing the effectiveness of internal financial controls at Mpika boys' secondary school

The research further pursued to assess the effectiveness of financial internal controls at Mpika Secondary school. This was to be determined through analysis of responses given to the questions in the questionnaire individually and collectively. The questionnaire was designed in such a way that "Agree" and "Strongly Agree" were indicative of effective financial internal control while "Disagree" and "Strongly Disagree" implied weak controls and "Neutral" represented a point of indifference. Based on the research results discussed, internal controls components of Control environment, Control Activities, Information and Communication and Monitoring Activities were effective while Risk Assessment was neither effective nor inadequate at Mpika boys' secondary school.

The information obtained through this study suggested that internal controls on the Management of finance at Mpika boys' secondary school were effective. This discovery is consistent with what the Public Finance Management Act No 1 of 2018 requires of all Government institution. The findings on the other hand contradicted the assertion made by Auditor General's office through the 2018 Audit report to the effect internal controls were weak in most public institutions.

5.4 Examining the effects of internal controls on Financial Management at Mpika boys' Secondary school.

The core objective of the study was to examine the effect of internal controls on management of finances at Mpika boys' secondary school which was to be determined through the analysis of the grand means for each of the five internal control components of Control Environment, Control Activities, Risk Assessment, Information and Communication and Monitoring Activities and the grand mean for financial management. Based on the higher mean scores for all internal control components except Risk Assessment, the study suggested that internal control system had a positive influence on the management of funds at Mpika boys' secondary school, the position which was confirmed through a grand mean score 3.67 for Financial Management. The study, could therefore, be adjudged to have provided valid scholarly grounds to believe that internal controls positively affected financial management at Mpika boys' secondary school.

5.5 Validation of the study's Theoretical Foundation.

The study through the adoption of Agency Theory as the guiding theoretical foundation sought to confirm or dispel the validity and suitability of the Theory to the study. Based on the findings that the school exercised autonomy over financial decision, the study revealed existence of Agency relationship between the school management and the Government where the Government was the principal and the school management was the agent. In addition, through the resounding agreement among respondents that the school financial activities were subjected to monitoring by external authorities as well as to both internal and external audit, the study suggested that both conflict of interest and Agency Costs which are fundamental concepts within the Agency Theory were expected to have a significant influence over the management of finances at Mpika boys' secondary school. Further the overwhelming positive responses among research participants over the school having adequately qualified accounting officers and management being competent enough to management school funds indicated that the state was cognisant of the need to ensure that individuals who occupied key positions for managing funds school possessed adequate levels

of expertise and professionalism that commensurate the positions they hold as per fundamental requirement for effective Agency Relationship. The study, therefore, presented adequate evidence to confirm the suitability of the Agency Theory for the study and provided satisfactory grounds upon which the conceptual provisions of the Agency theory could be upheld.

5.5 Conclusion

The study concluded that, overall, internal controls at Mpika boys' secondary school on the management of school finances were well designed and effective. However, significant weaknesses were reported in some aspects of Risk Assessment, and Monitoring Activities. Most significantly, the research established that internal controls positively affected financial management at Mpika boys' secondary school, The study also confirmed the conceptual provisions of the Agency Theory and validated the suitability of the Theoretical foundation of the study.

5.6 Recommendations

Based on the findings and the conclusion drawn herein;

The study implores management at Mpika boys' secondary school to devise deliberate measures for addressing all aspects of internal control components that were reported to be weak. Particularly management should ensure that systems are designed to monitor changes in laws and regulations over management of public funds as a measure of fostering compliance to Laws and Regulation.

In addition, management is advised to endeavor to maintain a register of financial risks the school was exposed to and ensure that Control Activities are designed on the basis of identified or suspected financial risks.

Most importantly recommendation is made to the academia world to consider a study focusing on establishing the causes of financial impropriety in Zambian secondary school as revealed by Auditor General's Reports.

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7.0 APPENDICES

7.1 WorkPlan

Milestone	Time	2021 Research Gantt Chart							
		Jan-21	Feb-21	March-21	April-21	May-21	June-21	July-21	Aug-21
Preparation of draft research proposal	2 weeks								
Submission of draft proposal to supervisor	3 days								
Inputs from supervisor	1 week								
Incorporation of inputs from supervisor	2 weeks								
Re submission of edited proposal to supervisor	2 days								
Designing of Data collection tools	1 weeks								
Data collection	3 weeks								
Data Analysis	2 weeks								
Report writing	2 weeks								
Submission of 1 st draft dissertation to supervisor	3 days								
Progress presentation	3 days								
Submission of 2 nd draft dissertation to supervisor	3 days								
Preparation of final draft dissertation	3weeks								

7.2 Financial Budget

No.	Milestone	Expendable items	Quantity	Unit Price(K)	Total cost(K)
1	Preparation of Research proposal, Questionnaires	Toner	1	1,500.00	1,500.00
		Paper (realms)	4	100.00	400.00
2	Contact with supervisor	Transport and Lodging	5 trips	1,500.00	7,500.00
	Proposal defence and ethical clearance	Transport and Lodging	2 trips	1,500.00	3,000.00
3	Data Collection	Transport and lodging	15days	1,000.00	15,000.00

4	Data Analysis	Statistical package	1	800.00	800.00
5	Dissertation Editing	Editing	1	1,500	1,500.00
6	Dissertation printing and binding	Printing and binding	3	500.00	1,500.00
7	Communication and internet connectivity	Airtime and Bundles	1	1,500.00	1,500.00
	GRAND TOTAL				33,700.00

7.3 Research Questionnaire

EXAMINATION OF THE EFFECT OF INTERNAL CONTROLS ON MANAGEMENT OF PUBLIC FINANCES IN ZAMBIAN SECONDARY SCHOOLS: THE CASE OF MPIKA BOYS SECONDARY SCHOOL

ATTENTION:

Dear Respondent,

I am a student pursuing a Master's Degree in Business Administration at the University of Zambia

You have been selected at random using probability techniques to participate in this research proposal. I shall therefore appreciate if you participate fully.

This research is intended to Examine the effect of Internal Controls on Management of Public at Mpika Boys' Secondary Schools. The information that will be collected using this questionnaire will solely be used for academic purposes.

For this reason, you are requested to give accurate and complete information so as to facilitate the quality of the study report that will eventually be compiled out of this exercise. Further, be rest assured that the information gathered will be considered as highly confidential.

INSTRUCTIONS

Please respond to the following questions as truthfully as possible. Where there are options provided, select the appropriate response by putting a **tick** [✓] in the box of your choice.

SECTION A			
BACKGROUND CHARACTERISTICS OF THE RESPONDENTS			
QUESTION No.	QUESTION	DESCRIPTIONS	RESPONSE

Q1.	What is your gender?	Male Female	[] []
Q2.	Which of these categories describe your age?	20-35 36-45 46-55 55 and above	[] [] [] []
Q3.	Which section do you belong to	Administration Teaching Accounts	[] [] []
Q4.	What is your marital status	Single Married	[] []
Q5.	What is your highest Qualification	Diploma Bachelor's Degree Master's Degree	[] [] []
Q6.	Which range describes your working Experience	1-5 Years 6-10 years 11-20 Years 21-30 Years	[] [] [] []

PART-EXAMINATION OF INTERNAL CONTROL COMPONENTS

Q7. Indicate in your own opinion by ticking (√) about the following statements that relates to **Control Environment** at Mpika boys' secondary school on a scale of 1-5 where 1= Strongly Disagree, 2= Disagree, 3= Not sure, 4= Agree, 5 = Strongly Agree

STATEMENTS	RESPONSES				
	1	2	3	4	5
The school has controls for managing funds					
All members of staff are involved in setting up financial internal controls					
School management is competent enough to oversee the management of school funds					
The school has qualified accounting officers					
The school has identified and communicated to all staff key financial procedures					
The school has established code of financial conduct on school funds					

The school has system and policies of detecting fraudulent activities in managing school funds					
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Q8. Indicate in your own opinion by ticking (✓) about statements that relates to **Control Activities** at Mpika boys' secondary school on a scale of 1-5 where 1= Strongly Disagree, 2= Disagree, 3= Not sure, 4= Agree, 5 = Strongly Agree

STATEMENTS	RESPONSES				
	1	2	3	4	5
All payments are approved by the head teacher					
All payments are checked and approved before they are processed					
Internal Auditors and External Auditors audit the use of funds at the school					
Key roles in managing school funds are done by different individuals					
All school financial activities are recorded and documented for verification					

Q9. Indicate in your own opinion by ticking (✓) about the following statements that relates to **Risk Assessment** at Mpika boys' secondary school on a scale of 1-5 where 1= Strongly Disagree, 2= Disagree, 3= Not sure, 4= Agree, 5 = Strongly Agree

STATEMENTS	RESPONSES				
	1	2	3	4	5
School has clear objectives on the management of school funds					
Aware of any risks that may affect good management of funds at your school)					
School maintains a register of risks related to managing school funds					

School has put in place measures to minimize financial risks					
Financial control activities are designed on the basis identified financial Risks					

Q10. Indicate in your own opinion by ticking (√) about the following statements that relates to **Information and Communication** at Mpika boys' secondary school on a scale of 1-5 where 1= Strongly Disagree, 2= Disagree, 3= Not sure, 4= Agree, 5 = Strongly Agree

STATEMENT	RESPONSES				
	1	2	3	4	5
School has clearly established procedures on reporting financial information					
Financial control procedures communicated to all members of staff					
All members of staff understand their roles in the management of school funds					
School has clearly established procedures for reporting suspected breach of law and regulations on financial management.					

Q11. Indicate in your own opinion by ticking (√) about the following statements that relates to **Monitoring Activities** at Mpika boys' secondary school on a scale of 1-5 where 1= Strongly Disagree, 2= Disagree, 3= Not sure, 4= Agree, 5 = Strongly Agree

STATEMENT	RESPONSES				
	1	2	3	4	5
Financial activities in the school are monitored by external authorities.					
The school implements recommendations of external monitors regarding the management of school funds					
The school monitors changes in the laws and regulations on management of public funds.					
The school is responsive to changes in laws and regulation on management of finances.					

Reports on significant weaknesses in financial management are reported to management on timely basis					
--	--	--	--	--	--

Q12.Indicate in your own opinion by ticking (✓) about the following statements that relates to **Financial Management** at Mpika boys' secondary school on a scale of 1-5 where 1= Strongly Disagree, 2= Disagree, 3= Not sure, 4= Agree, 5 = Strongly Agree

STATEMENT	RESPONSES				
	1	2	3	4	5
The school usually have Enough cash to meet the school obligations					
school charges and fees are appropriate and adequate					
School funds are duly and timely collected					
outstanding bill are timely paid					

THANK YOU VERY MUCH