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**EVALUATION OF INTERNAL CONTROL SYSTEM AND AUDIT FUNCTION IN
LOCAL AUTHORITY SECTOR: A CASE STUDY OF LUSAKA CITY COUNCIL**

BY

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DECLARATION

I hereby declare that this submission is my own work towards the award of the Degree of Master of Business Administration , it contains no material previously published by another person or any University, where work of others has been used due acknowledgement has been made

Signed:

Date:

Anthony Chipasha

APPROVAL

This is to certify that Mr Anthony Chipasha carried out this research under my supervision

Signed.....

Date.....

Supervisor: Dr.Fatima Mandhu

Examiner.....

Date.....

DEDICATION

In Loving Memory of My Beloved Father and two big Brothers

May Your Souls Find Everlasting Eternal Peace Father and Brothers

AMEN.

To my dear mother Mrs Emelia Chileshe Chipasha with whom our father Mr Peter Kangwa Chipasha left us and she tirelessly gave me the education so needed for my Life.

I also dedicate this work to my entire family especially my loving wife Faith and children: Chisala, Chipasha, Mukuka, Jeremiah, Bwalya, Faith and Twalumba and three sisters; Sabina, Bwalya and Ruth.

God bless you.

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LIST OF ABBREVIATIONS

COSO:	Committee of Sponsoring Organisations
ICS:	Internal Controls System
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS:	Public Sector Accounting Standard
F& GP:	Finance and general Purpose
LA:	Local Authority
LAAPS:	Local Authorities Accounting Policies
LCC:	Lusaka City Council
LG:	Local Government
MLG:	Ministry of local Government
MoF	Ministry of Finance
OAG:	Office of the Accountant General
PAC:	Public Accounts Committee
PFM:	Public Financial Management

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ABSTRACT

This research was done with the purpose of evaluating the internal control system and internal audit function of Lusaka city council in ensuring good performance of LCC. The following are the objectives. To examine the effectiveness of the internal control system and audit function in LCC. To identify any controls that helps the performance of local authority. To establish the relationship between the internal controls system and performance of LCC.

The study population was 63 out of these a sample of 57 individuals was selected by employing purposive and simple random sampling techniques because of their knowledge or information of the study. The study population was finance department, human resource and administration, political leaders, internal audit unit, members of the finance account committee. The descriptive case study method was employed to describe the characteristics of the research variables; the design provides an opportunity to obtain responses which are more accurate and factual. Independent variable and the dependent variable were discussed together with the problems hindering the internal control system and audit function of local authority. Conceptual framework that reflected the variables whose relationship was studied was developed. The mixed methods approach combines both qualitative and quantitative approaches simply for collecting and analyzing data but involves the application of both approaches in parallel in order to strengthen the study.

Findings reveal that internal control systems have direct influence on the performance of the Lusaka city council, and indicate a positive relation between internal controls and performance of the local government. A perfect internal control system leads to better services delivery

The findings indicate that inappropriate control elements of Control Environment, Risk Assessment, Information and Communication, Control activities and Monitoring may lead to the weak internal controls system. This implies that the more sound the Internal Control Systems are adhered too, the higher the chances that local authority will achieve better performance.

CHAPTER ONE

1.1 Introduction

Local Government (LGs) in Zambia have for many years been characterised by the local financial regulations that requires local authorities to develop and adhere to effective Internal Controls (ICS) and audit and ensure adherence(Local Authorities Financial Regulations 1992). In order to ensure proper utilization of these resources entrusted to the local government officials, laws are enacted to control the local government revenues and expenditures. The core mandate of the local authorities (LAs) is service delivery (Local Government Act No.2 of 2019).

The local authority (LA) is headed by a Chairperson, and assisted by Vice Chairperson and the Councilors these act as the board of directors of the local authority. It is expected that, the local government officials entrusted with the management of public resources at local government level will give account of how these resources are being managed under their care. To achieve this, it is important that there is effectiveness and efficiency in the management of resources used to finance service delivery in line with all applicable legal requirements and regulations.

Now more than ever, citizens are demanding the very highest level of accountability from government officials for their stewardship of public resources. The management of local authority must ensure that reliable financial information is provided on a timely basis to decision makers both inside and outside the government. These objectives can only be achieved within the framework of a sound and comprehensive system of internal controls.

An internal control and audit framework aims at improving financial and administrative management capacity by limiting fiscal behaviors that result in waste, misallocation, and corruption. Internal control is a management tool used to provide reasonable assurance that management's objectives are being achieved. The head of each local authority must ensure that a proper internal control structure is instituted, reviewed and updated to keep it effective in order to achieve efficiency and effectiveness at the local level.

1.2 Background

Lusaka City Council (LCC) is a body corporate that was established by the Local Government Act, Cap 281 of the Laws of Zambia. The LCC is governed by the new Local Government Act No.2 of 2019 which repeal and replace the Local Government Act, of 1991. The main business of the Council is the delivery of basic social and economic services to the people of Lusaka. These services include solid waste management, maintenance of street lights, drainage maintenance, fire service, prevention of disease outbreaks, and maintenance of social amenities. To optimize the utilization of resources entrusted to the officials, laws and regulations have been enacted to control expenditures and sources of financing these expenditures. To ensure adherence to financial regulations, laid down procedures, policies and plans, internal audit units have been established. The LCC as a public institution, therefore it has to comply with the Financial Regulations and procedures that are provided for in the Local Government Act No. 2 of 2019.

1.2.1 ICS's and Audit in Lusaka City Council

Though general guidelines are instituted in the local authorities for the control of various institutions, regarding control of receipt and payments there is outright noncompliance with these guidelines (AOG report, 2015.2016 & 2017). This indicates the possible sources of inefficient internal controls systems in Lusaka city council. The findings of the Auditor General Report of 2018 confirmed absence of, or weak, internal controls as the primary cause of many cases of local authorities failure to submit pay- as – you earn, pay salaries on time and lack of service delivery .In the light of the above, The Ministry of Finance in its quest to improve financial management in Local Authorities (LAs) established the Local Government Finance Department under the Office of the Accountant General (Public Finance Management Act of 2018).

Poor performance of local authorities (Councils) in Zambia attributed to poor management, lack of adequate controls, poor service delivery, delay payment of salaries in local authorities, leading to council workers strikes, this can attributed largely to poor governance, owing to weak ICS's.

The Auditor General findings that local authorities breach ICS's immensely, and that action on recommendations is never taken, there is need to ascertain the adequacy of the ICS's used in LCC, a public institution, and audited by the Office of Auditor General.

1.2.2 Management's Responsibility for Internal Controls

The local authority has its own administrative functions some of which are delivered through shared services. The day to day operations of the council is the responsibility of the Town Clerk who is assisted by Directors of finance, Human Resource and Administration, Legal Director, Engineering Director, Housing and Social services, Public Health and City Planning. In most management systems the responsibility for internal control and effective delivery of service rests with management and all local authorities review functions in the form of Finance & General Purpose (F& GP) and Audit Committee. A key element of this internal control system is internal audit, as a substitute of its presence on the scene of operations; management must rely on internal control techniques to implement its decisions and to regulate the activities for the local authority. In endeavor to ensure efficient and effective operation of organisation activities, the management of any organization designs internal control procedures to allocate, control and ensure efficient utilization of resources ISA 400 (2002).

1.3 Statement of the problem

It has been established that the local authority sector forms an important part of the economy currently; there is a general fall in the operational performance of local authorities in Zambia making the government to achieve less than its targeted objectives (AOG report, 2015.2016 & 2017). In recent years, LCC have experienced high profile frauds, negligence and unprofessional conduct in managing public resources and poor service delivery. Since 2010, several employees in the accounts department have interdicted due to misappropriation of funds meant for LCC's operations and salaries. Lack of implementing effective internal controls and poor or lack of management supervision emerged as contributing factors to poor service delivery local authority.

According to (AOG report, 2015.2016 & 2017) despite the structure of the finance department and audit put in place by Local Government to verify, evaluate and examine book keeping records in accordance with the Local Authorities Financial Regulations 1992 there are fraud activities, mismanagement and misappropriation of public funds.

The Auditor Generals' report highlight cases of weaknesses in local authorities' financial management resulting in failure to pay salaries and statutory obligations such as Local Authorities Superannuation Fund (LASF), Zambia Revenue Authority (ZRA) and National

Pension Scheme Authority (NAPSA) and excessive fiscal deficits for operations because of failure to collect revenue, lack of receipts, supporting documents, lack of internal controls.

This is evidenced by accumulation of salary arrears, failure to account for 20% capital funds, failure to fund development projects under Constituency Development fund (CDF) and failure to collect local revenues and poor service delivery. This is an indication of ineffective internal control and internal audit functions on the performance of Local authority. As a result, there is a knowledge gap on effectiveness of internal controls and audit function in ensuring good performance in local authority. The study was conducted to fill that gap by evaluating the internal control and audit function in ensuring good performance in LCC.

1.4 Aim of the Study

The purpose of the study was to evaluate the internal control systems and audit function in Lusaka City Council. Internal controls are the key to the success of any organization, irrespective of its size, as they help the organization attain its objectives and these was evaluated to address the challenges faced by the organisation.

1.5 Objectives of the study

In this study, the overall objective was to evaluate the Internal Control System and audit function which has been put in place by Lusaka City Council.

1.6 Specific Objectives

1. To examine the effectiveness of the internal control system and audit function in LCC.
2. To identify any controls that helps the performance of local authority.
3. To establish the relationship between the internal controls system and performance of LCC.

1.7 Research questions

1. How effective is the internal control system and audit function in LCC?
2. What controls have been put in place to improve performance?
3. What is the relationship between internal controls system and performance of LCC?

1.8 Significance of the study

Internal control systems promote efficiency, reduce risk of losing assets and help ensure the reliability of financial statements, compliance with rules and regulations.

The study will provide information for the Government to improve the managerial controls that will improve the performance of City, Municipal and Town councils and local government.

To bring to the attention of management and staff the degree of internal controls system and audit function in Lusaka city council.

The study will generate knowledge to link internal control systems and performance of local and will help the researcher to acquire knowledge and understand the techniques of doing research.

1.9 Limitations of the study

In conducting this research, the researcher encountered various problems that in one way or the other affected the quality of the data collection. The researcher encountered the following problems:

The study was limited to Management and staff in the finance department, internal audit unit in Lusaka city council and Ministry of local Government (MLG) and the Ministry of finance (MoF) in Lusaka, Ridgeway, Zambia.

In terms of budget constraints the study was restricted to Lusaka only and insufficient time in conducting the research was another constraint. The study cannot be generalized to the rest of the local authorities and the cost of conducting the research and purchase of materials required for conducting the study hindered the success of the study.

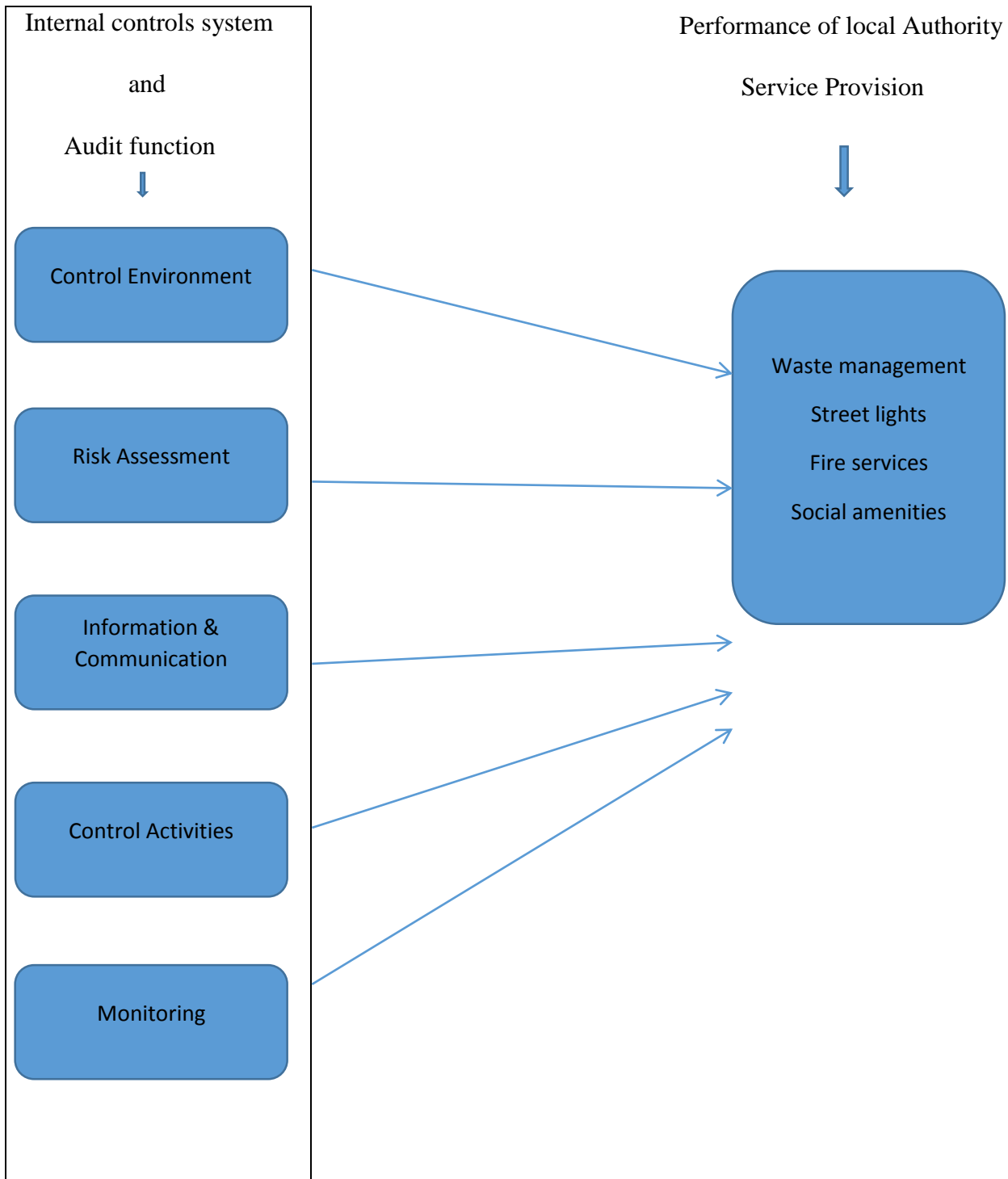
The unwillingness on the part of some respondents to give out information which they consider delicate and private to the organization

Despite the above limitations, the data collected was sufficient and appropriate to help make helpful suggestions and valid conclusions.

1.10 Conceptual framework

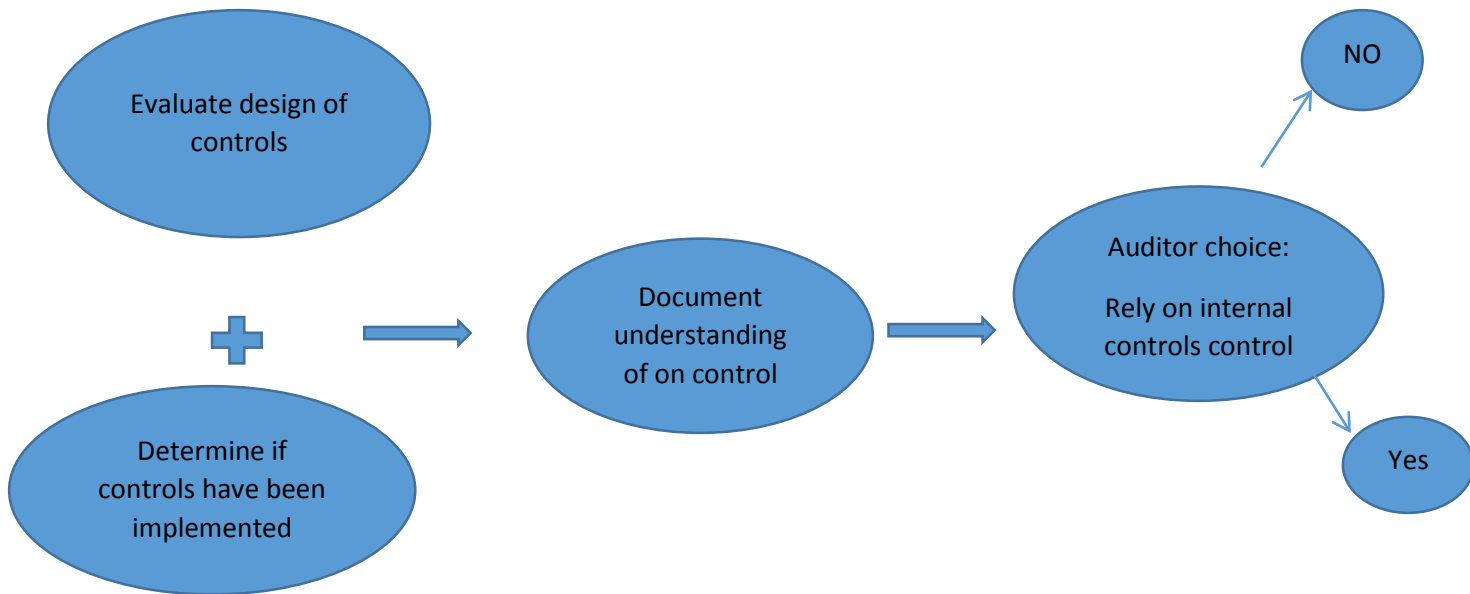
Independent variable

Dependent variable



Source: (INTOSAI, 2004)

- i. Control environment relate to the effectiveness of internal control system and audit at local authority level.
- ii. Risk assessment has impact on internal control system and audit effectiveness at local authority level.
- iii. Proper information and communication enhance the effectiveness of internal control system and audit at local authority level.
- iv. Control activities influence the effectiveness of internal control system and audit at local authority level.
- v. Proper monitoring is related to the effectiveness of internal control system and audit at local authority level.



Source: (COSO 1992)

This conceptual frame work explains the relationship between amongst the variables under the study, it explains internal control system and audit function as independent variable, internal controls systems is studied in two dimensions; internal audit function and independence, while performance of local authority as dependent variable. The dependent variable will be analysed in terms of service provision by the local authority such as waste management, street lights, fire service and social amenities. The internal control system and audit function will be studied under the constructs of control environment, risk assessment, information and communication, control activities and monitoring

1.11 Definition of key Terms

The definitions of key terms are intended to clarify the meanings of terms used in this study.

City: means a city proclaimed under section 4 of local Government Act

Council: means Lusaka city council

Finance & General Purpose Committee (F& GP): Committee consists of councilors that oversee the financial matters of the council.

Councilor: means a person elected under the local government elections to act as a councilor

Management Accounts: Quarterly reports presented to the councilors' that compare budgeted income and expenditure against actual.

Politics: The basic principles by which a government is guided or the declared objectives that a government or party seeks to achieve and preserve in the interest of national community.

Asset: Something valuable that an entity owns, benefits from, or has use of, in generating income.

1.12 Ethical issues

Ethical issues are integral to the research process; the researcher takes responsibility to individuals both human and non-human who participated in the research to be accurate and honest in the reporting of the research. Primary data was gathered from individuals representing various departments of LCC and the researcher uphold the high integrity and honesty by adhering to ethical practices such as anonymous reporting and confining the use of the data collected to the purposes of this research.

With regards to anonymity none of the respondent was required to disclose their identity and observing the principle of informed consent the researcher explained to each respondent the purpose of the study and the expected role in the study so that each participant's decision to participate in this study was based on informed decision. Ethical clearance was paid for obtained from the University of Zambia.

CHAPTER TWO

2.1 LITERATURE REVIEW

2.1.1 Introduction

This section tries to look at the related literature on internal control systems or policies to local government institution. The chapter defines internal control, the importance associated with internal control, components relating to internal control system, limitations to those controls system and how they are reviewed to establish the basis for an objective evaluation of the internal controls system at LCC. This research is strongly reviewing literature to develop the research ideas and contribute to furthering of current knowledge on internal controls and identify the research gap which this study will address.

2.1.2 Internal Controls System

Glance (2006) provided that internal controls system refers to “the local government process and procedure that is been established with the aim of objective achievement.” The management of LCC should establish controls to manage the high level of indebtedness in local authorities and failures in providing basic services. Public Finance Act of 2018 repeal and replace Local Government Financial and Accounting Regulations, 1992 that requires local authorities to develop and adhere to effective internal controls and audit. (Public Finance Management Act of 2018) stipulates that Office of Auditor General shall report on the system and operations of the local authority under their jurisdiction whether efficient, effective, economical and free from fraud and other malpractices and give recommendation to Public Accounts Committee (PAC).

Section 44 (1) of the Local Government Act No. 2 of 2019, stipulates that every city, municipal or town council shall cause to keep proper books of accounts and other records relating to the accounts of the local authority. In addition, Section 44 (2) the accounts of the local authority shall be audited annually by the Auditor General or an Auditor appointed by the Auditor. Public Financial Management (PFM) refers to the set of laws, rules, systems and processes used by sovereign nations, undertake public spending, account for funds and audit results (Lawson, 2015). LCC’s resources must be used effectively and efficiently to meet their goals, while programmes must be implemented accordingly with the purpose for which the local authorities are established.

The committee of sponsoring organisations (1992; 2013) defines internal control as a “process affected by an entity’s board of directors’ management and other personal.” This process is designed to provide reasonable assurance regarding effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulation. Similarly, Foulks, (2004), defines internal control system as comprising the control environment and control procedures adopted by directors and management of an organization in achieving its objectives by ensuring practical, orderly and efficient conduct of an organization. This may include adherence to policies, safe guarding assets, prevention and detection of fraud accuracy and competences of accounting records and timely preparation of financial reports. Maintenance of effective control systems is a key fundamental responsibility of every institution or organisation, therefore it is the duty of LCC management to maintain and develop control system.

Price Water House Coopers (2011) defined an internal control system as a set of procedures, methods and control measures designed by the Board of Directors and Management to ensure achievement of the organization’s objectives. Internal control is about the entire system of controls recognized by the board to carry out the business of institution in a sound manner Millichamp (2002). Similarly, Adepoju (2011) defines internal control system as “the managerial functions of defining and allocating responsibilities and identifying line of reporting that encompass all aspects of operations for the attainment of corporate objectives of an organization.” This is important because all activities of the organization are performed in line with the laid down policies.

There are various ways in which internal controls are published and defined; this study will adopt a particular definition for purposes of the study and the researcher adopted (COSO 1992; 2013) definition of internal control systems limited to control environment, risk assessment, information and communication, control activities and monitoring.

2.1.3 Importance of internal controls

According to Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2011) internal controls promote efficiency, reduce risks of asset loss and help to ensure the reliability of financial statements and compliance with laws and regulations. Marinkov & Geldenhuys (2011) stated that good internal controls are essential to assuring the accomplishment of goals and objectives of the organization. They provide reliable financial

reporting for management decisions and ensure compliance with applicable laws and regulations to avoid the risk of public scandals. Wolfgang (2011) stated that implementation of an effective corporate internal control system can result in a number of benefits for an organisation. The author further states that good internal control system ensures that the resources are utilised only for their intended purposes

2.1.4 Components of internal controls

Effective controls requires a range of control elements, according to COSO (1992; 2013) identifies essential components of an effective internal control system as; control environment (ethical tone from the top which includes integrity, ethical values and commitment to competence), Risk assessment (identification and analysis of relevant risks to the achievement of objectives), information and communication (properly communicating effectively to employees helps them to understand organisation structures, control activities (policies and procedures that help ensure management directives are carried out), Monitoring (internal control systems need to be monitored in order to evaluates the value of the system over time, these elements must be present at LCC and functioning effectively for internal control system to achieve organization's objectives.

2.1.5 Control environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure it include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the management COSO (1992).

According to COSO (1992), top management creates a control environment. That is, an atmosphere of control awareness within the organization should be created to effectively handle employee fraud. The LCC audit committee and the internal audit function should serve as checks on management to create an atmosphere of controls within the organization. Rokeya & Muhammad (2011) stated that every organization, regardless of size, should devise a strong internal control environment. The authors further suggest that a weak control environment often indicates weaknesses in the other components of the ICS.

2.1.6 Risk assessment

This is the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed. Management must assess all risks and risk assessment will prove to be effective if the management helps to determine what the risks are, and what controls should be in place and how to manage the risks (COSO, 1992; 2013). According to Rokeya & Muhammad (2011) regardless of size, structure, or industry, organizations face significant external and internal risks. The risk assessment component of the ICS consists of the identification and analysis of relevant risks that may prevent the attainment of company objectives and objectives of organizational units and the formation of a plan to determine how to manage risk. According to Oseifuah & Gyekye (2013) risk assessment is the identification of factors that threaten the achievement of an organization's objectives and goals. It involves identifying risks to the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations

2.1.7 Information and communication

Information refers to employees getting the information they need to do their jobs, while communication relates to the free flow of information up down, across, inside and outside the organization. The COSO Internal Control Framework recognizes the importance of the quality time lines and the effectiveness of information and communications in ensuring that all those assigned to monitoring can execute their responsibility effectively. Oseifuah & Gyekye (2013) states that, "information is the vehicle by which control policies and procedures are introduced and reinforced and communication is the context within which employees become aware of management's commitment to internal controls." COSO (2013) also states that information must flow throughout the organization so that individuals understand their own roles in the internal control system and how their work relates to the work of others.

2.1.8 Control activities

COSO Report submitted in 1992 spelt out areas that are of concern to business and firms managers to carry out their responsibilities. There is a clear indication that management at the top level generates that information for strategic decision-making purposes. According to (Aikins, 2011; Rezaee, Elam & Sharbatoghlie, 2001) control activities are policies, procedures and mechanisms that ensure management's directives are properly carried out. Proper documentation of policies and procedural guidelines help to determine not only how the

control activities are to be executed but also provide adequate information for auditors examination of the overall adequacy of control design over financial management practices (Aikins, 2011). This control activities ensure that all necessary actions should be taken with the aim to address risks so that organizational objectives are achieves. Example of control activities include; segregation of duties, daily deposit of cash receipts, bank reconciliations and limiting access to check stocks.

2.1.9 Monitoring

Monitoring is a review of an organization's activities and transactions to assess the quality of performance over time and determine whether controls are effective. COSO frame work (1992) suggested that internal control systems need to be monitored in order to evaluate the value of the system's presentation over time. This is to ensure that monitoring is an ongoing activity which occurs in the course of business operations. Monitoring activities include periodic assessments of the effectiveness of internal controls by manager, internal auditors and external auditors and communication between parties and the board of directors (The Council).

2.1.10 Limitation of internal controls

According to Tunji (2013) there is no control that is instituted by any organization that cannot be circumvented by operators some inherent limitation includes; Abuse of responsibility; Fraud; Management override of controls; Changes in environment which makes controls impossible. Human cleverness, ingenuity, potential human errors caused by stress of workload, poor working conditions and alcohol.

2.1.11 Relationship between internal control system and audit function

Internal control” and “internal audit” are profoundly close and commonly intertwined terms, which often are used interchangeably. However, there are functional and operational distinctions between internal control and internal audit. Internal controls are the systems put in place to ensure sound financial management and service delivery whereas internal audit is the check of those systems. Internal audit is one important aspect of internal control it is an effective tool in revenue and expenditure management.

2.1.12 Internal control system and audit function

International Standards on Auditing 315 (2013) addresses that the auditor should obtain an understanding of internal control relevant to the audit and when obtaining an understanding of

controls that are relevant to the audit, the auditor shall evaluate the design of those controls and determine whether they have been implemented. The internal audit is the custodian of internal controls by providing assurance to the management that the LCC has put in place adequate and effective internal control system and must not hesitate to draw management's attention to lapses observed in the control.

Several studies have been conducted on internal control system but none of them study the impact of effective internal control system on internal audit effectiveness, particularly at local government level (Aikins 2011; Baltaci & Yilmaz, 2006; Eko & Hariyanto, 2011; Feng et al, 2009; Kwanbo, 2009; Nilniyom & Chanthinok, 2011). The research results indicate significant relationships between audits, internal control system, internal control effectiveness and evaluation of financial performance monitoring on local government financial performance. The studies did not examine the evaluation of internal control system and audit particularly at local government level, therefore this study extend the previous research through examining the evaluation of internal control system and audit effectiveness at local government level.

2.1.13 Performance of Local Authority

Performance may be treated as an end result of an activity or a process. Organization performance addresses what type of human capital is required to achieve local authority's goals through the structure the local authority. Understanding of public sector accounting should be complemented with the evaluation, in order to assess the achievements of the management and measurement of performance is an integral part of evaluation and control Symcon (2000).

According to the recurrent and expenditure budget for the financial year 2019/2020, Lusaka city budgeted to offer a number of services were provision of health care, education, construction of health facilities, maintenance of feeder roads, construction of schools and community based services.

2.1.14 Research Gap

Based on the above literature, it is evident that a good number of researches similar to this study have been done. However, there is no published evidence which indicates that the same research has been done at Lusaka City Council to address the adherence to effective internal controls and audit function. This research sought to bridge this gap. Therefore, data to be collected from this study, the conclusions and recommendations will cover the gap.

CHAPTER THREE

3.1 RESEARCH METHODOLOGY

3.1.1 Introduction

This chapter covered the method that was used in the study. It covers research design, study population, sampling and sample size, data collection, methods and instruments, data process and analysis.

3.1.1.1 Research Design

This study looked into effectiveness internal control systems and audit at LCC. The study used both descriptive and quantitative research designs. Descriptive method was used to describe the characteristics of the research variables this was because the study attempts to give a clear picture of how effective the control systems were in the institution. Quantitative method was used to collect data from a given number of respondents. Qualitative method was also used in order to get opinions from different respondents. The researcher gathered data once over a period of days in order to answer the research questions.

3.1.1.2 Study Population

The survey population included; internal audit staff 8, members from finance department 35, MLG accounting staff 10 and 4 members from human resource and administration and members of finance committee (Political leaders 6) within the organisation totaling to 63 people.

3.1.1.3 Study Sample

A sample of 57 respondents was considered out of 63 studies because they are the custodians of internal controls system and audit function.

Table 1 Sample size distribution

Sample size category	Frequency	Percentage
Internal audit staff	8	12.7
Finance department	35	55.6
MLG accounting staff	10	15.9
Human resource & Administration	2	6.3
Finance committee	2	9.5
Total	57	100

Source: field Survey, (2019).

3.1.1.4 Sampling Techniques

Purposive and simple random sampling was adopted during the study. Directors of departments, Chief Internal auditor and Chief Accountant were used purposely selected because of their knowledge or information regarding the area of the study. A simple random sampling technique was used to select the members from other departments so that they also provide specific views on the internal controls and internal audit function of Lusaka City Council.

3.1.1.5 Data Collection, Instruments and Procedure

Data was collected from both primary and secondary sources.

3.1.1.6 Primary Data

The main source of primary data was obtained through the use of self-administered questionnaires, interviews, and observation survey.

3.1.1.7 Secondary Data

Secondary data was collected from journals and periodicals, text books, internet libraries, finance report, minutes, circulars, records documents and reports from Ministry of Local Government, LCC and Local Government and Public finance management Acts.

3.1.1.8 Data Collection Instruments

Questionnaires, interview and observation document review such as books, journals, articles, official publications and reports was used and selected respondents using structured questions.

3.1.1.9 Data Collection Procedure

Primary data was collected through structured questionnaires and interviews with the targeted employees consisting of top and middle managers, audit staff, procurement officers and accountants as part of the sample. Secondary data was collected through text books, journals and periodicals. One month data collection procedure was comprehensive enough to allow the researcher to arrive at various conclusions and recommendations of this study.

3.1.1.10 Data Processing and Analysis

Data was scrutinized, edited manually by the researcher to check for accuracy and completeness.

3.1.1.11 Data Analysis

Data was presented and analyzed using tables, percentages, frequencies with help of Statistical Package for Social Scientists (SPSS version 16.0). This helped the researcher to find the relationship between the variables. The narrative analysis was used to explain the qualitative results of the survey.

3.1.1.12 Limitations of the study

The study was carried out in a short period of time i.e. not long enough to allow an in depth study. Therefore data collected could be different from that which could be got if a longer period was to be used.

1. The researcher did not have enough funds to carry out a very comprehensive study, however this was overcome through the generous handouts of relatives and friends
2. Some staff was not willing to respond
3. Time to do research was also limited for a comprehensive study to be carried out.
4. The study was restricted to Lusaka only and cannot be generalized to the rest of the local authorities
5. Time scheduled for research is short, taking into consideration that the researcher is also a full time employee

CHAPTER FOUR

4.1 PRESENTATIONS AND DISCUSSION OF FINDINGS

4.1.1 Introduction

This chapter provides analysis and discussion of research findings arising from the research study. The first gives the back ground of the respondents and then presents the findings. Frequency tables and percentages, by the help of SPSS were used to analyze data, pie charts and bar graphs were also used to make presentation of data upon which analytical representation is made. The findings relate to the evaluation of internal control and audit function in local authority a case study of Lusaka City Council.

4.1.2 Characteristics of study population/respondents

4.1.2.1 Education level of the respondents

Details about the education levels of respondents were obtained as presented in the figure below:

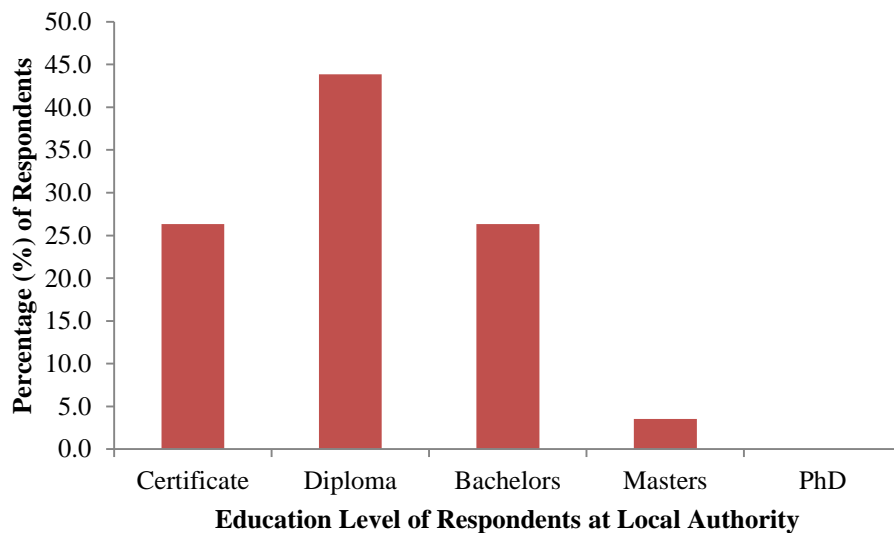


Figure 0-1 Showing Education Levels of Respondent at Local Authority.

Source: Primary data

Figure 0-1 shows that 26.3% (15/57) of the respondents were certificate holders, 43.9% (25/57) were diploma holders, 26.3% (15/57) were degree holders, 3.5% (2/57) were masters holders and none was found to hold PhD. From the figure it can be said that majority of the staff

members are diploma holders and this shows that the Local Authority is composed with more skilled man power and adequately qualified persons academically hence enabling the researcher to get reliable information from the respondents.

4.1.2.2 Gender characteristics of respondents

The study examines and describes the gender details of respondents in this study and a detail of their respective gender is presented in Figure 0-2 below:

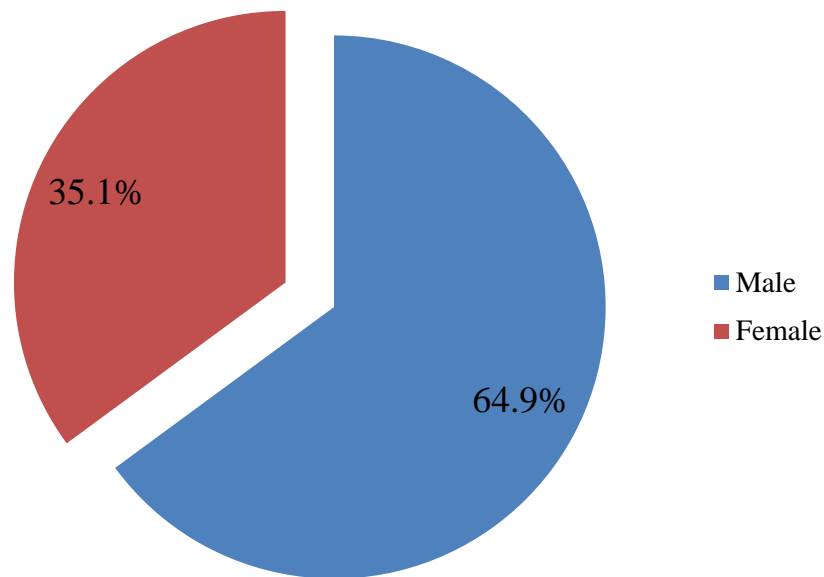


Figure 0-2 Showing the Gender of Respondents at the Local Authority.

Source: Primary data

From the findings above, 64.9% (37/57) of the respondents were males and 35.1% (20/57) were female. This could indicate that there are still low levels of employment of females in Lusaka City Council. The findings represent the views of the two sex groups about internal control systems and audit function. This was necessary for the study to get a balanced picture of the respondents' views.

4.1.2.3 Employment status of respondents

The study obtained details about the education status of the respondents for purposes of internal controls system and audit function adherence in their respective positions as shown in Figure 0-3 below:

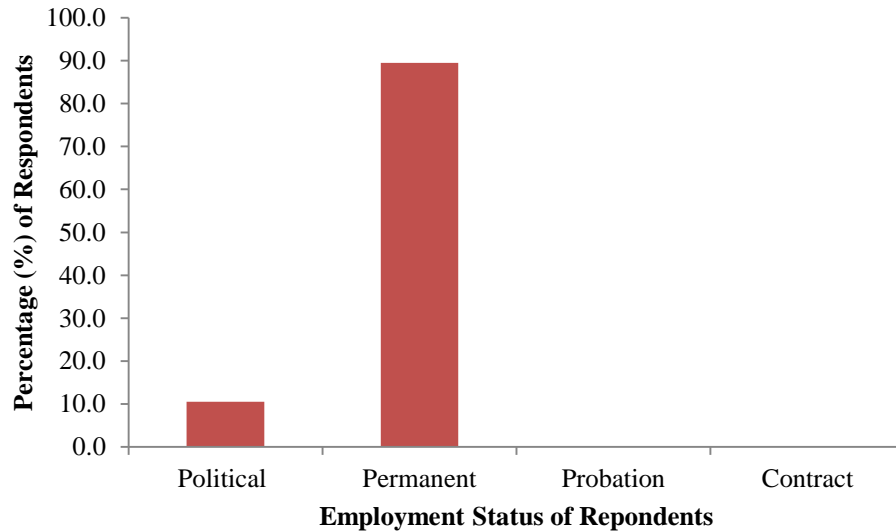


Figure 0-3 Employment status of respondents at the Local Authority.

Source: Primary data

From the findings, 89.5% (51/57) of the respondents were on permanent employment, 10.5% (6/57) were elected political leaders sitting on finance committee of the local authority with no respondents on probation or contract. This implies that the organisation recruits more on pensioned status making the staff to be accountable in their operations.

4.1.2.4 Age distribution of respondents

The study obtained details about the age groups of the respondents for purposes of understanding their age. Details of the findings are shown in Figure 0-4 below;

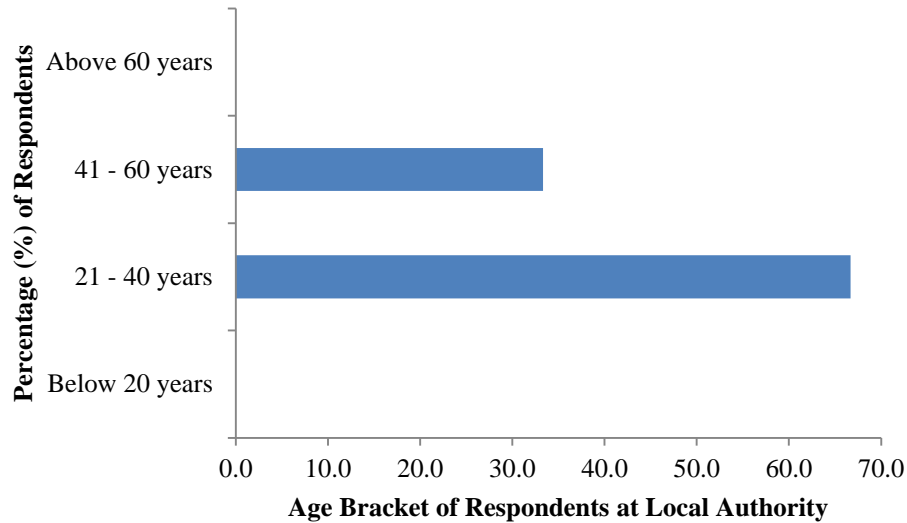


Figure 0-4 Showing Age bracket of respondents.

Source: Primary data

From the figure above the majority of the respondents are in the age bracket of 21- 40 (66.7%; 38/57) followed by 41- 60 at 33.3% (19/57) and above 60 is 0% (0/57). It can be concluded that the majority of the respondents are in productive age brackets and the local authority recruits the active age bracket of 21 -40 years for effective service delivery.

4.1.2.5 Respondents' years of service

The respondents' years of service were deemed important to evaluate the level of experience the respondents have in the local authority. Details from the survey are given as shown below:

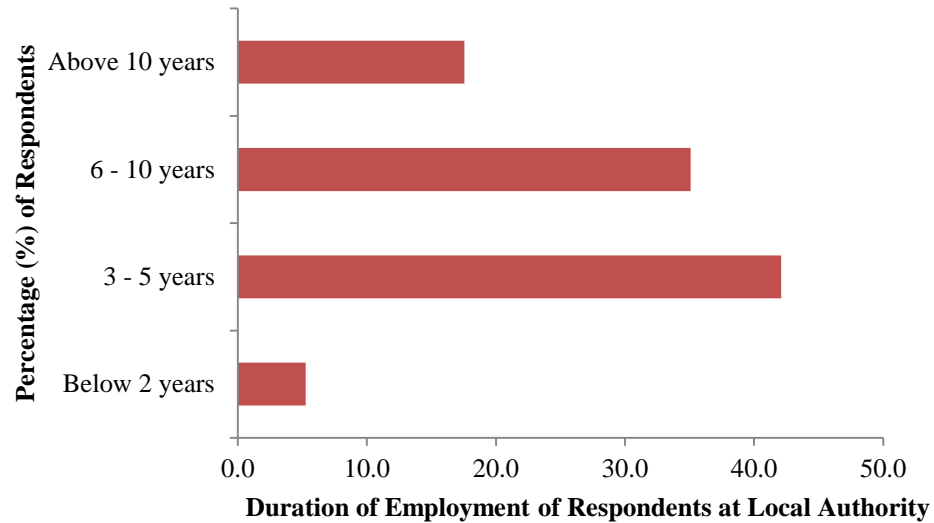


Figure 0-5 Duration of employment of respondents.

Source: Primary data

The data from Figure 0-5 above reveals that most of the people had worked with the organization for a period of 3 – 5 years with a percentage of 42.1% (24/57) and 35.1% (20/57) was the percentage of the people who had worked with the local authority between 6 - 10 years, 17.5% (10/57) for the staff over 10 years in service and with 5.3% (3/57) those of less than 2 year. This implies that most of the respondents had enough information about the local authority and the number of years of service will demonstrate the experience and continuity with the internal controls which have been put in place.

4.1.3 Assessment of internal control systems

4.1.3.1 Extent to which internal control systems exist at Lusaka City Council

This section was to establish the extent to which internal control systems existed at the Lusaka city council and how they are directed towards achieving their stated objectives. Figure 0-6 below demonstrates the response to the question.

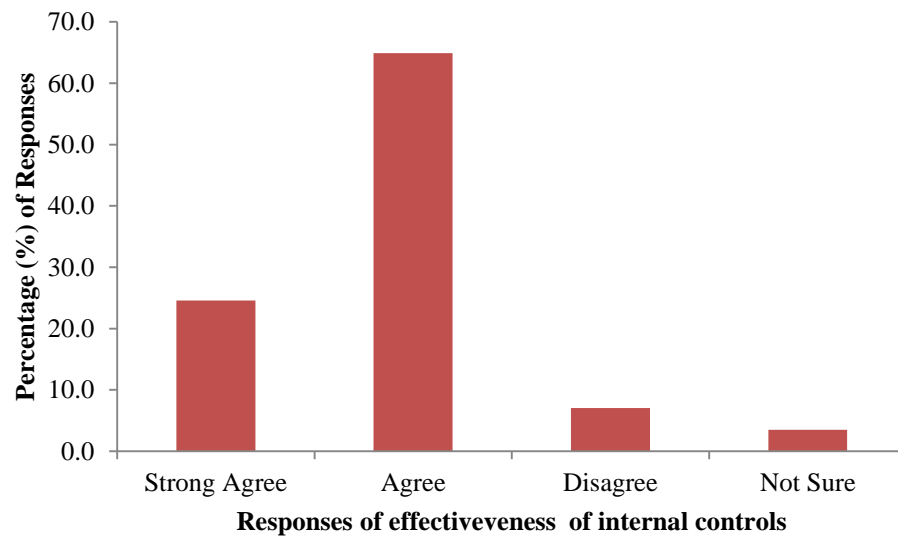


Figure 0-6 Assessment of employees comfort with the internal control systems.
Source: Primary data

The figure above indicates about 64.9% (37/57) agree while 24.6% (14/57) strongly agreed that employees were comfortable with the internal control system and believe that organizations have strong internal control systems while 7% (4/57) of respondents disagreed and reveal that there is a weak internal control system in Lusaka city council which leads to underperformance of internal audit functions and Audit committees and 3.5% (2/57) were not sure. This can be concluded that staffs of Lusaka city council are comfortable with any internal controls put in place.

4.1.3.2 Effectiveness of internal control systems to conduct business

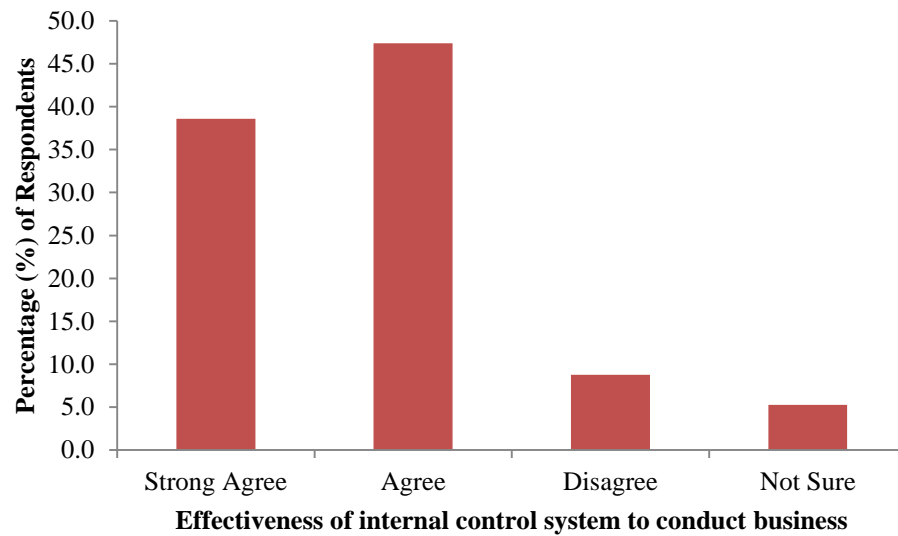


Figure 0-7 Assessment of Effectiveness of Internal control system to conduct business.

Source: Primary data

From Figure 0-7 above, 47.4% (27/57) of the respondents agreed and 38.6% (22/57) strongly agreed to the fact that the control systems have resulted to effective conduct of business. However, 8.8 % (5/57) disagreed and 5.3% (3/57) were not sure about the effectiveness of the internal control systems. It can be concluded that internal control at Lusaka city council are directed towards achieving it intended objective and adherence to internal control policies.

4.1.3.3 Assessment of whether internal control systems lead to accurate and complete keeping of financial records

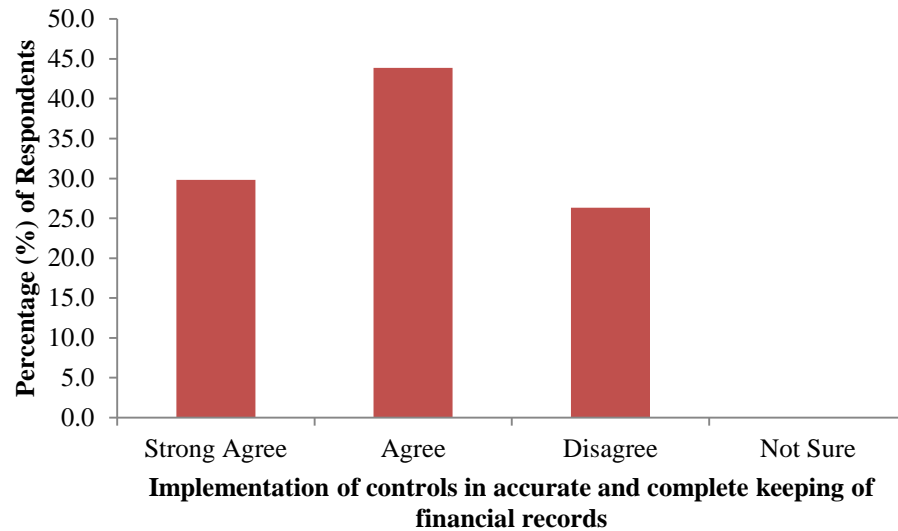


Figure 0-8 Respondents perception of the Implementation of control whether it is accurate and complete in the keeping of financial records.

Source: Primary data

Figure 0-8 above reveals that 43.9% (25/57) agreed and 29.8% (17/57) strongly agreed that internal control system is accurate and complete for accuracy and completeness of financial records, while 26.3% (15/57) disagreed to that assertion. This can be concluded that internal controls in Lusaka city council exist to achieve its intended purpose.

4.1.3.4 Assessment of whether internal auditors strictly follow internal control systems

Table 2 Internal auditors strictly follow internal controls when verifying transactions.

Response	Frequency	Percentage	Valid Percentage	Cumulative Percent
Strong Agree	8	14.0	14.0	14.0
Agree	39	68.4	68.4	82.5
Disagree	10	17.5	17.5	100.0
Not Sure	0	0.0	0.0	100.0
Total	57	100	100.0	

Source: Primary data

From Table 2 above, respondent agreed at 68.4% (39/57) and 14% (8/57) strongly agreed that audit strictly follow the internal controls when verifying transactions of the organization however, 17.5% (10/57) disagree. This implies that auditors of Lusaka city council follow the internal control systems when verifying transactions. This was further seconded by the Group internal auditor through the interview on the established of internal control system. The council is also receiving revenue using direct banking for rates, licences and other revenues.

4.1.3.5 Assessment of whether internal controls in Lusaka city council improve performance

Lusaka city council should establish a sound and clean Control Environment if internal control system and audit function are to be attained.

Table 3 Is there clear separation of roles and responsibilities?

Response	Frequency	Percentage	Valid Percentage	Cumulative Percent
Strong Agree	16	28.1	28.1	28.1
Agree	39	68.4	68.4	96.5
Disagree	2	3.5	3.5	100.0
Not Sure	0	0.0	0.0	100.0
Total	57	100	100.0	

Source: Primary data

From the Table 3 above 68.4% (39/57) agreed and 28.1% (16/57) strongly agreed that there is clear separation of roles and responsibilities at Lusaka city council. The 3.5% (2/57) of members that disagreed indicates that not all the members understood what was taking place within the organisation. This can be concluded that the 68.4% that agreed imply that top management and the councils ensure that the tone from above is good for all staff that implements internal controls in the council.

Table 4 Are financial regulation, policies, procedures and guidelines documented?

Response	Frequency	Percentage	Valid Percentage	Cumulative Percent
Strong Agree	21	36.8	36.8	36.8
Agree	34	59.6	59.6	96.5
Disagree	1	1.8	1.8	98.2
Not Sure	1	1.8	1.8	100.0
Total	57	100	100.0	

Source: Primary data

From the findings in Table 4 above, 59.6% (34/57) agreed that the financial regulations , policies, procedures and guidelines are documented with 36.85% (21/57) of the respondents in strongly agreed while 1.8% (1/57) disagreed and were not sure. This implies that management of Lusaka city executes their work in line with internal controls system procedures, regulations, policies and guidelines.

Table 5 Does LCC have a clear organizational structure?

Response	Frequency	Percentage	Valid Percentage	Cumulative Percent
Strong Agree	17	29.8	29.8	29.8
Agree	39	68.4	68.4	98.2
Disagree	1	1.8	1.8	100.0
Not Sure	0	0.0	0.0	100.0
Total	57	100	100.0	

Source: Primary data

According to Table 5 above, 68.4% (39/57) of the respondents agreed that Lusaka city council operates in a clear organisation structure, 29.8% (17/57) strongly agreed, 1.8% (1/57) disagreed while there was no respondents who were not sure. This implies that the Lusaka city council performs their work in line with the structure laid down and hence contributing to the performance of the local authority.

Table 6 Are Councilors (Board of Directors) are committed to the Internal Control Systems implementation?

Response	Frequency	Percentage	Valid Percentage	Cumulative Percent
Strong Agree	13	22.8	22.8	22.8
Agree	39	68.4	68.4	91.2
Disagree	3	5.3	5.3	96.5
Not Sure	2	3.5	3.5	100.0
Total	57	100	100.0	

Source: Primary data

Table 6 above shows that 68.4% (39/57) of the respondents strongly agreed that councilors have a comprehensive internal monitoring program and 22.8% (13/57) were in support of them with 5.3% (3/57) disagreeing and 3.5% (2/57) not sure. This implies that there is a strong commitment in monitoring the internal controls system and audit function in the Lusaka city council, hence the contributing factor to the fair performance of the Local authority.

Table 7 Are employees in finances aware of the financial regulations of the local Government?

Response	Frequency	Percentage	Valid Percentage	Cumulative Percent
Strong Agree	16	28.1	28.1	28.1
Agree	38	66.7	66.7	94.7
Disagree	3	5.3	5.3	100.0
Not Sure	0	0.0	0.0	100.0
Total	57	100	100.0	

Source: Primary data

Table 7 findings reveal that, 66.7% (38/57) of respondents believe that the organizations has financial regulations and guidelines of financial management which the council abides by, like Public finance Act 2018, Local Authorities Accounting Policies (LAAPs) Public sector Accounting Standard (IPSAS), Local Government Act of 2019 and Procurement Act, 2008 while 28.1% (16/57) strongly agreed and 5.3% (3/57) members disagreed. This can be concluded that financial management in relation to Lusaka city council activities is of at most importance. Therefore, to convince the public those resources like finance, human or otherwise, received by the council are utilized strictly in accordance with rules, regulations, and directives and only for the purpose for which they were intended.

4.1.4 Risk Assessment

Lusaka city council should carry out regular Risk Assessments to be able to identify risks that will expose them to failure to attain their set objectives hence failure to implement internal control system and audit function in the local authority.

4.1.4.1 Findings on the knowledge of management statement on risk management and internal controls

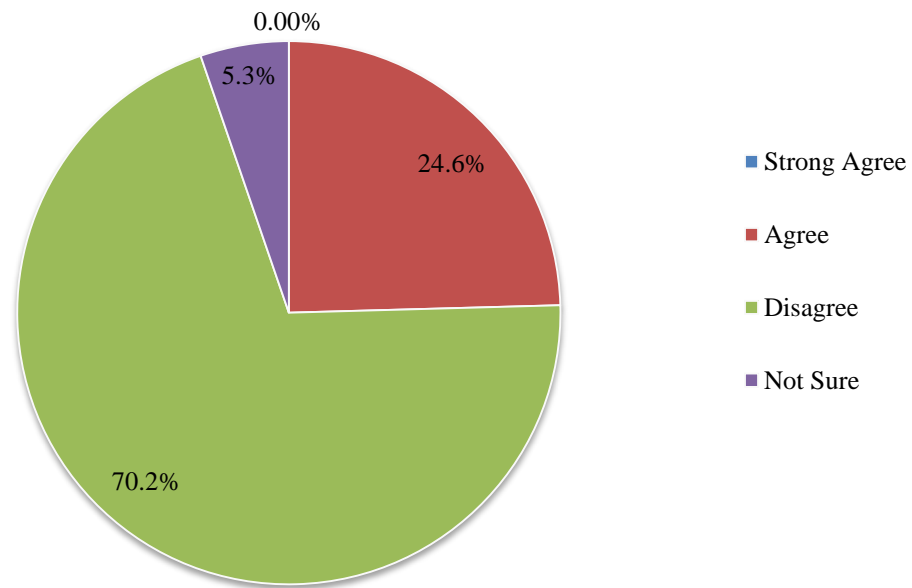


Figure 0-9 Respondents knowledge of management statement on risk management and internal controls in the organization.

Source: Primary data

Figure 0-9 indicates that 70.2% (40/57) of respondents disagree that there is clear management statement on risk management and internal controls in the organisation. 24.6% (14/57) of respondents agree while 5.3% were not sure. This can be concluded that management did not mitigate risks that threaten achievement of the internal control system.

4.1.4.2 Findings on the employees' knowledge of revenue leakage areas

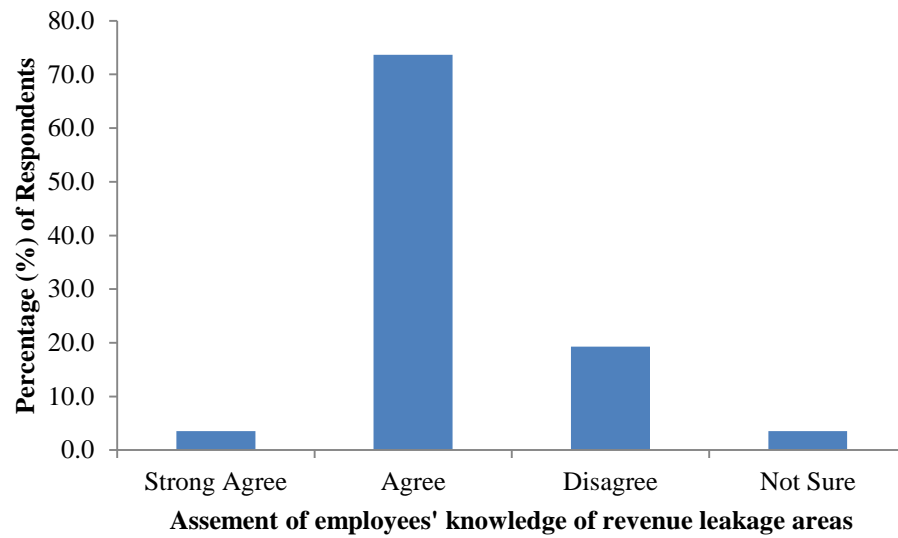


Figure 0-10 Assessment of employees' knowledge of revenue leakage areas.

Source: Primary data

Figure 0-10 findings reveal that 73.7% (42/57) of respondents agree and 3.58% (2/57) were in support that employees have knowledge of revenue leakage areas and there is appropriate supervision of revenue collection by their seniors while 19.3% (11/57) disagree and 3.5% (2/57) were not sure. This can be concluded that the knowledge supervision on revenue collection brings many impacts to the better position to evaluate the system and be able to find out any errors, frauds and weakness resulting from revenue leakages activities.

4.1.4.3 Findings on whether internal audit identifies areas of risk within the organization

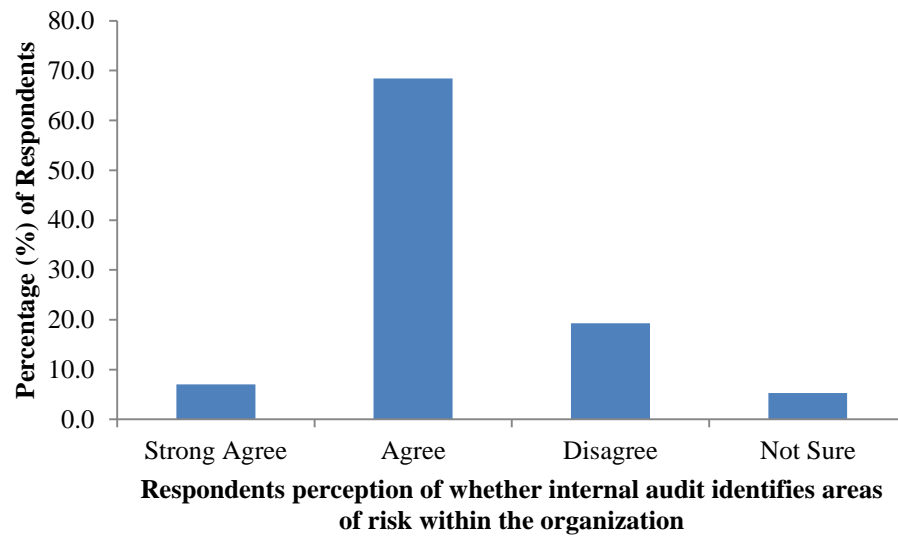


Figure 0-11 Assessment of whether internal audit identifies areas of risk within the organization.

Source: Primary data

From the Figure 0-11 above, 68.4% (39/57) of respondents agree with the question whether internal audit identifies areas of risk within the organization and the overall audit approach to cover the risk with 7.0% (4/57) strong agree. 19.3% (11/57) of the respondents disagree and 5.3% (3/57) were not sure. This implies that the internal audit rarely identifies areas of risk within the organization and this may be a contributing factor to the current inefficient performance of the internal audit function in the local authority.

4.1.5 Assessment of Information and communication

Information must be communicated in the right time and it should be accurate and necessary for meaning full decisions to be made this will result in Lusaka city council implementing internal controls system and audit function.

4.1.5.1 Assessment of whether internal audit routine captures and reports information on performance effectiveness and efficiency

Table 8 Internal audit routine captures and reports information on performance effectiveness and efficiency.

Response	Frequency	Percentage	Valid Percentage	Cumulative Percent
Strong Agree	12	21.1	21.1	21.1
Agree	40	70.2	70.2	91.2
Disagree	3	5.3	5.3	96.5
Not Sure	2	3.5	3.5	100.0
Total	57	100	100.0	

Source: Primary data

From the above information in Table 8, 70.2% (40/57) of the respondents agreed that the internal audit routinely capture information on performance effectiveness and operational efficiency, 21.1% (12/57) agreed and 5.3% (3/57) disagreed while 3.5% (2/57) were not sure with the question. This information implies that the internal audit captures information on performance effectiveness and operational efficiency. This may be due to the months that are left out minus carrying out performance appraisals. According to the interview the researcher had with the internal auditor, performance appraisals are carried out annually.

4.1.5.2 Assessment of whether the importance of risk management and controls has been communicated in the organization.

Table 9 Determination of whether the importance of risk management and controls has been communicated in the organization.

Response	Frequency	Percentage	Valid Percentage	Cumulative Percent
Strong Agree	4	7.0	7.0	7.0
Agree	16	28.1	28.1	35.1
Disagree	35	61.4	61.4	96.5
Not Sure	2	3.5	3.5	100.0
Total	57	100	100.0	

Source: Primary data

According to Table 9 above, only 28.1% (16/57) of the respondents agreed that the importance of risk management and controls has been communicated throughout the organization, 7.0% (4/57) strongly agreed in support of them, 3.5% (2/57) were not sure and 61.4% (35/57) disagreed. This is generally implying that, there is a relatively weak control system of information and communication in Lusaka city council and hence a contributing factor to the weak internal audit functions and the current poor performance of the council.

4.1.5.2 Assessment of whether management receives timely, relevant, and reliable reports for decision-making

Table 10 Management receives timely, relevant, and reliable reports for decision-making.

Response	Frequency	Percentage	Valid Percentage	Cumulative Percent
Strong Agree	16	28.1	28.1	28.1
Agree	35	61.4	61.4	89.5
Disagree	4	7.0	7.0	96.5
Not Sure	2	3.5	3.5	100.0
Total	57	100	100.0	

Source: Primary data

Table 10 above indicates that 61.4% (35/57) of respondents and agreed to the fact that management receives timely, relevant, and reliable reports for decision making and communicates to staffs about new internal control policies creating their awareness 28.1% (16/57) strongly agreed to support of which 7.0% (4/57) disagree while 3.5% (2/57) were not sure. This indicates that communication of controls policies are timely done to avoid errors occurring in the institution.

4.1.6 Control activities

Local authority policies and procedures help ensure necessary actions are taken to address risks in the achievement of internal controls system such as segregation, authorization, proper records, keeping, physical control over assets and records and independent checks on performance.

4.1.6.1 Assessment of whether the internal audit has access to departmental heads, the accounting officers, and the organization's records

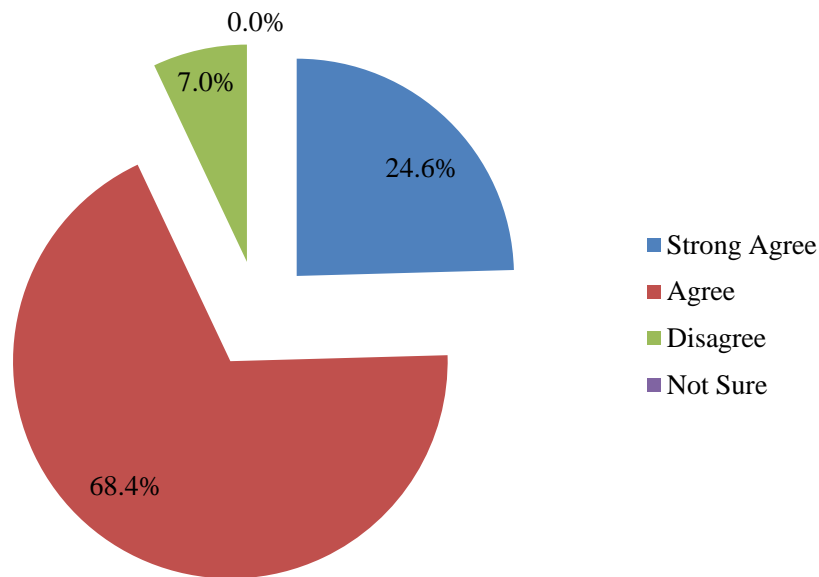


Figure 0-12 Assessment of whether the internal audit has access to departmental heads, the accounting officers, and the organization's records.

Source: Primary data

Figure 0-12 above, majority of the respondent strongly agree that the internal audit has got access to all heads of department with a percentage of 68.4% (39/57) and 24.6% (14/57) agreeing while 7.0% (4/57) disagree. This implies that the internal audit can easily reliably rely on the information/reports got form the departmental heads and hence effectiveness of the internal audit works.

4.1.6.2 Assessment of employees’ perception on whether internal audit has moved away from being reactive to being proactive

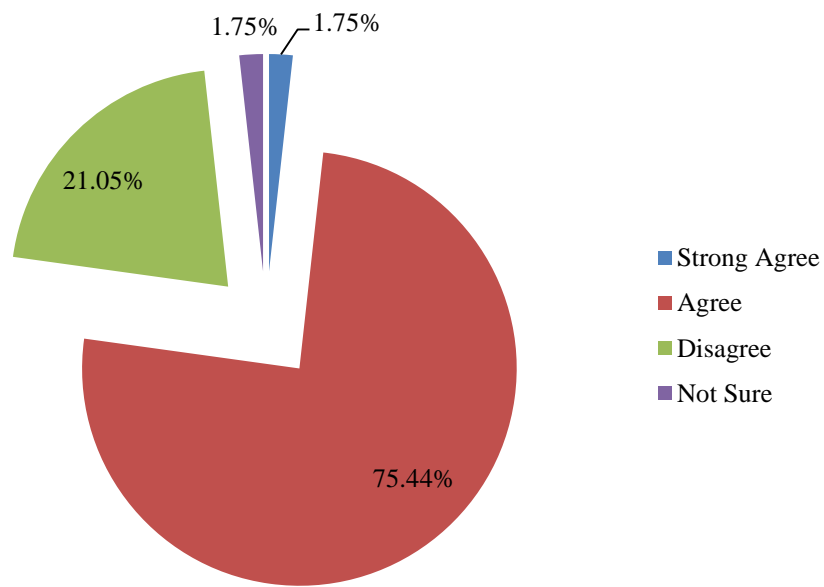


Figure 0-13 Assessment of employees’ perception of whether internal audit has moved away from being reactive to being proactive.

Source: Primary data

According to Figure 0-13 above, 75.4% (43/57) of respondents agreed that the internal audit has moved away from being reactive to being proactive, 1.8% (1/57) of respondents were in support of them, 1.8% (1/57) were not sure and 21.1% (12/57) disagreed with the question. This implies that the internal audit reacts to events after they have happened than being proactive being proactive hence this may further be a contributing factor to the current findings of Office of Auditor General (OAG) reports and poor performance of the internal audit function in local authority.

4.1.7 Monitoring

Internal controls system and audit function of Lusaka city council should be ongoing, continuous or periodic assessment of the quality of ICS performance by management to see if internal controls are understood, implemented and need for revision, external and internal audit reports. It can be achieved through use of internal audits and audit committees.

4.1.7.1 Assessment of whether internal audit has a comprehensive internal monitoring program

Table 11 Internal audit has a comprehensive internal monitoring program.

Response	Frequency	Percentage	Valid Percentage	Cumulative Percent
Strong Agree	8	14.0	14.0	14.0
Agree	41	71.9	71.9	86.0
Disagree	2	3.5	3.5	89.5
Not Sure	6	10.5	10.5	100.0
Total	57	100	100.0	

Source: Primary data

Table 11 above shows that 71.9% (41/57) of the respondents strongly agreed that the internal audit has a comprehensive internal monitoring program with 14.0% (8/57) strongly agree with 3.5% (2/57) disagreeing and 10.5% (6/57) not sure. This implies that there is a strong and comprehensive monitoring program in the Local authority and hence may be the contributing factor to the fair performance of Lusaka city council.

4.1.7.2 Assessment of whether internal audit has enhanced organisations' corporate code of conduct.

Table 12 Internal audit enhancement of the organizations corporate code of conduct.

Response	Frequency	Percentage	Valid Percentage	Cumulative Percent
Strong Agree	1	1.8	1.8	1.8
Agree	49	86.0	86.0	87.7
Disagree	5	8.8	8.8	96.5
Not Sure	2	3.5	3.5	100.0
Total	57	100	100.0	

Source: Primary data

According to Table 12 above, 86.0% (49/57) agreed that the internal audit through its monitoring function has enhanced the organizations corporate code of conduct, 1.85% (1/57) were in support with 8.8% (5/57) disagreed and 3.5% (2/57) not sure. This implies that the internal audit function of Lusaka city council enhances the organization corporate code of conduct through its monitoring program hence effective audit work and the fair performance of the organization.

4.1.8 Assessment of performance

The performance of the local authority in terms delivery of different services was evaluated as presented below;

4.1.8.1 Assessment of local authority delivery of basic services

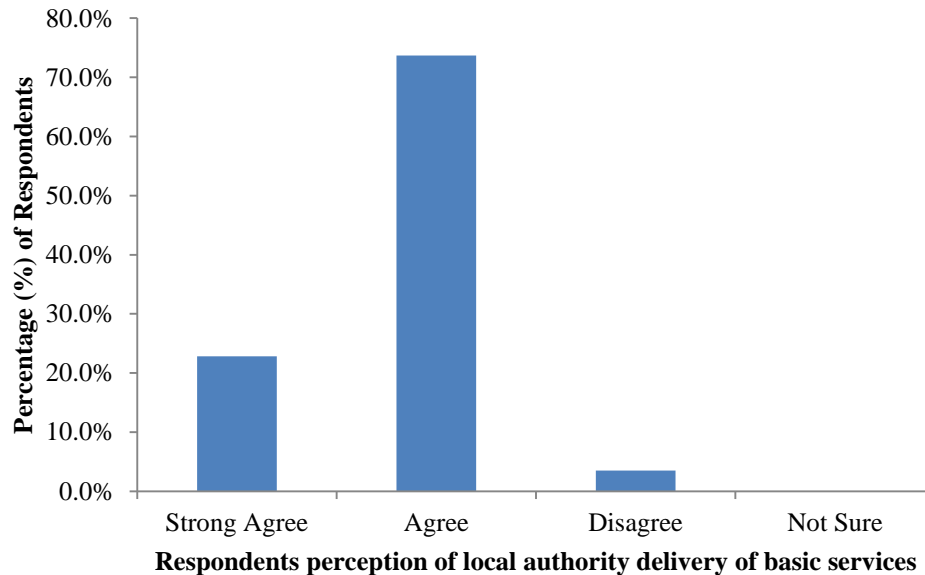


Figure 0-14 Assessment of the local authority delivery of basic services such as waste management, street light, fire service and social amenities.

Source: Primary data

According to Figure 0-14 above, 73.7% (42/57) of the respondents agreed with the question, 22.8% (13/57) were in strongly agreed and only 3.5% (2/57) disagreed. This implies that the Lusaka city council provide quite basic service as regards to waste management, street light, fire service and social amenities and hence a better performance of the local authority.

4.1.8.2 Assessment of whether the Local Authority implementation of activities is as planned in the work plan

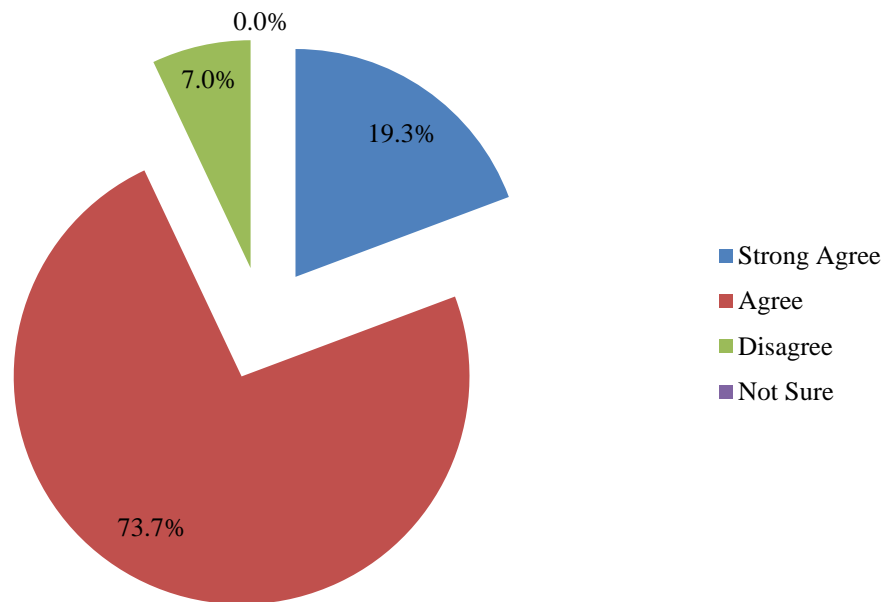


Figure 0-15 Assessment of whether the Local Authority implementation of activities is as planned in the work plan.

Source: Primary data

From Figure 0-15 above, 73.7% (42/57) agreed and 19.3% (11/57) strongly agreed that the local authority activities are implemented as planned in the city work plan while 7.0% (4/57) disagreed. This implies that Lusaka city council activities are implemented as planned in the city work plan. However, 7.0% that disagreed may also reflect that not all activities implemented as planned in the work plan resulting in fair performance of LCC.

4.1.8.3 Assessment of whether the audit accounts committee always reviews internal audit report

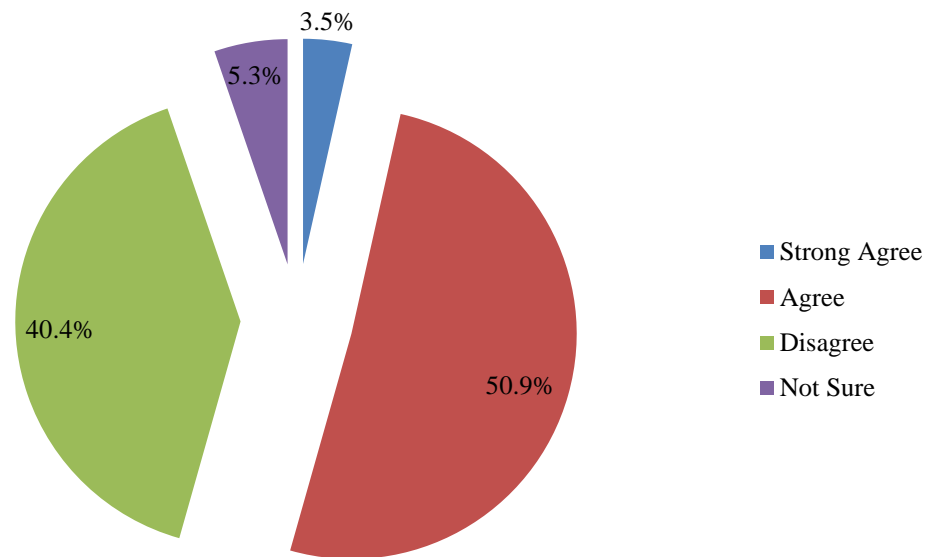


Figure 0-16 Assessment of whether the audit accounts committee always reviews internal audit report.

Source: Primary data

Form the findings in Figure 0-16 above, 50.9% (29/57) agreed that the Audit Committee always reviews internal audit reports 3.5% (2/57) strong agreed. 40.4% (23/57) of respondents disagree while 5.3% (3/57) were not sure. This implies that the audit committee quarterly reviews the audit reports which also results to weak internal controls system and hence contributing factor to the current poor performance of the Lusaka city council.

4.1.8.4 Assessment of the perceived cases of diversion of public funds for personal benefit

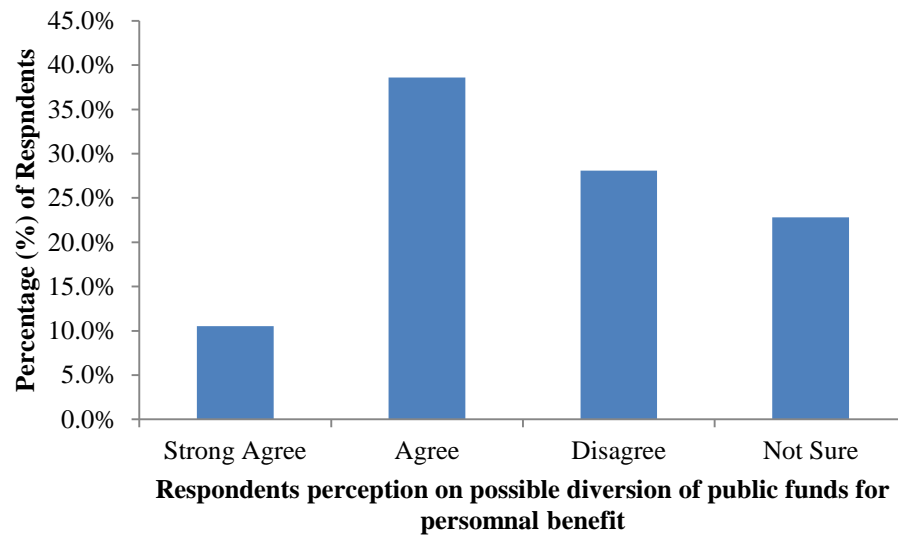


Figure 0-17 Assessment of respondents views on perceived cases of diversion of public funds for personal benefit.

Source: Primary data

Figure 0-17 above shows that 38.6% (22/57) agreed that there are no cases of diversion of public fund for personal benefit, 10.5% (6/57) strongly agreed while 22.8% (13/57) were not sure and 28.1% (16/57) disagreed. This implies that cases of diversion of public funds for personal benefit are quite many with the Lusaka city council. This could be due to irregular review of the audit report hence a contributing factor to the current poor performance of LCC

4.1.9 Assessment of the relationship between the internal controls system and performance of Local Lusaka city council

The research question sought to analyze the relationship between internal controls system and the performance of Lusaka city council. Correlation tests were run to establish this relationship. The parameters grouped in determinants of internal controls functionality were, internal controls system and audit function. When internal controls are in place and working, and the audit function is not interfered with during the work process of the operation of the local authority then internal controls and audit will be functional and the system will produce quality controls of the operations of LCC's performance.

As a result of both the independent variable being interval scaled in nature, the Pearson's correlation test was run to establish the relationship between the independent variable and the dependent variable. The independent variable was internal controls and audit function which in

it included the control environment, risk assessment, information system, control activities and monitoring and whereas the dependent variable was performance of local authority in service provision. The results are presented in the Table 13 below;

4.1.9.1 Assessment of the relationship between internal controls system and performance of LCC

Table 13 What is the relationship between internal controls system and performance of LCC?

Correlation analysis			
	Internal controls	Performance	
Internal controls	Pearson correlation	1	.963**
	Sig. (2- tailed)	-	.000
		57	57
Performance of LCC	Pearson correlation	.963**	1
	Sig. (2- tailed)	.000	-
		57	57

** Correlation is significant at the 0.01 level (2- tailed)

Source: Primary Data

The findings in Table 13 above revealed a significant positive relationship between internal controls system and performance ($r = 0.963^{**}$, $PV = 0.01$). This means that when internal control systems improve, it may result into improvement in the performance, whereas a poorly established internal control system will lead to the poor performance of the local authority.

CHAPTER FIVE

5.1 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1.1 Introduction

This study was designed and carried out to establish the internal control system and audit function in the local authority. The performance of Lusaka city council was assumed to depend on the effectiveness of the internal control system (ICS) while performance of LCC was provided by aspects of performance indicators of service delivery of waste management, street light, fire service, staff welfare and social amenities. This chapter gives the discussions, conclusions and recommendation of the research findings presented and interpreted in chapter four. Also suggested areas for further research are also presented. All of which are presented in accordance to the research objectives.

5.1.2 Summary of findings

5.1.2.1 Effectiveness of internal control system and audit function

The research sought to examine if the extent to which internal controls system are effective to achieve its intended objectives in the Lusaka city council. The findings of the research revealed that the control system has resulted to effective conduct of business; the study revealed that employees were comfortable with the internal control system and believes that organizations have strong internal control systems, further the study revealed that internal control system is accurate and complete for accuracy and completeness of financial records and audit strictly follow the internal controls when verifying transactions of the organization

5.1.2.2 Controls to improve Performance

Results revealed that LCC have a clear organisation structure in its operations. The findings further revealed that Control Environment, Risk Assessment, Information and Communication, Control Activities and Monitoring are the constructs of ICS. This is in line with the findings of INTOSAI, 2004. It was further revealed that Councilors (Board of Directors) are committed to the Internal Control System implementation. Findings indicated that risk management and controls has been communicated throughout the organisation and there are clear management statement on risk management and internal controls in the organisation and the findings also indicates that internal audit identifies areas of risk within the organization. The audit function

is not so independent when carrying out the functions as they are influenced by both the politicians and management. Internal control systems were found to be inappropriate and hence impacting negatively on the performance of audit function.

5.1.2.3 Relationship between Internal control system and Performance of LCC

Findings reveal that internal controls system have direct influence on the performance of the Lusaka city council, the positive correlation coefficient of 0.963, $PV= 0.01$ indicates a positive relation between internal controls and performance of the local government. A perfect internal control system leads to better services delivery.

i. Internal Control Systems in LCC

The findings revealed that there is inappropriate internal control system in LCC, which leads to moderate performance. These internal control systems are weak and are subject to manipulations and this affect the performance of the LCC. Weak internal control system negatively impact on the performance of audit function since internal control contracts such as management policies, circulars, regulations and policy directive are part of audit function reference when executing the functions of the local authority

ii. Performance of Local Governments

The findings show the Lusaka city council performance has generally been fairly satisfactory as can be evidenced by the services rendered in waste management, street light, fire service and social amenities of 74% while 4% unsatisfactory service . LCC performance was hampered due to some loopholes in the internal control system being attributable to the weak audit function.

5.1.3 Summary of conclusions

The study concludes that; there exist significant relationships between the variables of the study as conceptualized. internal control system are significantly related to performance good internal control system leads to a good audit function capable of combating audit queries by the Office of Auditor General and hence better performance of local authority.

5.1.4 Recommendations

Generally, this research examined the effectiveness of Internal Control Systems and audit function in local authority. The findings revealed that internal control systems have a

significant positive effect on the performance of the Lusaka city council. This means that when internal control systems improve, there will be better service provision in the community. Control Environment, Risk Assessment, Control activities and Monitoring were revealed to have more significant predictor on internal control system. This implies that the more sound the Internal Control Systems are adhered to, the higher the chances that local authority will achieve better performance. The findings indicate that inappropriate control elements of Control Environment, Risk Assessment, Information and Communication, Control activities and Monitoring may lead to the weak internal controls system. In a bid to improve performance, it is recommendable for the Audit Committee to ensure that audit reports are always reviewed, communication between finance department, audit and senior management is effective, that internal audit moves away from being reactive to being proactive and identifies areas of risk within the organisation and that activities also be implemented as planned in the work plan. Having known the significance of Internal Control Systems, Local authority needs to ensure that they continuously review of internal control systems and ensure that they are operational.

5.1.5 Areas of further research

The findings of the research appear to indicate that political leaders don't know their role in Local government management. This necessitates a need to study the roles of politicians and the performance of Local Governments.

From this study it can also be observed that there are moderate internal controls in local authority and that work plans are not strictly followed when implementing activities. This therefore calls for a research to study whether there could exist a relationship between internal controls and work plan performance in local authority.

Future research should attempt to collect data from other local authorities in Zambia to find out whether the effectiveness of internal controls systems on the performance of the local authorities in Zambia.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

QUESTIONNAIRE FOR THE EVALUATION OF INTERNAL CONTROL SYSTEMS AND AUDIT FUNCTION IN LOCAL AUTHORITY SECTOR (CASE OF LUSAKA CITY COUNCIL)

Dear Respondent;

This is a study on the determinants of the effectiveness of Internal Control Systems and Audit function in local authority sector the case of **Lusaka City Council**. Kindly spare some time and circle or tick or indicate your opinion on each of the statements given. The information obtained will be used for academic purposes only and will be held in the strictest confidence.

Thank you in advance.

SECTION A: BACKGROUND INFORMATION

1. Qualification

Certificate Diploma Bachelor's degree
Masters Postgraduate diploma PhD

2. Gender

Male Female

3. Employment status?

- a. Political Staff
- b. Permanent Technical Staff
- c. Probationary Technical Staff
- d. Contracted Technical Staff
- e. Pensioned Staff

4. Age bracket

- f. below 20 years
- g. 21 – 40 years
- h. 41 – 60 years
- i. Above 60 years

5. Duration of employment with the organisation;

- j. below 2 years

- k. 3 – 5 years
- l. 6 - 10 years
- m. Above 10 years

SECTION B: How effective is the internal control systems in Lusaka City Council

Please, tick in the appropriate box against the statements as; S/A= Strong agree, A=Agree, D= Disagree, N/S=Not sure

	Effective internal controls	S/A	A	D/A	N/S
1	Employees are comfortable with the internal control systems.				
2	internal control system has resulted in effective conduct of business				
3	implementation of controls is accurate and complete in the keeping of financial records				
4	Internal Auditors strictly follow internal controls when verifying transactions				

SECTION C: Internal control systems to improve performance in LCC

Please, tick in the appropriate box against the statements as; S/A= Strong agree, A=Agree, D= Disagree, N/S=Not sure

	Control Environment				
1	Is there clear separation of roles and responsibilities?				
2	Are financial regulation, policies, procedures and guidelines documented?				
3	Does LCC have a clear organizational structure?				
4	Are Councilors (Board of Directors) are committed to the Internal Control System implementation?				
5	Are employees in finances aware of the financial regulations the local Government?				

	Risk Assessment				
1	There are clear management statement on risk management and internal controls in the organisation				
2	The employees have knowledge of revenue leakage areas				
3	Internal audit identifies areas of risk within the organization				

	Information and Communication				
1	Internal routine captures and reports information on performance effectiveness and efficiency				
2	The importance of risk management and controls has been communicated in the organization				
3	Management receives timely, relevant, and reliable reports for decision-making				
	Control Activities				
1	The internal Audit has access to departmental heads, the accounting officers, and the organization's records				
2	Internal audit has moved away from being reactive to being proactive.				
	Monitoring				
1	Internal audit has a comprehensive internal monitoring program				
2	Internal audit through its monitoring function has enhanced the organizations corporate code of governance				
	SECTION D: Performance of local Authority (LCC)				
1	The local authority delivery basic services of waste management, street light, fire service and social amenities				
2	Local Authority activities are implemented as planned in the work plan				
3	The Audit Committee always reviews internal Audit report				
4	There no cases of diversion of public funds for personal benefit				

PART E

What is the relationship between the internal controls system and performance of LCC?

1	The strength of internal controls system influence the level of performance				
2	Good policies and practices of the internal audit have a positive bearing on performance				
3	Internal controls provide reliable financial reporting for management decisions and improve performance				
4	Internal controls leads to provision of quality services to the public				

Interview guide

1. How long has Lusaka city council been in place?
2. Is there an established internal control system?
3. How often do you carry out performance appraisal?
4. How has been the performance of LCC report past three years?

What recommendations and suggestion

APPENDIX II: STUDY PLAN

Item	Description	Time line	Comment
1	Research Proposal	28 th March,2019	Presentation of Research Proposal
2	Chapter One: Introduction	1 st April,2019	Submission of Chapter One
3	Chapter Two: Literature Review	10 th May, 2019	Submission of Chapter Two
4	Chapter Three: Research Methodology	10 th June, 2019	Submission of Chapter Three
5	Chapter Four: Presentation & Findings	5 th January, 2020	Submission of Chapter four
6	Chapter Five: Discussion of findings	28 th March,2020	Submission of Chapter five

APPENDIX III: RESEARCH BUDGET

Categories

	Cost (ZMK)
A. Administration Expenses	
1. Stationery	
A4 Bond paper @ k60 x 5	300
Pens @ k10 x 5	50
2. Printing	
Tonner @ 1,400 x 2	2,800
3. Ethical Clearance @ 500	500
B. Transport Cost	
Fuel (personal car)	3,000
C. Equipment or Tools	
Flash disk @ k200	200
Research Total	6,850