MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

EVALUATION OF THE IMPACT OF INTERNAL CONTROL ENVIRONMENT ON FINANCIAL MANAGEMENT OF THE AIR FORCE OF ZIMBABWE (AFZ)

BY

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DEDICATION

I would like to dedicate this dissertation to my wife Janeth and my children, Tinotenda and Natasha for their unwavering support and understanding during the period of study. Their love and support are my key ingredients to every achievement that I make. My family you are my pillar of strength and you are the reason for every effort that I make and together we shall remain an indomitable team.

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ABSTRACT

The Air Force of Zimbabwe (AFZ) like any other public sector companies is not spared from financial control irregularities in the form of fraud, unauthorised expenditure and misappropriation of funds. This has been evident during the audits by the Ministry of Defence internal audit and reports from the special investigations branch of the AFZ. Despite having an internal control system in place these practices continued to take place on an increasing scale. This has motivated the researcher to carry out a study on the impact of the internal control environment on the financial management of the AFZ. The research sought to establish the relationship between internal control environment and financial management. The appropriateness of the personnel involved in the financial management of the AFZ was to be determined as well as the challenges faced in ensuring an effective internal control environment. Relevant literature was reviewed in pursuance of the said objectives and a COSO model of the internal control environment was adopted for the purpose of this study. In line with the COSO model, the internal control environment was therefore broken down into the elements which include; Integrity and ethical values, management philosophy and operating style, organizational structure, assignment of authority and responsibility, human resource policies and practices and competence of personnel. After reviewing the existing literature it was concluded that the internal control environment is the foundation of the internal control system which in turn has a direct impact on financial management. This relationship therefore connected the internal control environment with the financial management. A descriptive approach was used during the study based on a sample. The sample was based on a judgemental sampling using the convenience sampling technique. Data was gathered through questionnaires and interviews. A triangulation of questionnaires and interviews ensured that data was verified and some objectives that were difficult to meet through the use of one method were achieved through the employment of the other method. Conclusions were drawn from data that was collected, presented and analysed. It was realised that an improvement in internal control environment was going to cause an improvement in the financial management of the AFZ. The research also revealed that most of the personnel in the finance section of the AFZ were under-qualified. Lack of funding came out as the major challenge in ensuring an effective internal control environment in the AFZ. It was recommended that the delegation of authority in the financial management be based on professional qualification rather than on military ranks.

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DEFINITION OF TERMS, ACRONYMS AND ABBREVIATIONS

AFZ	Air Force of Zimbabwe.
COSO	Committee of Sponsoring Organisations
Headquarters	The head office of a military organisation.
MOD	Ministry of Defence
PSIP	Public Sector Investment Programmes
SIB	Special Investigations Branch
ZDF	Zimbabwe Defence Forces
ZNA	Zimbabwe National Army

LIST OF TABLES

Table 1.1	Irregularities on financial control (2011-2013)	2
Table 3.1	Sample frame table- questionnaires	24
Table 4.1	Questionnaire response rate	36
Table 4.2	Summary of interviews response rate	36
Table 4.3	Established code of conduct in place	47
Table 4.4	Challenges faced by the AFZ in ensuring an effective internal control environment	50

LIST OF FIGURES

Fig 4.1	Analysis of response rate according to classification of respondents	38
Fig 4.2	No. of years in the AFZ	38
Fig 4.3	Level of education in accounting qualification of respondents	39
Fig 4.4	Level of competence and requisite knowledge and skills	40
Fig 4.5	Management makes an effort to determine whether the accounting department has adequate knowledge and skills to do their jobs	41
Fig 4.6	Verification of qualifications of personnel in the accounting department	42
Fig 4.7	Establishment by management of training programmes that help employees increase their knowledge and skill	43
Fig 4.8	Does the organisation accept regulatory control imposed by others	44
Fig 4.9	Management always recognise and respond to risks	45
Fig 4.10	Management overrides some of the established controls	46
Fig 4.11	Anonymous fraud hotline	48
Fig 4.12	Improvement of financial management as a result of improvement in internal control environment	49

LIST OF APPENDICES

Appendix A	Letter	64
Appendix B	Questionnaire	65
Appendix C	Interview guide	69

TABLE OF CONTENTS

	Approval Form	ii
	Release Form	iii
	Dedications	iv
	Acknowledgement	v
	Abstract	vi
	Definition of Terms, Acronyms and Abbreviations	vii
	List of Tables	viii
	List of Figures	ix
	List of appendixes	X
	CHAPTER 1	
	INTRODUCTION	
1.0	Introduction	1
1.1	Background to the study	1
1.2	Statement of the problem	3
1.3	Main research question	3
1.4	Objectives of the study	4
1.5	Research questions	4
1.6	Significance of the study	4
1.7	Assumptions	5
1.8	Delimitation of the research	5
1.9	Limitations of the study	6
1.10	Definition of terms and Abbreviations	6
1.11	Chapter summary	7
	CHAPTER 2	
	LITERATURE REVIEW	
2.0	Introduction	8
2.1	Internal control environment and financial management	8
2.1.1	Financial Management and internal control	9
2.1.2	Internal Control and internal control environment	10
2.2	Internal Control Environment	11
2.2.1	Management Operating Style and Philosophy	13
2.2.2	Ethical Values and Integrity	14
2.2.3	Competence	15
2.2.4	Organizational Structure	16
2.2.5	Human resource policies and practices	17
2.3	Summary	19

	CHAPTER 3	
	RESEARCH METHODOLOGY AND DESIGN	
3.0	Introduction	20
3.1	Research design	20
3.1.2	Qualitative and Quantitative Approach	21
3.2	Study Population	22
3.3	Sample Size and Design	23
3.4	Sampling Procedure	24
3.5	Sources of Data	25
3.5.1	Primary Data	25
3.5.2	Secondary Data	25
3.6	Data Collection Instruments	27
3.6.1	The Questionnaire	27
3.6.2	Interviews	29
3.7	Reliability and Validity	31
3.7.1	Reliability	31
3.7.2	Validity	32
3.8	Data Presentation and Analysis	32
3.9	Ethical Considerations	33
3.10	Summary	34
	CHAPTER 4	
	DATA PRESENTATION AND ANALYSIS	
4.0	Introduction	35
4.1	Survey results	35
4.1.1	Questionnaires Response Rate	35
4.1.2	Interviews response rate	36
4.1.3	Analysis of response rate according to classification of respondents	37
4.2	Number of years in the AFZ	37
4.3	Level of Education	39
4.4	Level of competence and the requisite knowledge and skills defined for jobs in the accounting department	40
4.5	Management makes an effort to determine whether the accounting department has adequate knowledge and skills to do their jobs	41
4.6	Verification of qualifications of personnel in the accounting department	42
4.7	Establishment by management of training programmes that help employees increase their knowledge and skill	43
4.8	Does the organisation accept regulatory control imposed by others?	44
4.9	Management always recognise and respond to risks	45
4.10	Management overrides some of the established controls.	46
4.11	Established code of conduct in place	47
4.12	Anonymous fraud hotline	48
4.13	Improvement of financial management in the AFZ through improvement of the internal control environment	49

4.14	Challenges faced by the AFZ in ensuring an effective internal control environment	50
4.15	Interview responses	51
4.16	Summary	54
	CHAPTER 5	
	SUMMARIES, CONCLUSIONS AND RECOMMENDATIONS	
5.0	Introductions	55
5.1	Summary	55
5.2	Major Findings	56
5.3	Recommendations	58
5.4	Areas of Further Study	59
5.5	Conclusion	59
	References	61

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter discusses the background to the study, statement of the problem and main research question. It also covers the objectives of the study, research questions, and significance of the study and assumptions that will be made during the study. Delimitations, limitations and definition of terms are also explained before the summary of the chapter.

1.1 Background to the Study

According to the constitution of Zimbabwe (2013), the Air Force of Zimbabwe (AFZ) was established as part of the Zimbabwe Defence Forces (ZDF) which falls under the Ministry of Defence (MOD). The ZDF's mandate is to protect Zimbabwe, its people, its national security and interests and its territorial integrity. The Air Publication 6001 (2011) pronounces the primary roles of the Air Force of Zimbabwe as defending the Zimbabwean aerospace, providing close air support to Zimbabwe National Army (ZNA) and providing support to civil powers. As a public entity the Air Force of Zimbabwe (AFZ) is subject to an external audit by the Auditor General according to the Public Finance Management Act (2009). The AFZ is however also audited by the MOD internal auditors. The MOD's internal audit is responsible for the internal audit of all departments of the ministry and the AFZ is one of the departments of the MOD which is audited annually by the MOD internal audit.

According to the Auditor General's report (2013), the MOD's financial control left a lot to be desired. Many areas of concern were raised which indicated a variety of irregularities. The MOD internal audit reports indicated a lot of issues picked during the audit of the AFZ. According to the MOD internal audit reports (2011-2013) many cases of unauthorised expenditures, purchases of goods without following the correct procedures and misallocation of public sector investment programme (PSIP) funds were reported. According to the AFZ Special Investigation Branch (SIB) annual reports (2011-2013), two cases of missing cash from the safe were reported in 2011, while three cases were reported in 2012 and another two cases were reported in 2013. The SIB report (2013) indicated that of all the reported cases only 30 % were traceable leaving 70% being untraceable.

The table below shows the major irregularities picked by the MOD's internal audit reports from 2011 to 2013 and SIB annual reports from (2011-2013);

Table 1.1 Irregularities on Financial control (2011-2013)

IRREGULARITY	**2011**	**2012**	**2013**
Unauthorised Expenditure	$500 136	$705 300	$657 254
Unprocedural purchases	$ 267 389	$378 467	$ 353 271
Misallocation of PSIP funds	$1 024 800	$987 357	$1 527 839
Missing Funds	$10 000	$13 500	$16 500

(source: Ministry of Defence (MOD) Internal Audit Reports 2011-2013) and Air Force of Zimbabwe Special Investigations Branch (SIB) Reports 2011-2013)

The table above depicts a trend of irregularities for three consecutive periods thereby indicating a problem. According to the MOD internal audit reports (2011-2013), the unprocedural purchases

indicated above comprised purchases where the expected tendering procedures were not followed. The misallocation of the PSIP funds meant that the projects would not be completed in the required time frame. According to the reports by the SIB report (2013) the missing cash was as a result of embezzlement from the safe by accounts clerks. The report however indicates that the majority of the funds were untraceable since only 30% was traceable and recovered. According to the AFZ annual operations directive (2014) the Air Force Commander alluded to the negative impact on the operational readiness of the AFZ of the failure to effectively manage the available meagre resources. He regretted the failure by the AFZ to acquire aircraft spares and other supporting accessories and infrastructure which are required to ensure serviceability of its aircrafts that would enable the organisation to perform its constitutional mandate.

1.2 Statement of the Problem

The AFZ has been reported as having a lot of irregularities in its financial control. This is evidenced by the persistent and increase in the unauthorised expenditure that it incurred in the period of three years. The flouting of purchasing procedures is also indicative of a serious problem. Purchases were carried out without following the set procurement or tendering procedures. Misallocation of PSIP funds has resulted in the PSIP projects not being completed within the time frame. The AFZ has also suffered from periodic embezzlement of funds. This has motivated the need to carry out this research so as to evaluate the impact of the internal control environment at AFZ on its financial management.

1.3 Main Research Question

What is the impact of the internal control environment on the financial management of the Air Force of Zimbabwe?

1.4 Objectives of the Study

The research seeks to achieve the following objectives;

- To establish the relationship between internal control environment and financial management at AFZ through the use of questionnaires and interviews.
- Through interviews establish the appropriateness of personnel involved in financial management at AFZ.
- Through use of questionnaires and interviews establish challenges faced in ensuring an effective internal control environment.
- Based on research findings recommend an appropriate internal control system applicable to the AFZ.

1.5 Research Questions

- What is the relationship between internal control environment and financial management at AFZ?
- How appropriate is the personnel involved in financial management at AFZ?
- What are the challenges faced in ensuring an effective internal control environment at AFZ?
- What is the internal control system applicable to the AFZ?

1.6 Significance of the study

To the Student

The study will be of great significance to the student in that it will be submitted to Midlands State University in partial fulfillment of the requirements of the Bachelor of Commerce Accounting (Honours) degree.

To Midlands State University

The research will help in expanding the existing literature at Midlands State University. Students from MSU or other Universities will find the research useful in their endeavor to explore the subject.

To the Air Force of Zimbabwe

The study will assist the AFZ in the implementation of effective internal control environment if the findings are accepted.

1.7 Assumptions

The following assumptions were made during the conduct of the study:

- The researcher was going to have access to all the information necessary for the conduct of the research.
- Questionnaires and interviews were to be responded to truthfully.
- The time available for the research is going to be enough to gather all the required data for the research.
- The researcher was able to fund all the aspects of the research that will require financial resources.

1.8 Delimitations

The study focused on the internal control environment in the AFZ and was conducted at the AFZ Headquarters and Manyame Air Base. The staff to be interviewed was stationed at AFZ Headquarters and Manyame Air Base. The research focused on the period from 2011 to 2013.

1.9 Limitations

The research was expected to be conducted amid some limitations. Measures were however put in place to mitigate the effects of the limitations inherent to the research. The limitations include the following:

Time

There was bound to be a time constraint since the researcher is a full time employee who is expected to be performing normal duties during the course of the research. The researcher was going to apply for time off from work to have more time dedicated to the research.

Confidentiality

The AFZ is a security organization and is bound to have most of its information classified. It might therefore be difficult to get all the required information for the research. The researcher planned to make the necessary request for some information in advance so that prior approval was going to be granted to get access to all the information relevant to the research.

Financial constraints

The research was expected to involve some costs that were to be incurred in the process of gathering information and the compilation and presentation of the project. The costs were to involve transport costs, communication costs, and printing costs. The researcher focused on the AFZ establishments which are in Harare since that is where the researcher resides. This was going to cut on transport costs.

1.10 Definition of Terms

AFZ Air Force of Zimbabwe.

Headquarters The head office of a military organisation.

MOD Ministry of Defence

PSIP	Public Sector Investment Programmes
SIB	Special Investigations Branch
ZDF	Zimbabwe Defence Forces
ZNA	Zimbabwe National Army

1.11 Summary

This chapter discussed the background to the study, statement of the problem, research objectives, research questions, significance of the study, assumptions of the study, delimitations, limitations and definition of terms. Chapter two will cover literature review.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on the review of existing literature on the subject under study. It will specifically explore the literature relating to the evaluation of the impact of internal control environment on financial management.

2.1 Internal control environment and financial management

According to (Dinapoli 2010), the control environment is the basis upon which an effective system of internal control is built. He argues that it is the foundation for the operation of an effective internal control system for an organisation that aims to achieve its strategic objectives, operate its business efficiently and effectively. He further points out that it assists organisations in providing reliable financial reporting to both internal and external stakeholders as well as complying with all applicable laws and regulations and the safeguarding of its assets. Sani and Chaharmahalie (2012) assert that internal controls allow organizations to keep detailed records, manage and organize important financial transactions and set a high standard for the organization's financial management structure and protocols.

Combining Dinapoli (2010) and Sani and Chaharmahalie (2012)'s observations it can be deduced that the internal control environment has a direct impact on the internal control system while the internal control system in turn directly impacts on financial management. It can therefore be derived that this means that the internal control environment has an impact on

financial management of an entity. It is against this derivation that the researcher is going to review literature on the above relationships in order to ascertain the relation between the internal control environment and financial management.

2.1.1 Financial Management and internal control

The Financial Management Compliance Framework (FMCF) requires that entities establish and maintain an effective approach for the identification, assessment monitoring and management of financial management risks. The Committee of Sponsoring Organisations (COSO) of the Treadway Commision describes Internal control as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories; effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations" (Frazer (2012).

According to Vigario et al (2011), "Financial management as a function seeks to optimise both the financial resources of the entity and returns to the entity. This is achieved by optimising two main activities, which are financing activities, by deciding the sources of funding between debt and equity. and the determination of the best proportion for the various sources used by the entity as well as the optimal proportion for the various sources used and investing activities, by making a decision on which investments to undertake within the limitations of the available funds and the identified feasible and viable investment projects.

Sound financial management and control is transparent, regular, economical, efficient and effective use of available resources (Macedonia manual for financial management and control 2010). According to McMahon et al in Abanis et al (2013), financial management involves the

raising of the funds required to finance the entity's assets and activities and the allocation of these scarce funds between competing uses. It also involves making sure that the funds are used effectively and efficiently in achieving the entity's goal. Financial management involves planning, organising, directing and controlling the financial activities such as the procurement and the utilisation of funds of the enterprise. The Management Study Guide (2012) describes financial management as managerial activities that concern the acquisition of financial resources and the assurance of their effective and efficient use. An internal control system should address the risks associated with the financial management of the entity and clearly articulate expectations and internal accountabilities for management of these risks.

2.1.2 Internal Control and internal control environment

According to Chang (2014), the COSO framework breaks the internal control system in to five components, namely, the control environment, risk assessment, control activities, information and communication, and monitoring. Adeniyi (2014) quoted the Autorité Des Marché Financiers (AMF) working group defining internal control as the set of security measures which contribute to the control of a company aiming at ensuring on the one hand, the security and safeguard of assets and the quality of information, on the other hand, the application of instructions given by Senior Management, and to encourage improvements in performance.

According to Olaoye in Adeniyi (2014) internal control comprise the plan of an organization and all of the coordinate methods and measures adopted within it, to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies. Organizations meet these objectives through a process that includes five primary components; control environment, risk assessment, control

activities, information and communication and monitoring. The control environment provides discipline and structure for the achievement of the primary objectives of the system of internal control.

Leng and Zhan (2014) asserts that the control environment is the first part of the internal control framework and it sets the tone for the company as a whole and it also has an effect on the execution of its personnel awareness. It is the foundation for effective internal controls, providing discipline and structure (Ho and Wong 2011). This is fundamental part of the internal control components and the foundation of internal control procedures that provides the tone and organizational structure. According to the Standards for Internal Control in New York State Government, the control environment has a pervasive impact on the decisions of an organisation as well as its activities. It provides the basis for the whole system of internal control. This implies that if this foundation is weak, if the control environment is negative, the overall system of internal control will be ineffective.

2.2 Internal Control Environment

The control environment is defined as the attitude and actions of the directors and management upon the significance of control within the organization (The International Standards for the Professional Practice of Internal Auditing Standards). According to Rubino and Vitolla (2014), the control environment is the set of standards, processes and structures that provide the basis for carrying out internal control across the organization. It embraces the other four components of the internal control system because it sets the tone of an organization and influences the consciousness of its people.

Dinapoli (2010) asserts that in contrast to specific control procedures (like checking the mathematical accuracy of vendor invoices) which focus on a single processing stream, the control environment has a pervasive influence that affects all business decisions and activities of the organization. It refers to the management's overall attitude, awareness and actions regarding internal controls and their importance. The control environment includes the following elements: Integrity and ethical values, management philosophy and operating style, organizational structure, assignment of authority and responsibility, human resource policies and practices and competence of personnel.

Amudo & Inanga in Badara and Saidin (2013) assert that control environment assist towards reducing the level of fraudulent activities within organizational operation and the quality of an entity's internal controls system depend on the function and quality of their control environment. According to Li (2015) the core of any enterprise is the enterprise of the people and their activities, the activities of the people in the environment, the environment determines the atmosphere of an organization, influencing people in the organization's internal control consciousness. Control environment is the generic term of a group of factors that have a significant impact, such as establishment of the control of specific policies and enhance and effectively implement the floorboard of procedures.

The control environment is concerned with the actions, policies, and procedures that reflect the overall attitude of the client's top management, directors, and owners of an entity about internal control and its importance and is also influenced by the structure and accountability relationships of the organization (Adeniyi 2014). According to the Internal Control Management and Evaluation Tool (8/01), management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward

internal control and conscientious management. The key control environment factors which should be considered include management operating style and philosophy, ethical values and integrity, commitment to competence, organisational structure and human resource policies and practices. Managers and evaluators should consider each of these control environment factors when determining whether a positive control environment has been achieved.

2.2.1 Management Operating Style and Philosophy

According to Abiyola and Taiwo (2013), the most effective style and philosophy for the organization should be practiced by management and it should ensure that the ethical values of the organization are reflected in its actions, and enhance staff morale. They further point out that management should consistently display and communicate clearly these beliefs to staff and regularly evaluate the effectiveness of the style and philosophy and the consistency in practice thereof. Management's philosophy and style can be exhibited in such areas as management's attitude towards the recognition as well as the response to internal and external risks and acceptance of regulatory control imposed by others.

The achievement of the entity's goals is greatly influenced by how employees take care of their responsibilities. The manner in which the employees take care of their responsibilities is in turn influenced by the tone, actions and leadership of the management. However, the level of independence and experience of management as well as their scrutiny over the entity's activities determines their effectiveness. The top management's actions are a reflection of its attitude. The commitment, the involvement and support of top management in setting "the tone at the top" encourages a positive attitude and are imperative in maintaining a positive and supportive

attitude towards internal control in an organisation (Guidelines for Internal Control Standards for the Public Sector).

Management's commitment to internal control can be reflected on the existence of an internal audit section as part of the internal control system. However if employees perceive control as an unimportant concern to the top management where it is just talked about without any action in its support, the organisation will not be able to achieve its control objectives.

2.2.2 Ethical Values and Integrity

Ethical values are the standards of behaviour that form the framework for employee conduct (Abiyola and Taiwo 2013). These are the essential elements that aid to a good control environment and they guide employees when they make decisions. According to Fourie and Ackermann (2013), an organisation should have a code of conduct and this should explain what is considered to be "best business practice" and what constitutes "good" ethical behaviour. Furthermore, this code should be known by all employees and they should acknowledge that they have read and understood the code and that they intend to implement it. They further argue that management should be prohibited from overriding established controls, and if the controls should be overridden, this should be brought to the attention of the audit committee.

The maintenance of ethical values can be reinforced by management through the encouragement for adherence to laws and policies, commitment to excellence, honesty and fairness, recognition of and, respect for the organization, leadership by example, respect for authority and for employees' rights, and conformance with professional standards. The establishment and communication of the ethical values of the organisation is management's responsibility and the demonstration of integrity is every employee's responsibility. Guidelines for Internal Control

Standards for the Public Sector confirms that top management should regularly remind employees their through a code of conduct. Consequently, it is therefore imperative that management demonstrates and insist on ethical conduct for the achievement of internal control objectives, in particular the objective of "ethical operations".

Management should be exemplary through its conduct and actions in carrying out its role and its conduct should display what is proper instead of what is expedient or acceptable. The procedures, policies and practices by management should promote ethical, economical, orderly effective and efficient conduct. Overall performance appraisals should be based on an assessment of many critical factors, including the employee's role in effecting internal controls, and consistently enforcing disciplinary practices for all ethical violations. Management encourages integrity by; establishing and publishing a code of conduct; complying with the organization's ethical values and code of conduct; rewarding employee commitment to the organization's ethical values; establishing methods for reporting ethical violations; and consistently enforcing disciplinary practices for all ethical violations (Standards for Internal Control in New York State Government).

2.2.3 Competence

Competence is a characteristic of people who have the skill, knowledge and ability to perform tasks. According to Abiyola and Oyewole (2013), the first step for ensuring competency of employees by management should be the establishment of appropriate human resource policies and practices that show a commitment to establishing the required levels of knowledge and skill for every post. This can be achieved through the verification of the qualifications of prospective job candidates and hiring and promoting those with the appropriate level of knowledge and

skills. The authors further reiterate the need to establish training programs that assist employees in complementing their knowledge and skills.

Commitment to competence includes the level of knowledge and skill needed to help ensure orderly, ethical, economical, efficient and effective performance, as well as a good understanding of individual responsibilities with respect to internal control (Guidelines for Internal Control Standards for the Public Sector). A certain level of competence must be maintained by managers and employees that enable them to understand the importance of the development, implementation, and the maintenance of good internal control. This level of competence also enables them to perform their duties effectively in order to accomplish the general internal control objectives and the mission of the organisation. Internal control involves everyone in an organisation in their various responsibilities.

Management and their subordinates must therefore maintain and demonstrate a level of skill that enables them to assess risk and assist in ensuring effective and efficient performance. They should also have an understanding of internal control that enables them to effectively discharge their duties.

2.2.4 Organizational Structure

This is the framework in which the organization's plans are carried out. It should define the functional sub-units of an organization and the relationships among them. According to Abiyola and Oyewole (2013), an organization chart can provide a clear picture of the authority and accountability relationships among functions. This requires assignment of authority and responsibility. Senior management should prepare organizational charts to document, communicate and enforce accountability for the achievement of the entity’s financial reporting

objectives (Rubino and Vitolla 2014). All employees should have access to the chart in order for them to understand the organization as a whole and the various relationships among its components and how they fit into the organization. This chart should be reviewed periodically by management for it to reflect the structure of the organisation accurately.

According to Guidelines for Internal Control Standards for the Public Sector the organisational structure of an entity provides; assignment of authority and responsibility; empowerment and accountability and appropriate lines of reporting. According to the internal control management and evaluation tool (8/01), the organizational structure should be appropriately centralized or decentralized, given the nature of its operations, and management must clearly articulate the considerations and factors taken into account in balancing the degree of centralization versus decentralization.

The organisational structure depicts the entity's essential areas of authority and responsibility. The manner in which this authority and responsibility are delegated throughout the organisation determines empowerment and accountability. The organisational structure can include an internal audit unit that should be independent from management, and reports directly to the highest level of authority within the organisation.

2.2.5 Human resource policies and practices

According to Abiyola and Oyewole (2013), the most important element of the control environment is personnel, which is why human resource policies and practices are essential. Human resource policies and practices include hiring and staffing, orientation, training (formal and on-the-job) and education, evaluating and counselling, promoting and compensating, and

remedial actions. With trustworthy and competent employees, weakness in other controls can be compensated and reliable financial statements might still result.

The organization should demonstrate a commitment to attract, develop and retain competent individuals to align with its financial reporting objectives and the board of directors and management must evaluate competence across the organization to established policies and practices and must act as necessary to address shortcomings (Rubino and Vitolla 2014). At the same time, the implementation of training courses for staff should not be overlooked. Honest and efficient people are able to perform at a high level even when there are few other controls to support them. Therefore, the methods by which persons are hired, trained, evaluated, compensated, and promoted, are an important part of the control environment.

A company should take care in hiring, orientation, training, evaluation, counselling, promotion, compensating, and remedial actions. Recruiting practices should include formal, in-depth employment interviews and evidence of integrity and ethical behaviour results in hiring high quality employees (Rick et al in Abiyola and Oyewole (2013). The process of hiring and placement should therefore include the assurance that individuals have the expected integrity and the appropriate education and experience required to carry out their jobs. The process should also ensure that the required formal, on-the-job, and ethics training should be provided. An effective internal control system can be guaranteed when both managers and employees are willing to take responsibility and have a good understanding of internal control. The promotion of an ethical environment can be enhanced by the human resource management through the development of professionalism and enforcement of transparency in routine practice. This can be achieved through carrying out processes like recruitment, performance appraisal and promotion processes

basing on merits. Ethical human resource management practice can be realised through the openness of selection processes by publishing both the recruitment rules and vacant positions.

2.3 Summary

The chapter reviewed the related literature to find out what has been said concerning the area of study and it helped the researcher in identifying the direction of research. The chapter looked at the relationship between the internal control environment and financial management. The relationship was broken into linking relationships of internal control environment and internal control system, and internal control system and financial management. Components of internal control environment which include management operating style and philosophy, ethical values and integrity, commitment to competence, organisational structure and human resource policies and practices were discussed in detail. The next chapter will focus on the research methodology.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the manner in which this research has been conducted. It portrays the research methods chosen by the researcher in this research.

3.1 Research Design

According to Sachdeva (2009) research design constitutes the blueprint for the collection, measurement and analysis of data. It is a structural frame and plan of investigation that is created to facilitate the provision of answers to research questions. Singh (2006) points out that a research design is essentially a statement of the object of the inquiry and the strategies for collecting the evidences, analysing the evidences and reporting the findings. Research purpose is usually classified in at least one of either exploratory, descriptive and explanatory and a research may have more than one purpose (Saunders et al 2009). An exploratory study is a valuable means of finding out 'what is happening; to seek new insights; to ask questions and to assess phenomena in a new light' (Robson 2002:59 in Saunders et al 2009). A descriptive approach and explanatory approach to research design were used in this study.

(a) Descriptive approach

The object of descriptive research is 'to portray an accurate profile of persons, events or situations' (Robson 2002:59 in Saunders et al 2009). It includes research designed to provide answers to questions regarding to what, who, when, where and how of the topic.

In the research under way the descriptive research assisted in achieving the objectives of determining the appropriateness of personnel involved in financial management in the Air Force of Zimbabwe and the establishment of the challenges faced in ensuring an effective internal control environment.

(b) Explanatory approach

Studies that establish causal relationships between variables may be termed explanatory research (Saunders et al (2009). In this research project an explanatory research would assist in establishing the relationship between the internal control environment and financial management in the Air Force of Zimbabwe.

3.1.2 Qualitative and Quantitative Approach

According to Williams (2007), there are three possible approaches to conducting a research which are quantitative, qualitative, and mixed methods. The main determinant of the approach to adopt is the anticipated type of data needed to respond to the research question. Williams (2007) asserts that based on this assessment, the researcher selects one of the three approaches to conduct research. Quantitative approach is usually selected to respond to research questions requiring numerical data, the qualitative approach for research questions requiring textural data, and the mixed methods approach for research questions requiring both numerical and textural data.

Saunders et al (2009) argues that quantitative is predominantly used as a synonym for any data collection technique (such as a questionnaire) or data analysis procedure (such as graphs or statistics) that generates or uses numerical data and qualitative is used predominantly as a

synonym for any data collection technique (such as an interview) or data analysis procedure (such as categorising data) that generates or use non-numerical data.

The research however adopted a mixed approach by employing both quantitative and qualitative approaches to the research. The use of questionnaires was used and participants responded with textual data and the analysis was in the form of graphs and pie charts thereby generating numerical data hence the selection of the mixed approach. According to Creswell (1994) in Williams (2007) qualitative research is a general approach that includes discovery and can also be described as an unfolding model that occurs in a natural setting that assists the researcher in developing a certain level of detail from the high involvement in the real experiences. The research required to determine to what extent did the internal control environment affects financial management in the AFZ.

Williams (2007) further points out that qualitative research consist of areas which include case study, ethnography study, phenomenological study, grounded theory study, and content analysis. The researcher adopted the case study area of qualitative approach. According to Robson (2002:178) in Saunders et al (2009) a case study is a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context. The study focused on a case study of the Air Force of Zimbabwe.

3.2 Study Population

According to Saunders et al (2009), the full set of cases from which a sample is taken is called the population. The research was conducted at AFZ Headquarters and Manyame Air Force Base. All respondents were drawn from these two places. The target population comprised personnel who are directly or indirectly involved in the financial management of the Air Force of

Zimbabwe. The population included 40 members from the finance department who comprise 30 accounts clerks and 10 accountants. 10 Heads of various departments were also included in the population since they were involved in the financial management as part of management. The top management of the two centers referred to as the Base administration was included in the population and they consist of 10 members. The total population consisted of a total of 60 people.

3.3 Sample Size and Design

According to Saunders et al (2009), Sampling techniques provide a range of methods that enable the research to reduce the amount of data that is required to be collected by considering only data from a sub-group rather than all possible cases or elements. The authors further assert that sampling provides a valid alternative to a census when; it would be impracticable to survey the entire population, there are budget and time constraints to survey the entire population and when one needs the results quickly after collecting the whole data. Considering the size of the target population the research used a sample.

The size of the sample was chosen based on time available and costs involved. The target population was divided into Base administration; Heads of departments and finance department and sampling was done on the basis of availability hence convenience sampling was also applied in the three categories to come up with the sample. The sample was taken from the population basing on the categories of the population as depicted on table 3.1 below:

Table 3.1 Sample frame table [Questionnaires]

Category	Population	Sample
Base administration	**10**	**5**
Heads of departments	**10**	**5**
Finance department employees	**40**	**20**
TOTAL	**60**	**30**

3.4 Sampling Procedure

Non probability or judgemental sampling was employed in this study. According to Saunders et al (2009) purposive or judgemental sampling enables one to use judgement to select cases that will best enable the answering of research question(s) and to meet objectives. Singh (2006:91) points out that "the purposive sampling is chosen by some indiscriminate method since it is known to be representative of the whole population, or it is certain that it will produce groups that are well matched. The objective is to come up with the sample out of some criterion which is considered essential for that particular study.

The research used purposive sampling since this could facilitate the answering of different research questions which targeted different groups of people. In this study some research questions needed the response of management and some needed the response of those in the finance department. The target population was divided into Base administration, heads of department and finance department and sampling was done on the basis of availability hence convenience sampling was also applied in the three categories.

3.5 Sources of Data

According to Sachdeva (2009), data is defined as a collection of descriptors of natural phenomena and this includes a set of premises, experience results and observation or experiment. He points out that data comprise numbers, words or images, specifically as measurements or observations of a set of variables. There are basically two sources of data emerging in a research project which are primary source and secondary source (Sachdeva 2009).

According to Blance (2006), the data collected from a research is depended upon the research questions and research objectives which have given particular attention to the researcher's observation. Both primary and secondary data collection methods were applied in this research in order to answer the research questions and to fulfill the objectives.

3.5.1 Primary Data

Primary source of data is used to collect initial material during the research process (Sachdeva 2009). Primary data is the data that is collected by the researcher himself using various methods which include surveys, questionnaires, direct observations and interviews. According to Sachdeva, primary data is a reliable way to collect data in that the researcher will be aware of the original data source and how it was collected and analysed and it also gives the researcher access to original and unedited information. In this research the primary data was collected from employees at the finance department and the management through questionnaires and interviews.

3.5.2 Secondary Data

According to Sachdeva (2009), secondary sources of data are the second hand versions of the primary source which is edited and usually represent someone else's thinking. The author asserts

that secondary data are usually data already gathered by individuals or agencies for other uses other than addressing the research problem. Secondary data is considered as cheap and one of the easiest methods to access information. According to Krishnaswami and Satyaprasad (2010), secondary sources of data are ready made and readily available and do not require the trouble of constructing tools and administering them and they consist of data over which a researcher has no original control over collection and classification since both the form and content of secondary sources are shaped by others. The authors assert that secondary data may be used in three ways which are; for reference purpose, used as bench marks against which findings of the research may be tested and as the sole source of information for a research project.

Secondary data comprise quantitative and qualitative data and these are used mainly in both descriptive and exploratory research. There are a number of advantages that can be enjoyed on using secondary data. Secondary data saves the time of the researcher since the required data readily available and makes the research quicker. In this study the researcher made use of both internal and external secondary data. The internal secondary data that was utilized were the documents stating the human resource policies, the code of conduct for those involved in financial management and also policies in terms of organizational structure. This data assisted the researcher in ascertaining the extent to which the internal control environment was sound. External secondary data was obtained from journals and books. This kind of data provided a benchmark upon which the research was based through the provision of information related to the study.

3.6 Data Collection Instruments

Primary data can be gathered through surveys, questionnaires, observations and experiments (Sachdeva 2009). He further asserts that survey can be divided into two broad categories; the questionnaire and the interview. Questionnaires are usually in written format that the respondent completes while interviews are completed by the interviewer based on what the respondent says.

Robson (2002:178) in Saunders et al (2009) pointed out that if case study strategy is being used there is need to use and triangulate multiple sources of data. Triangulation refers to the use of different data collection techniques within one study in order to ensure that the data are telling you what you think they are telling you. In this research data was triangulated to obtain confirmation of some grey areas so as to enhance accuracy, validity and reliability of findings. The research used two instruments namely questionnaires and interviews.

3.6.1 The Questionnaire

Questionnaire includes all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order (deVaus 2002 in Saunders et al 2009). The author points out that because each respondent is asked to respond to the same set of questions, it provides an efficient way of collecting responses from a large sample prior to quantitative analysis. The use of questionnaires is more appropriate in a descriptive research design. Questionnaires can either be self-administered or interviewer-administered. Self-administered means that they are delivered to the research respondents for them to complete themselves and interviewer-administered is where by they are completed by the interviewer basing on the answers from the respondents (Waters, 2011; and Saunders et al, 2009). Factors like, the sample size, respondents' characteristics and the nature of questions determine whether self-

administered questionnaires or interviewer-administered questionnaires should be used (Saunders, et al., 2009). In this study the researcher used self-administered questionnaires where the responses were based on the likert scale.

According to Krishnaswami and Satyaprasad (2010), question construction may be classified as open questions and closed questions. Open ended questions are the unstructured type of question which provide free scope to the respondents to reply with their own choice of words and ideas and are very important in a research where discovery is the objective. Closed questions are structured ones with two or more alternative responses from which the respondent can choose. In this research, closed questions and were used based on the likert scale to rate how strong the respondent agrees/disagrees on some questions. The end-points of a Likert scale are typically strongly disagree and strongly agree with agree, undecided and disagree in the middle with the respective scale ranging from 1 to 5.. The respondents are asked to indicate their degree of agreement by checking one of five response categories (Saunders et al 2009).

Advantages of questionnaires

- Questionnaire method will permit wide coverage which is difficult if other methods such as the interview are used since time of research will be limited and respondents are dispersed geographically.
- The questionnaire can be completed at the respondent's convenience.
- It provides anonymity due to its impersonal nature.
- There is less threat of misrepresentation of information or facts since the questionnaire provide written information.
- It is not difficult to show relationships between respondents since the compatibility of answers is enhanced.

Disadvantages of questionnaires

- When questionnaires are used it is difficult to establish the reasons for inadequate response.
- Probing is impossible.
- Other information like the respondent's environment and their personal characteristics cannot be obtained.
- If the questionnaire is too long or complex the respondents may not cooperate.
- Some questionnaires may be returned with incomplete responses or unanswered questions.

3.6.2 Interviews

According to Krishnaswami end Satyaprasad (2010), an interview is a two way systematic conversation between an investigator and an informant, initiated for obtaining information relevant to a specific study. When qualitative information is required or probing is necessary to draw out fully, and then interviewing is required. The authors assert that interview is more superior to other forms of data gathering method because people are more willing to talk than to write and it permits the investigator to seek clarifications and brings to the fore front those questions, that for one reason or another, respondents do not want to answer. The research made use of interviews as a follow up to the respondents who did not complete their questionnaires and also to the top management who required some clarifications on the objectives of the questions. The interviews act as a compliment to the questionnaire as they assist in checking on information obtained by questionnaires.

Questions on the study were answered exhaustively through interviews since they enabled probing for answers from respondents. The use of follow up questions and the gathering of information by observation of non-verbal cues are other characteristics of interviews which cannot be possible when using the questionnaire. In order to minimize rigidity in the nature of the interviews, semi- structured interviews were used. The semi-structured interviews enabled the interviewer to remain objective in the questioning and maintain the direction of the interview.

Advantages of interviews

- Doubt is clarified and questions are well understood through repetition and rephrasing of questions.
- There is room for probing to clarify responses to ensure correct interpretation.
- Responses are immediate thereby speeding up the data collection process.
- Information can be gathered from less educated or illiterate people using interviews.
- Other information like living conditions and economic level can be gathered through personal interviews by observing the respondent's environment.
- Interviews are flexible and adaptable to individual situations.

Disadvantages of interviews

- Anonymity is defeated by the presence of the interviewer during the questioning and this can cause the respondents to withhold some information they would have provided if there was anonymity.
- Data will not be easily ordered to be analysed.
- Interviews are costly both in time and money.

- Interview results are often adversely affected by the interviewer's mode of asking questions and interactions, incorrect recording and also the respondent's faulty perception, faulty memory and inability to articulate.
- The interviewee might withhold some personal or financial information in a face to face interview.

To mitigate the setbacks of interviews the researcher assured the interviewees that the information gathered would strictly be used for academic purposes only and anonymity will be maintained. The semi structured questions would ensure objectivity in the responses from the interviewees thereby making analysis of data easier.

3.7 Reliability and Validity

3.7.1 Reliability

According to Saunders et al (2009) reliability refers to the extent to which data collection techniques or analysis procedures will yield consistent findings. It can be assessed by posing the following three questions (Smith et al. 2008:109):

- Will the measures yield the same results on other occasions?
- Will similar observations be reached by other observers?
- Is there transparency in how sense was made from the raw data?

Robson (2002) in Saunders et al (2009) asserts that there are four threats to reliability which are; participant error, participant bias, observer error and observer bias. The researcher however put in place measures to mitigate the effect of the threats to reliability. Participants were given questionnaires in the morning before they got exhausted with their work in order to reduce the risk of errors. Since the research was being conducted in a military environment which is

characterized by authoritarian style of management, participants were susceptible to respond in ways which they think their bosses would want them to say. This would increase the chances of bias and in this research an arrangement was made for a drop box where participants would drop completed unsigned questionnaires so as to ensure the anonymity of the participants.

The observer error was more likely to be a threat during the conduct of interviews. The researcher prepared semi-structured interviews in order to exhaust all areas of concern during preparation in order to reduce observer error. In order to ensure that the research instruments were reliable and valid, in this research, questions were designed to cover the aspects of every objective. A pilot test of questionnaires was conducted in order to expose any ambiguities, contradicting items and items that are irrelevant to the purpose of the study.

3.7.2 Validity

Validity is concerned with whether the findings are really about what they appear to be about. Validity entails that the relationship between two variables should be a causal relationship (Saunders et al 2009). The authors have indicated that validity is concerned with whether the findings are really about what they appear to be about. According to Lancaster (2005) validity relates to the extent to which the data collection method or research method describes or measures what it is supposed to describe or measure. Data was collected from reliable sources; from the respondents who are involved in financial management at AFZ. The questionnaires used were examined to ensure that the questions asked sought the information which was related to the problem in order to incorporate validity in this study.

3.8 Data Presentation and Analysis

According to Singh (2006), analysis of data means to make the raw data meaningful or to draw some results from the data after the proper treatment. The author further explains that data analysis refers to the studying of the tabulated material so as to determine inherent facts or meanings. It involves breaking down existing complicated factors into simpler parts and arranging the parts together in new arrangements for the interpretation purposes. The visual presentation of data or results is simple and easy to understand and the graphical and pictorial presentations provide the geometrical image of data which enables the comprehension of the essential features of the frequency distribution (Singh 2006).

In this research, data was collected, presented and analyzed through the use of frequency distribution tables, bar graphs and pie charts. A percentage of respondents was shown from the calculation of the overall response rate of the questionnaires. Descriptive statistics were used since it is easy to use and give a representative view of all the data collected for it uses frequencies, averages and ranges.

3.9 Ethical Considerations

According to Saunders et al (2009), the general ethical issue is that the research design should not subject those being researched (the research population) to embarrassment, harm or any other material disadvantage. The research design may need to consider the extent to which data should be collected from a research population that is unaware of the fact they are the subject of research and so have not consented. As such the researcher has obtained a letter from the institution to present to the Air Force of Zimbabwe requesting authority to carry out a research on the organization. The letter serves as an assurance that the information gathered will be

strictly for academic purposes. Most of the ethical issues were overcome since the researcher is part of the organization that was being researched upon hence there was familiarity advantage which removes most of the ethical barriers. Participants were informed about what was happening during the research so that they decided whether to participate or not from an informed point of view. Participants were informed that the information they gave was to be kept in confidence, to enable free participation and also to give assurance of anonymity.

3.10 Summary

This chapter looked at research methodology employed to carry out the study. It covered the research design which focused on descriptive and explanatory approach. The target population as well as the sample size and design were defined. The use of non-probability sampling procedure in particular the choice of purposive sampling was explained. Sources of data which included primary sources and secondary sources of data were covered along with the respective data collection instruments used which included questionnaires and interviews. The issue of reliability and validity as well as data presentation and analysis were also covered. The chapter was concluded with the ethical considerations. The next chapter is centered on the data presentation and analysis of the research findings.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter presents descriptive findings on the evaluation of the impact of internal control environment on the financial management of the AFZ. This chapter focused on the analysis and presentation of the data collected through the use of questionnaires and interviews. The responses were analysed per question or class of related questions and presented using tables, graphs and charts. The chapter ends up with a summary.

4.1 Survey Results

4.1.1 Questionnaires Response Rate

A total of twenty questionnaires were distributed to respondents. A total of eighteen questionnaires were completed and returned while two respondents could not return their questionnaires because they were out of town at the time of collection of the completed questionnaires. The researcher managed to make follow ups without much difficulty since the respondents worked closer to the researcher's work place. The other contributory factor to the high response rate was that all the questionnaires were hand delivered and the researcher personally collected them from the respondents. The overall response rate amounted to 90% which was enough to gather the required data for the study. The following table summarises the response rate of the questionnaire administered.

Table 4.1: **Questionnaire response rate**

Position	**Administered**	**Actual Respondents**	**Response Rate (%)**
Accountants	4	4	100
Accounts Clerks	16	14	87.5
Total	20	18	90

As shown on the table above the response rate was ninety percent.

4.1.2 Interviews response rate

The researcher managed to carry out face to face interviews with seven respondents. Telephone interviews were planned with three respondents but were unsuccessful because the respondents were either out of office or busy until the time of compilation of data. The researcher therefore managed to interview seven out of the planned ten respondents giving a response rate of 70%.

Table 4.2: Summary of interviews response rate

Respondents	**Interviews planned**	**Interviews conducted**	**Response rate**
Base Administration	5	4	80%
Heads of Departments	5	3	60%
Total	10	7	70%

4.1.3 Analysis of response rate according to classification of respondents

The graph below summarises the distribution of questionnaires and interviews according to classification of respondents

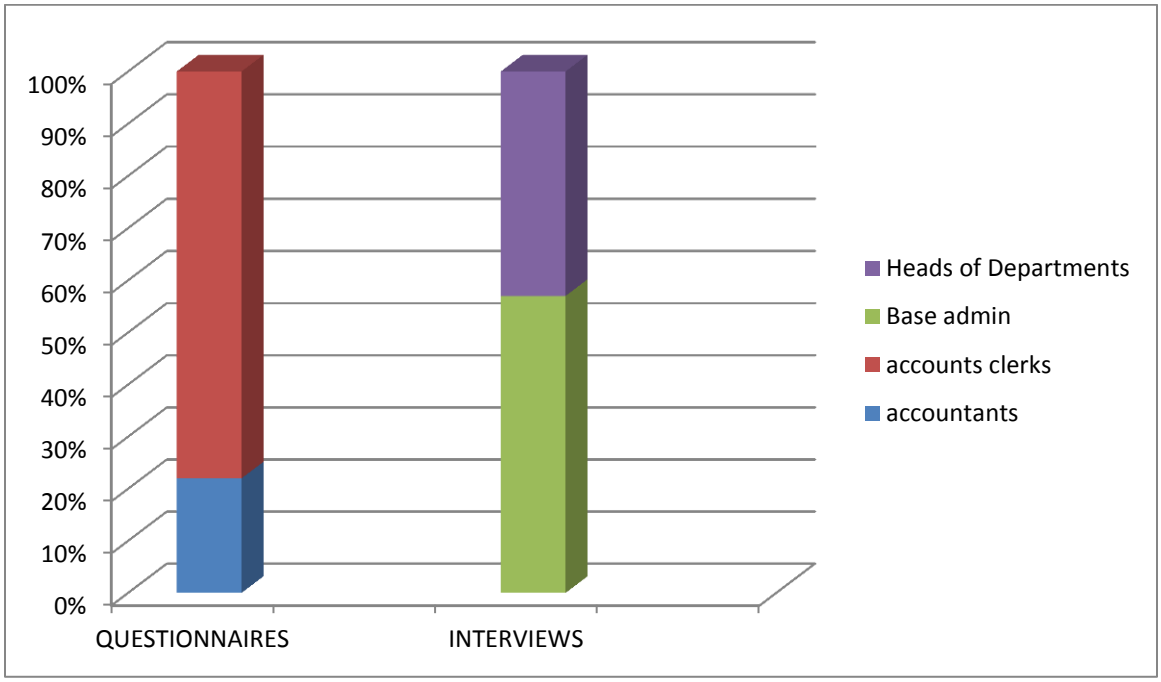

Fig 4.1: Analysis of response rate according to classification of respondents

As depicted on the graph on fig 4.4 above, 22% of the questionnaires were filled by accountants while 78% were filled by accounts clerks. 57% of the interviews were conducted on the Base administration personnel while 43% were conducted on heads of departments.

4.2. Number of years in the AFZ

This question was meant to assess the period that each respondent had been employed in the AFZ. This was meant to assist the researcher in determining the level of knowledge that the respondents were expected to have about the AFZ basing on their experience in the organisation.

The data would also assist the researcher in establishing the employee turnover rate in the AFZ. The findings are illustrated on the graph below:

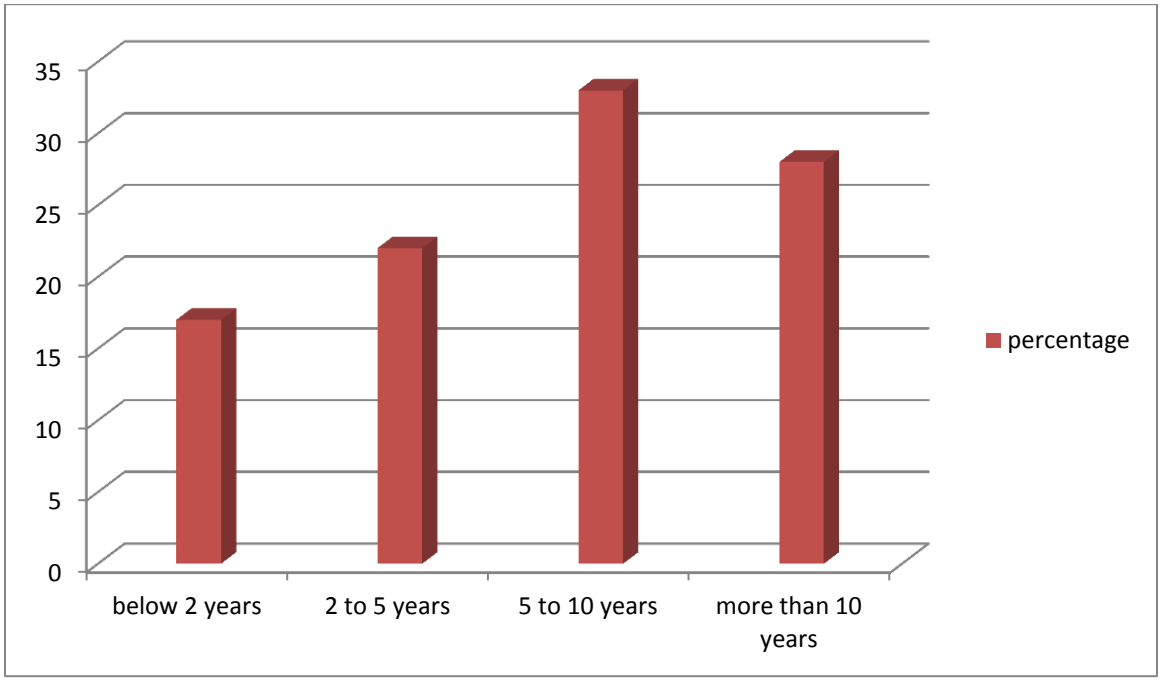

Figure 4.2: No. of years in the AFZ

The graph indicates that, 17% (3 out of 18) of the respondents had below 2 years in the organisation, 22% (4 out of 18) had between 2 and 5 years, 33% (6 out of 18) had between 5 and 10 years while 28% (5 out of 18) had above 10 years in the organisation. In total, 83% of the respondents had above 2 years' experience in the organisation which was a significant figure of employees who were knowledgeable about the organisation. The response however showed that 72% of the respondents had less than 10 years' experience in the organisation which implied a high employee turnover rate.

4.3 Level of Education

This question was meant to assess both the accounts clerks and accountants in the AFZ their level of qualification in accounting.

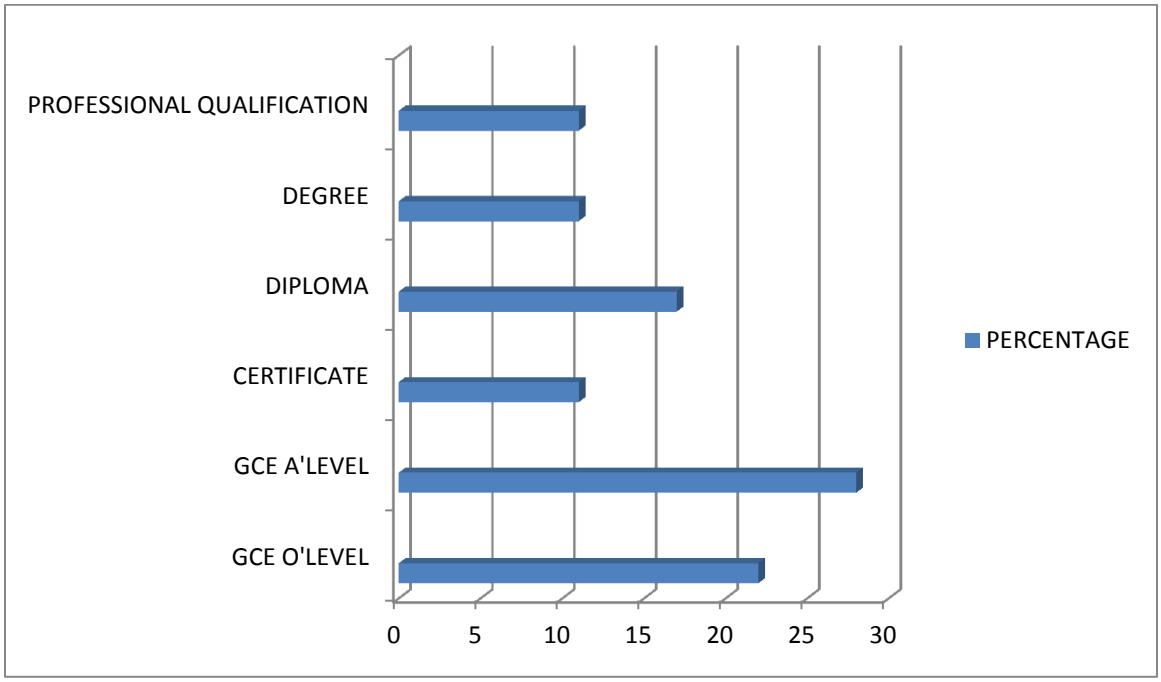

Fig 4.3: Level of education in accounting qualification of respondents

Figure 4.2 shows that, 22% of respondents had an understanding of accounting up to O' level and 28% of the respondent had an understanding of up to A'Level. 11% of the respondents had acquired a certificate and 17% had acquired at least a Diploma while only 11% of the respondents had attained a degree in accounting and another 11% had a professional qualification in accounting. The results also show that nine out of the eighteen respondents had the knowledge of accounting at either O'Level or A'level. This represents 50% of the total sample size. The results show a situation in the AFZ which reveals that there is a huge training

gap in terms of attaining a higher qualification in accounting. Accounting is technical field and technically qualified personnel should perform the function.

4.4 Level of competence and the requisite knowledge and skills defined for jobs in the accounting department

The objective was to find out whether the level of competence and the requisite knowledge and skills were defined for jobs in the accounting department. The story is explained on the pie chart below:

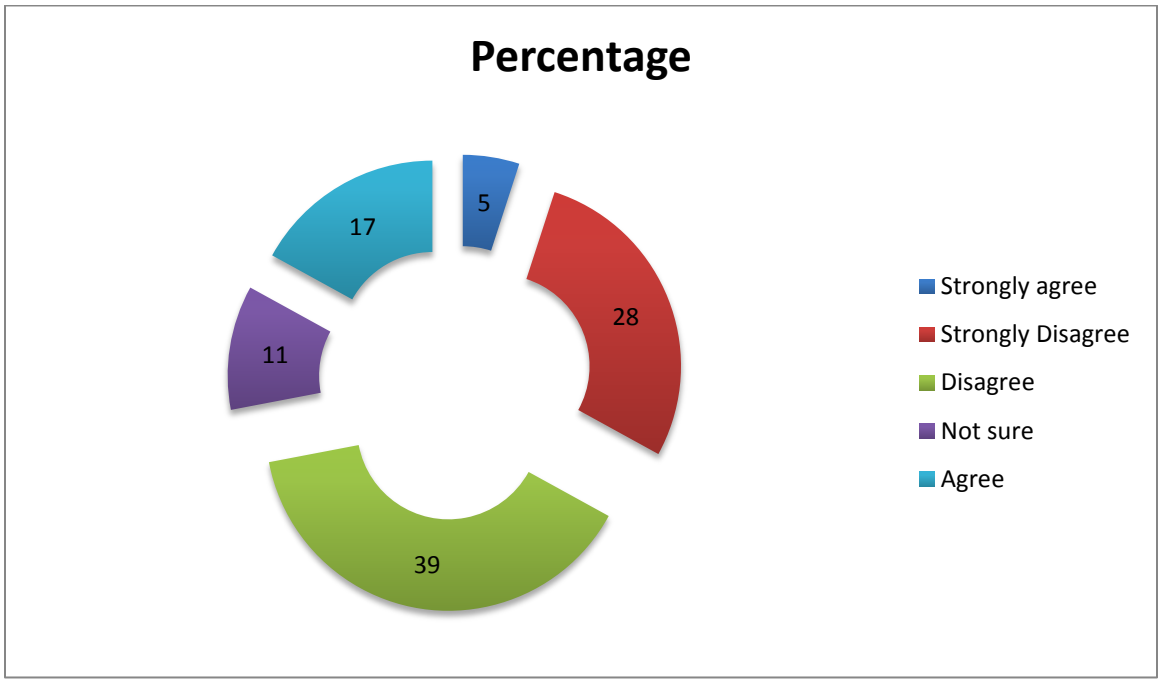

Figure 4.4: Level of competence and requisite knowledge and skills

More than 60% of the respondents disagreed that the level of competence and the requisite level of skills were defined while 11% were not sure and 22% percent confirmed that the level of competence and the requisite level of knowledge and skills was defined. This shows that most of

the respondents were not aware of the level of competence and the requisite level of skills and knowledge required to perform their jobs.

4.5 Management makes an effort to determine whether the accounting department has adequate knowledge and skills to do their jobs

The objective was to find out whether management was making an effort in determining whether the accounting department had adequate knowledge and skills to do their jobs. The respondents were asked to rate on a likert scale. The graph below summarises the results of the survey.

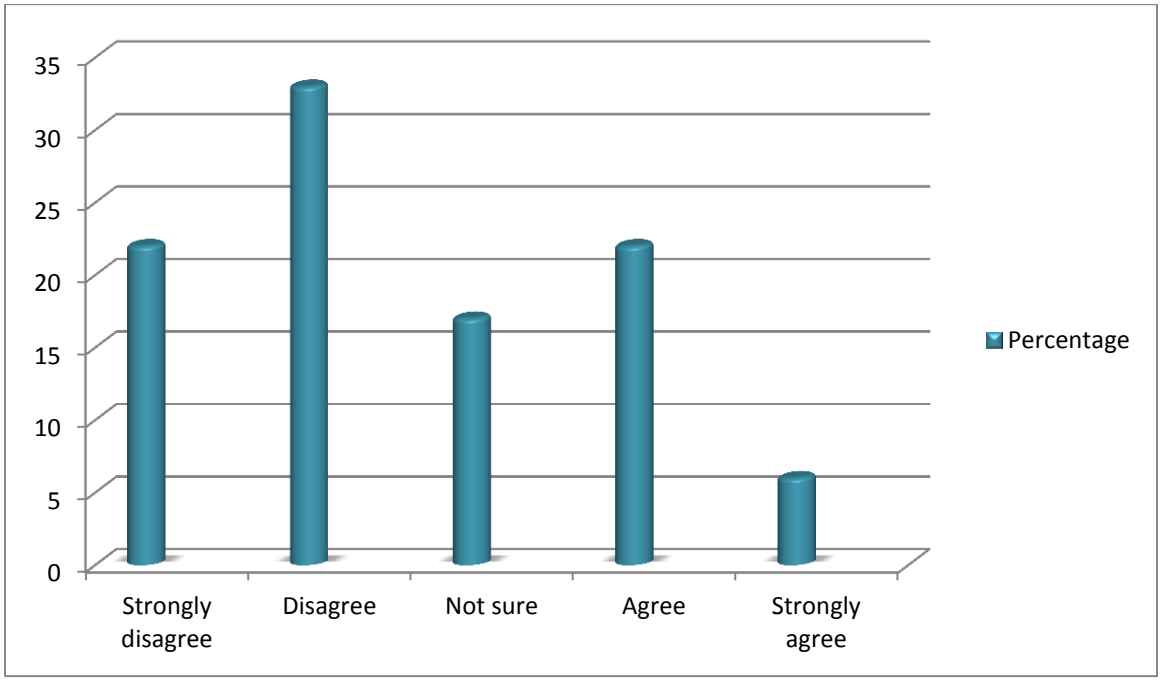

Figure 4.5: Management makes an effort to determine whether the accounting department has adequate knowledge and skills to do their jobs

Data collected and analysed showed that management was not making enough effort to determine whether the accounting department had adequate knowledge and skills to do their jobs. More than 50 % of the respondents strongly disagreed and disagreed while only 28% either

agreed or strongly agreed that management made an effort to determine whether the accounting department had adequate knowledge and skills to do their jobs. This situation shows that management is not doing enough to ensure that the accounting department has adequate knowledge and skills to do their jobs as reflected by the response from the survey.

4.6 Verification of qualifications of personnel in the accounting department

The respondents were asked whether their qualifications have ever been verified. The outcome is shown on the pie chart below:

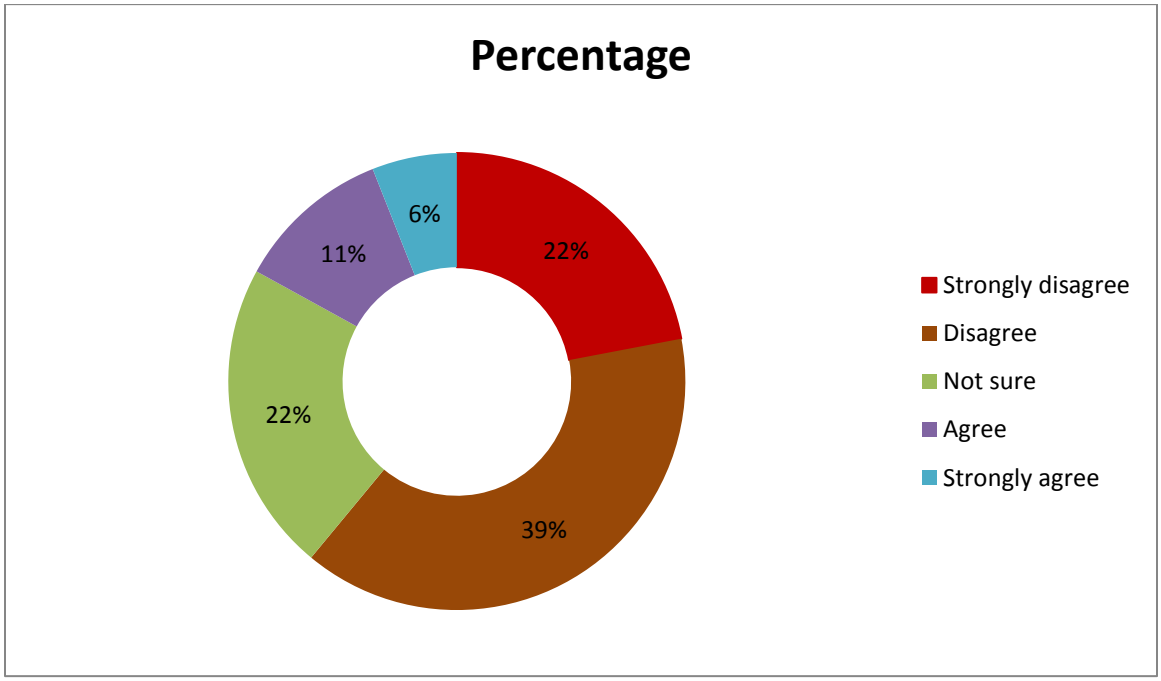

Figure 4.6: Verification of qualifications of personnel in the accounting department

Figure 4.4 shows that 61% (11 out of 18) of the respondents either disagreed or strongly disagreed that there was any verification of their qualifications while 22% (4 out of 18) were not sure whether there was any verification or not and 17% of the respondents either strongly agreed or agreed that qualifications were verified. The results indicated that most of the people who

confirmed that qualifications were verified were those who had more than 10 years' experience implying that the verification had since stopped for employees who were employed later.

4.7 Establishment by management of training programmes that help employees increase their knowledge and skill

Respondents were asked to provide information on whether management established training programmes that help employees increase their knowledge and skill. The outcome is depicted on the graph below:

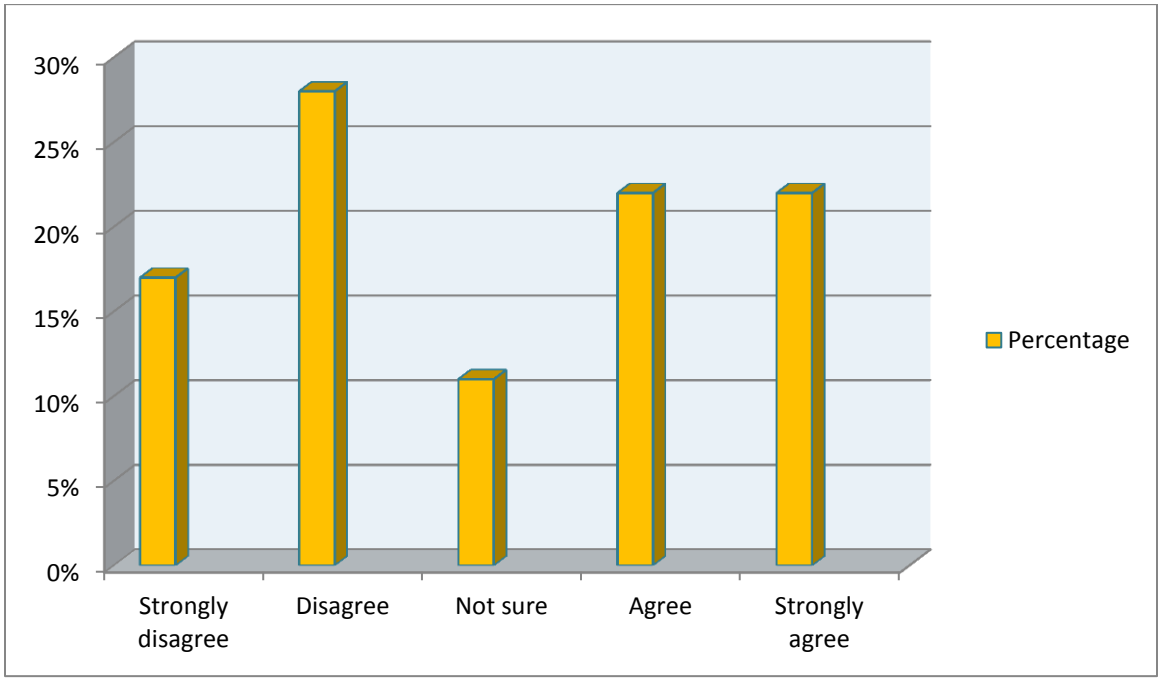

Fig 4.7: Establishment by management of training programmes that help employees increase their knowledge and skill

The results of the survey indicated that 17% of the respondents strongly disagreed that there were training programmes established by management that were meant to help employees increase their knowledge and skill while 28% just disagreed and 11% were not sure and 22% agreed while the other 22% strongly agreed. An analysis of the results indicates that there were an equal number of those who agreed as those who disagreed. On further questioning the

respondents who had confirmed the existence of such programmes to list the programmes that they had participated in, it was observed that more than 50% of them had listed programmes which had nothing to do with their accounting work but rather more of a military nature. It was therefore deduced that more than 50% of the respondents had never participated in any accounting related training programme that was meant to help employees increase their knowledge and skill. Accounting is a field which requires regular training for employees to be up to date with the latest trends in the field such as the introduction of new standards or the amendment of old standards. The absence of training programmes to increase the knowledge and skills of the employees would result in their performance not meeting the required standard.

4.8 Does the organisation accept regulatory control imposed by others?

The objective was to find out whether management accept regulatory control imposed by others The results were shown on the pie chart below:

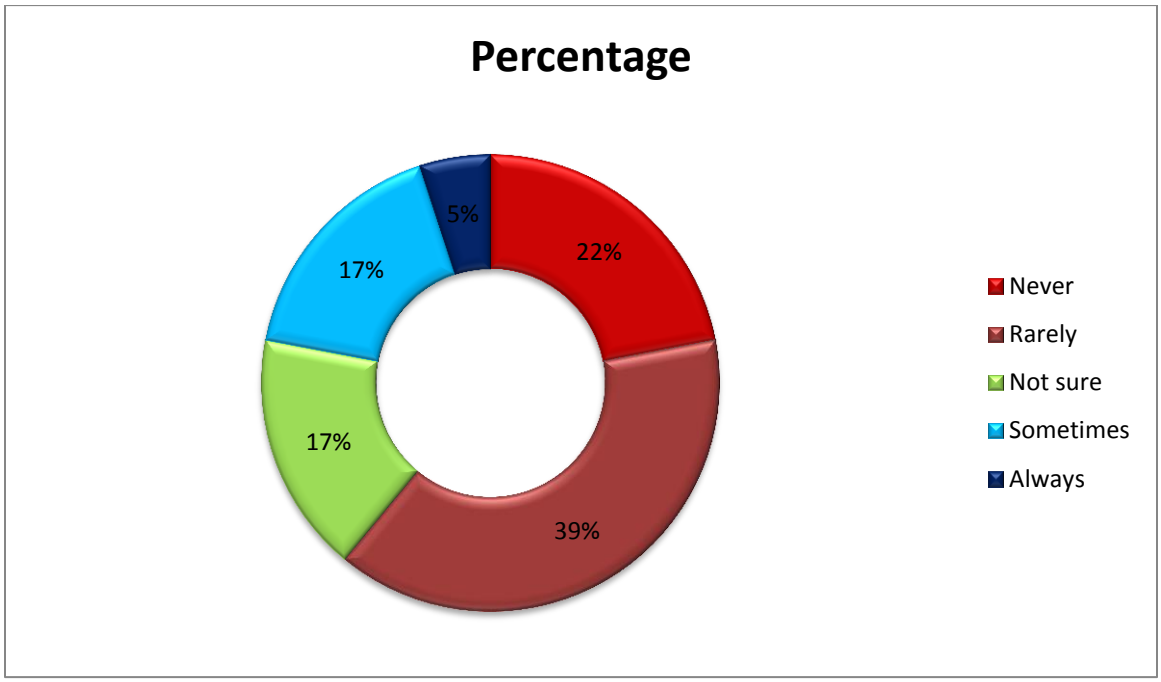

Figure 4.8: Does the organisation accept regulatory control imposed by others

Data collected revealed that 22% of the respondents believed that management does not accept regulatory control by others while 39% believed that management rarely accept regulatory control by others. 17% of the respondents were not sure while the other 17% said sometimes management accept regulatory control by others and 5% of the respondents agreed that management always accept regulatory control by others. On further analysis of the results it is evident that 61% of the respondents were of the opinion that management either rarely or never accepted regulatory control imposed by others. Accounting work in companies is usually governed by local and international bodies which regulate and standardise all aspects of the subject. It is therefore imperative that every organisation complies with any regulatory control imposed by such bodies.

4.9 Management always recognise and respond to risks

The objective was to find out from the respondents whether they saw the management as always recognising and responding to risks. The results of the findings are shown below:

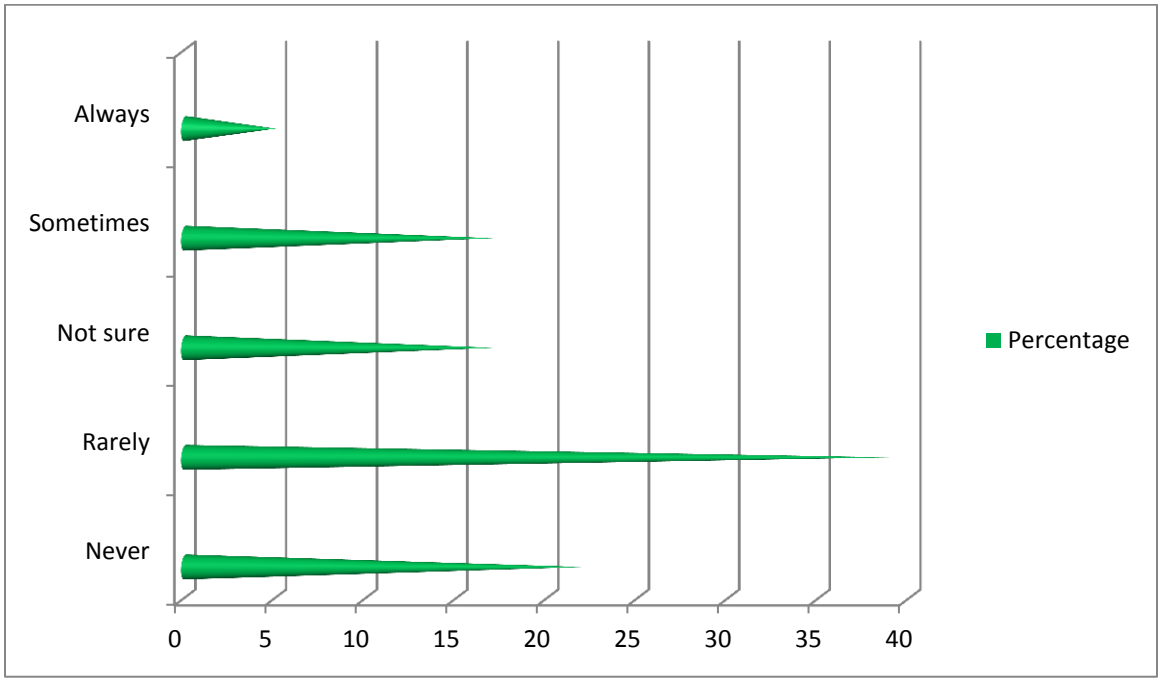

Figure 4.9: Management always recognise and respond to risks

The results obtained indicated that 61% of the respondents were of the opinion that management either rarely or never recognise or respond to risks while 17 % were not sure and only 22 % were of the opinion that either management always or sometimes recognise and respond to risks. Recognition and timely response to risks is an important element of internal control. Failure to recognise and respond to risks would result in a weak internal control system and that is the breeding ground for fraud and errors.

4.10 Management overrides some of the established controls.

The objective was to find out whether the personnel in the accounting department thought that management overrides some of the established controls. The results are shown below:

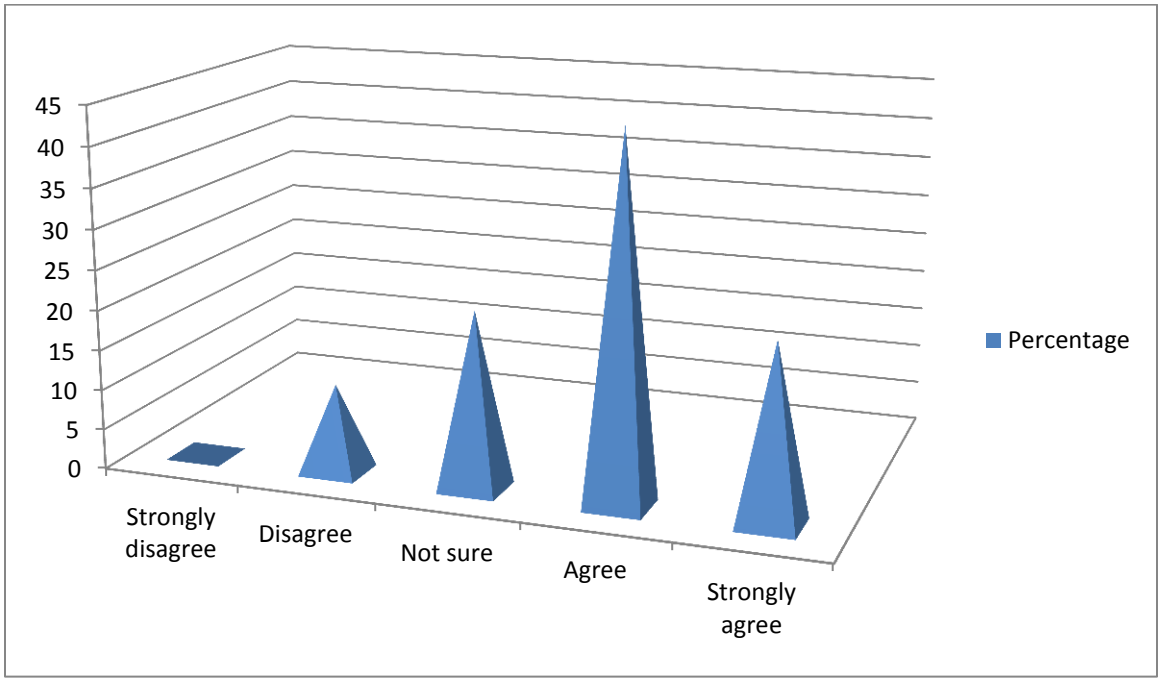

Figure 4.10: Management overrides some of the established controls.

Data collected revealed that 67% of the respondents believed that management overrides some of the established controls while 22% were not sure and only 11% disagreed that management sometimes override some of the established controls. Overriding existing or established controls will render them useless. The results from the survey indicated that the management overrides the established controls and this weakens the internal control system.

4.11 Established code of conduct in place

The objective was to find out from the respondents whether there was an established code of conduct in place. The results are illustrated on the table below:

Table 4.3: Established code of conduct in place

Code Of Conduct	Number Of Respondents	Percentage
In Place	14	78
Not in Place	4	22
Total	18	100

Data collected showed that 78% of the respondents confirmed that the code of conduct was in place while only 22% claimed that the code of conduct was not in place. It was discovered that those who claimed that it was not in place were new employees who have not seen or heard about the existence of the code of conduct. Those who had indicated that the code of conduct was in place were further asked if management demonstrates through its actions its commitment to the code of conduct. The results showed that 70% of those who confirmed that there is a code of conduct in place were of the opinion that management does not demonstrate through its actions its commitment to the code of conduct. 30% of the respondents were of the opinion that management demonstrate through its actions its commitment to the code of conduct. This proved

that though the code of conduct was in place, it was not being followed since management did not demonstrate its commitment to it. The fact that 22% claimed that the code of conduct was not in place is evidence that it was not enforced to the extent that some thought it was not there.

4.12 Anonymous fraud hotline

The purpose of the question was to establish the presence of an anonymous fraud hotline. The results are shown on the graph below:

Fig 4.11: Anonymous fraud hotline

All the respondents confirmed that there was no anonymous fraud hotline in place. The absence of an anonymous fraud hotline was a serious issue which requires immediate attention. It is a given fact that most of the fraud cases are detected through tip-offs and the organisation should provide an environment conducive for tip-offs without victimisation. Employees could have the information about a fraud case but will not provide it if there is no anonymity.

4.13 Improvement of financial management in the AFZ through improvement of the internal control environment

The respondents were asked for their opinion on whether the improvement of internal control environment would improve financial management in the AFZ. The respondents were required to express their opinions basing on the likert scale. The results are shown below:

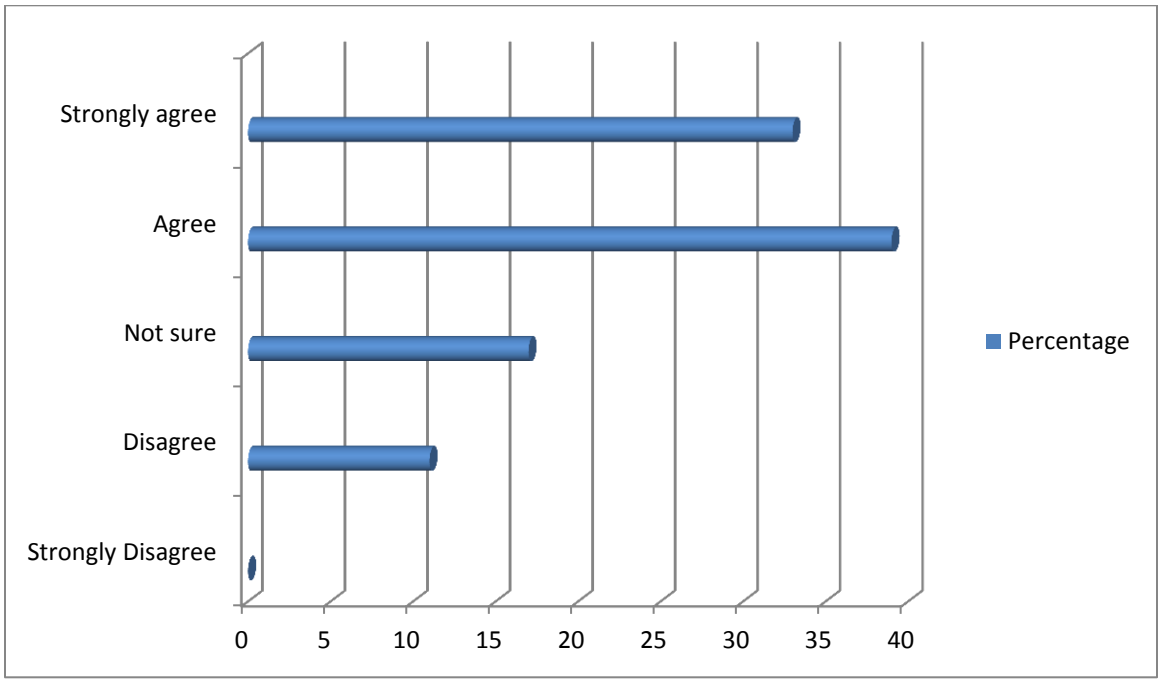

Fig 4.12: Improvement of financial management as a result of improvement in internal control environment

The results showed that 72% of the respondents were of the opinion that improvement of internal control environment would cause an improvement in financial management, while 17% were undecided on the matter. However 11% felt that the improvement of financial management is not affected by the improvement in internal control environment.

4.14 Challenges faced by the AFZ in ensuring an effective internal control environment

The respondents were asked if the AFZ is facing any challenges in ensuring an effective internal control environment. The results are tabulated below:

Table 4.4: Challenges faced by the AFZ in ensuring an effective internal control environment

Challenges faced	Number of respondents	Percentage %
Strongly disagree	0	0
Disagree	3	17
Not sure	1	6
Agree	6	33
Strongly agree	8	44
Total	18	100

The results showed that 44% of the respondents strongly agreed that the AFZ was facing challenges in ensuring an effective internal control environment while 33% just acknowledged that the organisation was facing challenges in ensuring an effective internal control environment. 6% of the respondents were not sure while 17% disagreed and none strongly disagreed. Those who had acknowledged that the AFZ was facing challenges were asked to list the challenges that were faced by the AFZ in ensuring an effective internal control environment. More than 50% of them indicated that the one way nature of communication which is inherent in military environment was the major contributor to the challenges. This is where by commands are given from the top going down and subordinates rarely question instructions from the top. This according to most respondents has led into the subordinates being spectators rather than

participants in the internal control environment. Another dominant observation from the respondents was the issue of authority being vested in the person's military rank rather than accounting qualification. The respondents had a feeling that this had caused a situation whereby an unqualified person having authority by virtue of their military rank and this would compromise the internal control environment since the unqualified will not perform as expected of the position held.

4.15 Interview responses

Interviews were conducted to probe for information that was specifically to the best knowledge of management rather than the accounting department employees. Some questions were however asked to confirm information that was asked through questionnaires. This enabled the researcher to gather enough data to answer the research questions. Seven out of the planned ten interviews were conducted and the questions and analysis of responses is detailed below:

4.15.1 Does your organisation have a code of ethics and/or code of business conduct and how often are they updated and how are they accessible to employees?

All of the respondents acknowledged the presence of a code of business conduct and code of ethics but however in a different name of standing operating procedures (SOPs). The last update of the SOPs was said to be in 2010 but no publication was made of the updated copies. The respondents however admitted that the copies they were still using were the 1990 edition and were waiting for the publication of the latest edition which they said was hindered by funding problems. A copy of the SOPs was said to be available at every work place. The responses showed that the code of ethics and/or code of business conduct in use in the AFZ were out dated and there was a requirement for an updated code of ethics and/or code of business conduct.

4.15.2 How often does your organisation review its operating and accounting manuals and other means of disseminating internal control objectives throughout the organisation?

The general response was that the AFZ has what it refers to as Air Publication 3223 (AP 3223) which is an accounting manual that governs the management of all non- public accounts and they refer to statutory instruments for the management of public accounts. The AP 3223 was last updated in 1982 and they all agreed that it was high time the publication was updated since most of its contents were inapplicable due to advancement in technology. As a result the AP 3223 is rarely complied with. It was however acknowledged that the public accounts reference manuals which are the public finance management act and the relevant statutory instruments were always up to date as they are usually amended by the government whenever need arises.

4.15.3 What action is taken to verify the qualifications of personnel in the accounting department?

Some of the respondents were not sure about the verification process but some were assuming that the human resource department were supposed to check with the examining boards of the respective qualifications held. No respondent however responded with certainty on how qualifications were verified. This showed that there was no clear laid out policy on the verification of qualifications of employees. This could lead to the employment of unqualified personnel.

4.15.4 How do you think the improvement of the internal control environment will improve financial management in the AFZ?

All the respondents were of the opinion that improvement of internal control environment would improve financial management by reducing the risk of fraud and errors. They reiterated the

issues of timely identification and correction of anomalies in the financial management. Some respondents highlighted that the improvement of internal control environment also breeds a conducive ground for the efficient operation of internal control systems.

4.15.5 What are the challenges faced in ensuring an effective internal control environment?

Most interviewees revealed that lack of funding had a negative impact on ensuring an effective internal control environment. They indicated that because of lack of funding, manuals could not be updated at the required time and the organisation could not afford to send its personnel for courses that are designed to increase their knowledge and skill. The issue of computerisation was also raised as being stalled by lack of funding. Some respondents also blamed the militarisation of financial management. They claimed that in some instances powers of authorising transactions were given to people who did not have any relevant qualification but on the basis of their military ranks.

4.15.6 What do you think should be done to improve internal control environment in the AFZ?

It was suggested by the interviewees that adequate funding be provided to enable the AFZ to improve its internal control environment. Most of the interviewees felt that appointments in the financial management should be done on professional basis rather on military seniority basis. They also suggested that appropriately qualified personnel be recruited to fill in the posts in the accounting department and any post that is in the financial management.

4.16 Summary

The chapter analysed data collected. It also presented the data using tables, graphs and pie charts. Interpretation of the presented data was also made. The next chapter summaries of the major findings of the research, makes the research conclusions and gives some recommendations of the study.

CHAPTER 5

SUMMARY, FINDINGS AND RECOMMENDATIONS

5.0 Introduction

This chapter focuses on the summary of the research, major findings and recommendations of the research. The chapter intends to relate the major research findings to the research questions as well as objectives of the study. Recommendations are derived from the major findings and a recommendation of areas of further study is also made.

5.1 Summary

- Chapter One dealt with the background to the study, statement of the problem, purpose of the study, research questions, delimitation and limitations of the study as well as the definition of terms.
- Chapter Two focused on the review of literature related to the topic of the study as the research attempted to relate the knowledge acquired on the research topic with what other authors say.
- Chapter Three dealt with the research design and defined the study population and the sample size and design. The chapter also described the sampling procedure as well as the sources of data and the respective data collection instruments. A consideration of reliability, validity and ethical issues was also covered in the chapter.
- Chapter Four covered data presentation and analysis and interpretation of the findings. The presentation was done through tables, graphs and pie charts.

- Chapter Five focused on summary, major findings and recommendations of the study.

5.2 Major Findings

The research established the following major findings:

- The improvement of internal control environment will lead to an improvement in financial management through the reduction of risk of fraud and errors as evidenced by 72% of the respondents who agree to that notion. It can therefore be concluded that the internal control environment has a direct impact on financial management.
- Most of the posts in the finance department are filled by under-qualified personnel since half of the respondents had knowledge of accounting up to either Ordinary Level or Advanced Level. This training gap needs to be filled so as to have competent personnel to ensure sound financial management.
- Personnel in the finance department were not sure of the requisite level of skills and knowledge that was required to perform their jobs. This makes performance measurement difficult if the employees are not sure of the level of skills and knowledge required. It will also contribute to the assignment of jobs to personnel without the required level of skills and knowledge.
- Management was not making enough effort to determine whether the accounting department had adequate knowledge and skills to do their jobs as evidenced by the lack of training programmes that are meant to help employees increase their knowledge and skill. It can therefore be concluded that personnel in the finance department are not in possession of the adequate knowledge and skills that are required to perform their jobs. This increases the risk of errors since personnel without the required knowledge and skills are prone to making errors.

- Management has since stopped to verify the qualifications of personnel in the finance department since only employees who had more than 10 years' experience were aware of any verification process of qualifications. This implies that the AFZ might be employing personnel whose qualifications are below what they purport to have. There is a risk of forgery when qualifications are not verified.
- The organisation was facing a lot of challenges in ensuring an effective internal control environment. Lack of funding is one of the major challenges which caused the AFZ to fail to embark on training courses to ensure that its personnel are equipped with the relevant skills required to perform their jobs. Funding is also required for the updating of accounting manuals and code of ethics and business conduct. It is therefore clear that lack of funding has a negative impact on ensuring an effective internal control environment.
- Besides overriding its own controls, management also overrides controls imposed by other regulatory authorities. This implies that management just do what it takes to suit what they want regardless of existing controls. This leaves the system vulnerable to manipulation and may lead to fraudulent transactions going undetected.
- The organisation lacked mechanisms to recognise and respond to risks as evidenced by the lack of an anonymous fraud hotline. As it is known that most fraud cases are discovered through tip-offs, this implies that the AFZ may be experiencing a lot of undetected fraud cases.
- The AFZ has a code of conduct in place but it was discovered that it was not being followed and management did not demonstrate its commitment to it. The code of ethics and/or code of business conduct as well as the accounting manuals in use are out-dated. It

can be concluded that the organisation is not conforming to the current trends of accounting which impacts negatively on financial management.

- The military authority concept had a negative impact on financial management as in some instances powers of authorising transactions were given to people who did not have any relevant qualification but on the basis of their seniority in military ranks.

5.3 Recommendations

In view of the afore-mentioned major findings, it is recommended that:

- The AFZ must focus on improving its internal control environment since it is the foundation for the improvement of its financial management.
- The AFZ should recruit personnel with at least an accounting qualification above Advanced Level.
- The under-qualified personnel in the finance department should be given opportunities to attend colleges and universities so as to attain accounting qualifications.
- It must also establish training courses meant to equip its personnel in the finance department with knowledge and skills required to perform their jobs.
- The organisation must have a clear policy of verifying the qualifications of its personnel so as to avoid employing under-qualified personnel purporting to be qualified using forged certificates.
- In order to minimise challenges faced in ensuring an effective internal control environment, the organisation must prioritise the funding of training programmes and the amendment and publication of accounting manuals.
- Accounting manuals, the code of ethics and the code of business conduct be updated and measures must be taken to ensure that they are followed religiously.

- The AFZ must establish an anonymous fraud hotline to facilitate the timely reporting of fraud cases whilst the whistle blowers remain anonymous. This would encourage whistle blowing without the fear of being victimised. This also enables the organisation to timeously recognise and respond to risks.
- All forms of controls whether internal or those imposed by a regulatory authority must be complied with.
- The AFZ must delegate authority in its financial management basing on professional qualification rather than military ranks.
- In order to achieve sound financial management the AFZ must improve its internal control environment by addressing the aforementioned areas since this has a direct bearing on all other internal control system elements.

5.4 Areas of further research

The researcher recommends the exploration of the impact of funding on the internal control system of an organisation.

5.4 Conclusion

The main focus of this study was to evaluate the impact of internal control environment on the financial management of the Air Force of Zimbabwe. The research was motivated by the challenges in the financial management of the AFZ reflected through the unauthorised expenditure, misallocation of funds and undetected fraud cases. The objectives of the study were to establish the relationship between the internal control environment and financial management, to establish the appropriateness of personnel in the financial management of the AFZ, to establish the challenges faced in ensuring an effective internal control environment and based on the research findings to recommend the appropriate internal control system for the AFZ.

The research managed to achieve all the set objectives. After reviewing the existing literature it was concluded that the internal control environment is the foundation of the internal control system which in turn has a direct impact on financial management. This relationship therefore connected the internal control environment with the financial management AFZ. Most objectives were achieved through the asking of closed ended questions based on the likert scale. A triangulation of questionnaires and interviews ensured that data was verified and some objectives that were difficult to meet through the use of one method were achieved through the employment of the other method.

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APPENDIX A

Midlands State University

Established 2000

Midlands State University
P Bag 9055
Gweru

Dear Respondent

My name is Alex Munyaradzi Chiduwa. I am a final year student at the Midlands State University studying for a Bachelor of Commerce Accounting honours degree. I am carrying out a research study entitled "**An evaluation of the impact of internal control environment on financial management in the Air Force of Zimbabwe**".

Your cooperation and assistance is kindly being requested by completing the following questions. Please be assured that information collected is strictly for academic purposes and will be treated with the highest confidentiality. Thank you in advance for your cooperation.

Alex Munyaradzi Chiduwa (R13376R)

APPENDIX B

QUESTIONNAIRE

Instructions

Please answer the questions by ticking in the appropriate box and/or fill in the blank spaces provided.

1. Number of years in the organisation?

Below 2 years ☐

2 to 5 years ☐

5 to 10 years ☐

More than 10 years ☐

2. Level of education?

GCE Ordinary Level ☐

GCE Advanced Level ☐

Certificate ☐

Diploma ☐

Degree ☐

Professional qualification ☐

3. Is the level of competence and the requisite knowledge and skills defined for jobs in the accounting department?

Strongly disagree ☐ Disagree ☐ Not sure ☐ Agree ☐ Strongly agree ☐

4. Management makes an effort to determine whether the accounting department has adequate knowledge and skills to do their jobs.

Strongly disagree ☐ Disagree ☐ Not sure ☐ Agree ☐ Strongly agree ☐

5. Qualifications for personnel in the accounting department are verified.

Strongly disagree ☐ Disagree ☐ Not sure ☐ Agree ☐ Strongly agree ☐

6. Does management establish training programmes that help employees increase their knowledge and skill?

Strongly disagree ☐ Disagree ☐ Not sure ☐ Agree ☐ Strongly agree ☐

7. If you agree to question 6 above, list any training programmes that you have participated in that have been established by management that help employees increase their knowledge and skill?

……

……

……

8. Does the organisation accept regulatory control imposed by others?

Never ☐ Rarely ☐ Not sure ☐ Sometimes ☐ Always ☐

9. Management always recognise and respond to risks.

Never ☐ Rarely ☐ Not sure ☐ Sometimes ☐ Always ☐

10. Management overrides some of the established controls.

Strongly disagree ☐ Disagree ☐ Not sure ☐ Agree ☐ Strongly agree ☐

11. Does the organisation have an established code of conduct in place?

Yes ☐ No ☐

12. If yes to 11 above -Does management demonstrates through its actions its own commitment to the code of conduct?

Strongly disagree ☐ Disagree ☐ Not sure ☐ Agree ☐ Strongly agree ☐

12. Is there an anonymous fraud hotline in place?

Yes ☐ No ☐

13. Do you think the improvement of the internal control environment will improve financial management in the AFZ?

Strongly disagree ☐ Disagree ☐ Not sure ☐ Agree ☐ Strongly agree ☐

14. Do you think your organisation faces any challenges in ensuring an effective internal control environment?

Strongly disagree ☐ Disagree ☐ Not sure ☐ Agree ☐ Strongly agree ☐

15. If you agree to question 14 above can you list the challenges that your organisation is facing in ensuring an effective internal control environment

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Thank you for support.

APPENDIX C

Midlands State University

Established 2000

INTERVIEW GUIDE

1. How often does your organisation review its operating and accounting manuals and other means of disseminating internal control objectives throughout the organisation?

2. How often is the code of ethics and code of business conduct updated and how are they accessible to employees?

3. Are there any training programs that help employees increase their knowledge and skill?

4. What action is taken to verify the qualifications of personnel in the accounting department?

5. How do you think the improvement of the internal control environment will improve financial management in the AFZ?

6. What are the challenges faced in ensuring an effective internal control environment?

7. What do you think should be done to improve internal control environment in the AFZ?

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