

Application of Internal Controls in NGOs: Evidence from Zimbabwe

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Abstract This paper sought to assess the extent to which NGOs in Zimbabwe apply internal controls in their operations. The researcher used descriptive quantitative design. Data was collected using a self-developed questionnaire that was subjected to expert evaluation for content validity. A pilot study of 20 NGOs was then conducted and it indicated an overall reliability of 0.864. A simple random sampling technique was used to select the 50 NGOs (unit of study). Data was analysed using the Statistical Packages for Social Sciences (SPSS). One-sample statistics and one-sample test were used to assess the frequency of application of internal controls by selected NGOs in Zimbabwe, and the hypotheses were tested at 0.05 significance level. The findings of the study were that, NGOs in Zimbabwe have a sound internal controls system overall in terms of the control environment, controls procedures and monitoring controls. The human resource aspect of the internal control was found to be applied inconsistently from organisation to organisation. Most of the NGOs respondents indicated that their organisations were operating under well constituted boards, qualified and experienced management. The human resources aspect of internal control amongst the NGOs requires a further study or studies in the future.

Keywords: *internal controls, organisational operations, control environment, fraud, malpractices, nongovernmental organisations*

1. Introduction

Establishing internal control systems in organisations is critical to ensure the reliability of accounting records, because internal control systems can constraint management or staff's reported and possible random errors. This ensures the authenticity of the content of financial reporting to provide reasonable assurance to stakeholders and it becomes another important system arrangement to ensure reliable financial reporting. However, due to the inherent limitations of internal controls and pressure, opportunity and excuses by management, the credibility of controls, self-assessment report of internal management systems discouraging is still not high enough within organisations. The purpose of the controls was later expanded to include the concept of getting things done or achieving goals [1]. Internal control principles suggest that an internal control system (ICS) is the primary accountability and governance tool an organization (Non-Governmental Organisation) can establish and use to provide accountability to its stakeholders (donors) and safeguard its assets. Effective internal control over financial reporting is intended to provide reasonable assurance about the reliability of a company's financial statements and the process of preparation of those statements.

Section 404 of the Sarbanes-Oxley Act, as amended by the Dodd-Frank Act, requires management of all companies to assess and report on the effectiveness of the

company's internal control over its financial reporting. The law also requires that independent auditors for larger companies attest to management's disclosures about the effectiveness of that internal control. Under the amendments to SOX by the Dodd-Frank Act, certain smaller companies, known as "non-accelerated filers," are exempted from the requirement for an external audit of internal control over financial reporting. However, these smaller companies, which typically have common equity held by non-insiders of less than \$75 million, must still provide annually management's assessment of internal controls [2].

If India continues its recent growth, average household incomes will triple over the next two decades and it will become the world's 5th-largest consumer economy by 2025, up from 12th now [4]. This also means more funds for the Indian NGO sector, if it is able to create a greater degree of trust and professionalism in its operations. The NGO sector is beset by the problem of 'lack of transparency' in their functioning for gaining the trust of people and the donors for fund raising activities'. For any organisation to counteract fraud, it needs to have a control environment which sets the tone of an organization, influencing the control consciousness of its employees [3]. The control environment is the foundation for all other components of internal control, providing both discipline and structure to the organization [5]. Ethical business practices, management philosophy and a sense of business integrity all play key part in the control environment component. There is a conservative approach when it comes to financial reporting which is based on industry

standards in full compliance with Generally Accepted Accounting Principles (GAAP). Control activities are the policies and procedures that assist in ensuring that management directives are successfully implemented. They provide the means to address the various risks that may hinder the achievement of the organization's objectives [6].

Monitoring guidance builds on two following fundamental principles:

- On-going and/or separate evaluations enable management to determine whether the other components of internal control continue to function over time, and
- Internal control deficiencies are identified and communicated in a timely manner to those parties responsible for taking corrective action and to management and the board as appropriate.

The monitoring guidance further suggests that these principles are best achieved through monitoring that is based on three broad elements:

- Establishing a foundation for monitoring, including (a) a proper tone at the top; (b) an effective organizational structure that assigns monitoring roles to people with appropriate capabilities, objectivity and authority; and (c) a starting point or "baseline" of known effective internal control from which on-going monitoring and separate evaluations can be implemented;
- Designing and executing monitoring procedures focused on persuasive information about the operation of key controls that address meaningful risks to organizational objectives; and
- Assessing and reporting results, which includes evaluating the severity of any identified deficiencies and reporting the monitoring results to the appropriate personnel and the board for timely action and follow-up if needed.

There are significant policy risks and challenges that NGOs face in Zimbabwe at the moment. This phenomenon dates as far back as 1999 when the Movement for Democratic Change (MDC) was incepted. The ZANU PF party has since that time insinuated that NGOs in Zimbabwe are a front for the West's regime change agenda. 2013 could prove to be a watershed year for Zimbabwe, following the successful conclusion of the constitution. If elections produce a clear result which is accepted by the loser and by the security forces, the current views and perceptions about NGOs in Zimbabwe might change because the provisions of all the liberties enshrined in the constitution would be respected by the next government. However, if the vote ends in another power-sharing agreement or descends into violence and chaos, the current situation is most likely to persist. This background provides a critical framework for Zimbabwe. However in spite of the negative political NGOs sector environment in Zimbabwe, NGOs also have their own misdoings. The local media is currently awash with stories on fraud amongst NGOs. This has motivated this study, to assess the extent to which NGOs apply internal controls in their operations. Therefore, the need to keep; implementing, monitoring and reviewing internal controls, should not be left to the public and private sectors, but should also be instituted by NGOs as well [7].

The paper is structured as follows; section 2 of the paper covers literature review, followed by research methodology in section 3 of the paper. Section 4 of the paper details data analysis and conclusions and recommendations thereto are covered in section 5 of the paper.

2. Literature Review

Internal controls are simply processes, policies and procedures, effected by people that ensure our internal processes, designed to modify risk, work the way we want them to so that we achieve what we want. An organisation will have hundreds if not thousands of internal controls in place. Examples of internal controls include separation of duties, authority delegations, policies, procedure manuals, work practices, passwords, account reconciliations, arithmetical accuracy checks, restricted physical access, stock counts, asset counts, budgets, plans etc [8].

Control environment: The control environment of an enterprise is defined as an overall attitude and awareness of the importance of control by both management and employees [8]. The factors influencing the control environment of an enterprise include:

- Management philosophy and operating style
- Organizational structure of the enterprise
- Human resource (personal) policies and practices

Management philosophy and operating style: Establishing, maintaining and monitoring the entity's internal controls are management's responsibility. Management's philosophy and operating style can significantly affect the quality of internal controls [6]. The following are indicators of management's philosophy:

- Management approach to taking actions towards business risks.
- Management's attitude and actions towards financial reporting.
- Management's attitude toward information processing and accounting functions and personnel.

Controls are very wide-ranging and include long term arrangement for overall supervision of staff, safeguarding of assets and review financial and other arrangements. The provision of instructions, financial regulations and updating reviews and checks by internal audit, budgetary control and monitoring of income and expenditure are all examples of possible management controls. Other researchers have examined whether certain controls influence losses, and the non-profit literature suggests these variables are important [9,10,11,12]. Minimizing losses in NGOs includes attention to financial controls, non-financial mechanisms and management oversight and behaviour [12].

In the U.K, a working party was set up by the Institute of chartered Accountants (ICAW) in England and Wales after the publication of the Combined Code. The working party became known as the Turnbull Report [13] "Internal control: Guidance for Directors on Combine Code" The code described a sound ICS quite broadly, stating that it should have three elements:

- It should facilitate the effective and efficient operation of the company, by enabling it to respond to any significant risks to the achievement of the company's objectives. These objectives include the safeguarding

of assets from inappropriate use, loss or fraud and ensuring that liabilities are identified and managed.

- It should ensure the quality of both internal (management) and external reporting.
- It should help to ensure compliance with laws and regulations and also with the company's internal policies concerning the conduct of business.

Organisation: Every employee should be fully aware of his or her responsibilities and lines of authority, lines of reporting and levels of responsibility should be clear. Errors and fraud are much more likely where it is uncertain who is responsible for what and who should be reporting to whom [14]. The UK Charity Commission Act, (2001) section three (3) states that "trustees (board members) are accountable for solvency and continuing effectiveness of the charity (NGO) and the preservation of its endowments. They must exercise overall control over its financial affairs. They should ensure that the way in which the charity (NGO) is administered, is not open to abuse by unscrupulous associates, management or employees; and that their systems of control are rigorous and constantly maintained". It includes the procedural controls operating with the NGO and the structure of responsibilities (reporting structures).

The Statement of Recommended Practice in UK (SORP) October, 2000 requires that the trustees or board to state that they have identified all major risks facing the charity and that systems are in place to mitigate them. (Chitty et al 2001). This statement emphasises the need for a tone for high regard to ICS to come from the board and then cascades down to management and the employees in an NGO. NGOs tend to be staffed by hardworking and dedicated employees [15]. However, many NGOs fail to capitalise in these qualities because of their inadequate organisational structures. It follows, then that if structures/roles are not clearly defined, for example between the CEO and the Trustee Chairman, this may cause misunderstanding administratively. The following studies [16,17] focus on governance issues rather than dollars lost. Their 2001 paper concentrated on a limited number of international and U.S. non-profit organizations involved in the financing or delivery of health care or human services. Their 2002 paper, which examined public allegations of both financial and non-financial misconduct in faith-based organizations, found that these organizations were as vulnerable to such wrongdoing as were secular organizations.

Human resource policies and procedures: The quality of internal control is directly related to the quality of the personnel operating the system. The entity should have sound personnel policies for hiring, orienting, training, evaluating, counselling, promoting, compensating and taking remedial action. For example, in hiring a standard should be sought only to hire the most qualified person, with prior working experience and evidence of integrity and ethical behaviour. Background checks may vary with the organization and employee position. Post-employment controls include internal and external audits [4], also vital in NGOs [5,8]. The Institute of Internal Auditors defines control as "any action taken by management, board and other parties to enhance risk management and increase the likelihood that established objectives are achieved". Research into causes of errors in accounting systems has

shown personnel related issues to be major causes of error [9].

Physical controls: These are measures to ensure the safety of assets; a partial list relating to protection of cash highlights the diversity of opinions; a safe, a requirement to lock cash in safe, an instruction directing the storage of cash in locked safe, restricting access to a safe and its content, assignment of responsibility for protecting cash, authorizing cash disbursements, a record of cash disbursements and receipts. This diversity should not be construed as indicating a problem; the opposite may very well be true. All these may be regarded as controls, depending on circumstance and the specific activity being reviewed. This was discussed in an American Institute of certified Accountants [13] in a study entitled "Internal control – Elements of a coordinated system and its importance to management and the independent Public Accountant" in 2001. There should be appropriate physical security measures to protect an organisation's assets, which are designed to safeguard the custody of assets such as portable high value goods and cash [17]. The physical control aspects include among other activities:

- One exit or entrance to the premises, where a security guard can be placed.
- Storerooms should have locking facilities with adequate control over keys, alarm facilities, and restrict entry to high value items.
- High volume cash should be kept to a minimum by regularly banking.

Arithmetic and accounting Controls: These are procedures which are carried out in an accounts office to check the accuracy of the records and the numbers. They include the use of control totals and reconciliations. Usually these are arithmetical and recording functions e.g. checking the trial balance and the bank reconciliation statements. The regular counting assets and comparing quantities with those recorded [11].

Organisation: Every employee should be fully aware of his or her responsibilities and lines of authority, lines of reporting and levels of responsibility should be clear. Errors and fraud are much more likely where it is uncertain who is responsible for what and who should be reporting to whom [12]. The UK Charity Commission Act, (2001) section three (3) states that "trustees (board members) are accountable for solvency and continuing effectiveness of the charity (NGO) and the preservation of its endowments. They must exercise overall control over its financial affairs. They should ensure that the way in which the charity (NGO) is administered, is not open to abuse by unscrupulous associates, management or employees; and that their systems of control are rigorous and constantly maintained". It includes the procedural controls operating with the NGO and the structure of responsibilities (reporting structures). The Statement of Recommended Practice in UK (SORP) October, 2000 requires that the trustees or board to state that they have identified all major risks facing the charity and that systems are in place to mitigate them [13]. This statement emphasises the need for a tone for high regard to ICS to come from the board and then cascades down to management and the employees in an NGO. NGOs tend to be staffed by hardworking and dedicated employees [17]. However, many NGOs fail to capitalise in these qualities

because of their inadequate organisational structures. It follows, then that if structures/roles are not clearly defined, for example between the CEO and the Trustee Chairman, this may cause misunderstanding administratively. The following studies focus on governance issues rather than dollars lost [14]. Their 2001 paper concentrated on a limited number of international and U.S. non-profit organizations involved in the financing or delivery of health care or human services. Their 2002 paper, which examined public allegations of both financial and non-financial misconduct in faith-based organizations, found that these organizations were as vulnerable to such wrongdoing as were secular organizations.

Authorisation and approval: The obligation to safeguard the assets of an organisation requires that transactions are entered into only once they have been authorisation by the appropriate individual, and that each transaction conforms to the terms of its authority [16]. It ensures that approval of transactions is undertaken by responsible officials within regulatory limits, that is all financial transactions should require the authorisation or approval of an appropriate responsible person, and there should be an authorisation limit to how much spending each responsible person can approve [19]. For example, management can be allowed to release cheques valued up to \$2,000 without seeking permission from the board and any amount over that figure a board member has to counter-sign the cheque(s).

Supervision: The day-to-day work of employees should be properly supervised. Good supervision will reduce the likelihood of errors or fraud [15]. This aspect is carried out by the management of the organisation, as a means to check compliance with laid down procedures. Procedures explain the how, why, what, where and when for any set of actions [17]. They involve the following:

Monitoring that the laid-down control procedures are operating as they were designed to, and that delegated responsibilities have been properly discharged.

- Analysing errors detected by the ICS and taking remedial action to further similar errors from occurring.
- Considering changes to the ICS in situations where weaknesses are have become apparent as a result of errors
- Conducting surprise counts of assets and compare with the corresponding records.

As the NGO sector has expanded in terms of funding and functions, there has been a growing concern with the issues of professionalization (Organisational development and capacity building) and accountability (financial probity and transparency).

Monitoring Controls: For segregation of duties to be effective, it should take into account; authorisation, execution and recording. If these aspects are performed by one individual, it is possible for that person to misappropriate assets and manipulate the accounting records by passing false entries to conceal shortages. Good control requires, therefore, that the three aspects underlying any transaction should be performed by different individuals or department [18].

3. Research Methodology

The quantitative descriptive design method was used in this study. The method entailed a process of describing; analysing and interpreting the data collected that measure assessment of application of internal controls by NGOs in their operations. The top part of the questionnaire was used to collect demographic information, such as the gender, age, educational levels attained and position held in the organisation. A Questionnaire designed in the Likert scale (frequency) was used to collect the data from the 150 respondents from the 50 NGOs. A questionnaire is an instrument comprising of a series of questions that are filled in by respondent. The respondents were asked to indicate their answer by ticking the appropriate scale: 1- Never, 2 – Rarely, 3 – Occasionally, 4 – Frequently, 5 – Always. The questionnaire covered the following aspects of internal controls; control environment, control procedures and monitoring controls.

The researcher delivered the questionnaire in person and after two weeks, would phone the organisations before going to collect the forms. The respondents were asked to fill in the questionnaire and allowed the researcher to collect once they had finished. The questionnaire had 56 questions and these were used to prove or disapprove some of the hypotheses and answered the research questions. Out of the 150 questionnaires sent out to 50 NGOs 123 were returned (82%). The Data was collected using a questionnaire which was analysed using Statistical Packages for Social Sciences (SPSS) computer package analysed the degree to which internal controls was applied by NGOs in Bulawayo.

4. Analysis of Data

The study was conducted to assess the extent to which NGOs in Bulawayo apply internal controls in their operations. Data was collected from 41 NGOs, health (8) training/education (10), advocacy (9), development and relief (12) and research and development (2). A total of 150 questionnaires were distributed to all NGOs in Bulawayo, Zimbabwe and 123 (82%) were completed and collected by the researcher after two weeks.

Research Question 1

1. Do NGOs in Zimbabwe implement Internal Controls by virtue of the nature of the organisations?

Table 4.1. One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Human Resource	123	3.2493	0.49329	0.04448
Organisation	123	4.7859	0.37482	0.0338
Accounting	123	3.6504	0.93685	0.08447
Physical	123	4.2913	0.67265	0.06065
Authorisation	123	4.4363	0.55175	0.04975
Management Philosophy	123	4.4049	0.53559	0.04829

Table 4.1 above is the summary of the extent to which NGOs apply internal controls in their operations. The table shows a fairly higher than frequency (Test value = 4), which means that NGOs are exceptionally implementing internal controls in their operations. The following means were obtained under each aspect; organisation 4.7859, accounting 3.6504, physical controls 4, 2913, authorisation 4.4363 and management philosophy 4.4049. This means that NGOs are applying internal controls in organisation, physical controls, authorisation and management philosophy with above an average of above 4.

Human resource and accounting aspects scored a mean of 3.2493 and 3.6504 respectively. This means that NGOs are not applying internal controls in human resource and accounting. A positive control environment is the

foundation for all other standards. It provides discipline and structure as well as the climate which influences the quality of internal controls [19]. Hence internal controls depend on the human being implementing the system.

Table 4.2. One-sample Test-Application of Internal controls

	T	Df	Sig (2 tailed)	Mean difference	95% confidence interval of the difference	
					Lower	Upper
Human resources	-16.877	122	.000	-.75068	-.8387	-.6626
Organisation	23.254	122	.000	.78591	.7190	.8528
Accounting	-4.139	122	.000	-.34959	-.5168	-.1824
Physical controls	4.803	122	.000	.29133	.1713	.4114
Authorisation And approval	8.770	122	.000	.43631	.3378	.5348
Management philosophy	8.384	122	.000	.40488	.3093	.5005

Table 4.2 above shows that human resources and accounting variables had a negative mean difference (One-Sample Test) of -.75068 and -.34959 respectively. The respondents overall indicated lower scores in the implementation of human resource and accounting aspects in their operations, this may be due to lack of procedure execution by those in position of responsibility or lax in following laid down procedures. The scores in the two variables ranged from between 'rarely' to 'occasionally' hence in these two aspects there were not receiving

adequate attention from the management or board. There is an overwhelming evidence to infer that there is a significant difference in the implementation of internal controls ($P < .05$). Therefore, the null hypothesis was rejected and the alternative hypotheses was rejected which stated that there is no significant difference in the implementation of internal controls amongst the NGOs.

Research Question 2

Is there a significant difference in the implementation of internal controls among participating NGOs?

Table 4.3. One-way descriptive-Significant difference among NGOs

	N	Mean	Std Deviation	Std Error	95% Confidence interval for mean		Minim	Max
					Lower Bound	Upper Bound		
Human Resource								
Health	23	3.3188	.35503	.07403	3.1653	3.4724	2.67	3.67
Training/Education/Homes	30	3.1667	.40825	.07454	3.0142	3.3191	2.00	3.67
Advocacy	28	3.2262	.46307	.08751	3.0466	3.4057	2.33	4.00
Development & Relief	37	3.2703	.64711	.10638	3.0545	3.4860	1.33	5.00
Research & Development	5	3.4000	.43461	.19437	2.8604	3.9396	2.67	3.67
Total	123	3.2493	.49329	.04448	3.1613	3.3374	1.33	5.00
Organisation								
Health	23	4.8116	.37371	.07792	4.6500	4.9732	3.67	5.00
Training/Education/Homes	30	4.7889	.32144	.05869	4.6689	4.9089	3.67	5.00
Advocacy	28	4.7857	.36531	.06904	4.6441	4.9274	3.33	5.00
Development & Relief	37	4.7568	.44893	.07380	4.6071	4.9064	3.00	5.00
Research & Development	5	4.8667	.18257	.08165	4.6400	5.0934	4.67	5.00
Total	123	4.7859	.37482	.03380	4.7190	4.8528	3.00	5.00
Accounting								
Health	23	3.5362	1.01374	.21138	3.0979	3.9746	1.00	5.00
Training/Education/Homes	30	3.8222	.70972	.12958	3.5572	4.0872	1.67	5.00
Advocacy	28	3.6071	.96461	.18230	3.2331	3.9812	1.00	5.00
Development & Relief	37	3.6126	1.09576	.18014	3.2473	3.9780	1.00	5.00
Research & Development	5	3.6667	.23570	.10541	3.3740	3.9593	3.33	4.00
Total	123	3.6504	.93685	.08447	3.4832	3.8176	1.00	5.00
Physical controls								
Health	23	4.3623	.66790	.13927	4.0735	4.6511	2.50	5.00
Training/Education/Homes	30	4.2444	.62012	.11322	4.0129	4.4760	2.83	5.00
Advocacy	28	4.3155	.65159	.12314	4.0628	4.5681	3.00	5.00
Development & Relief	37	4.2207	.75977	.12490	3.9674	4.4740	2.50	5.00
Research & Development	5	4.6333	.50553	.22608	4.0056	5.2610	4.00	5.00
Total	123	4.2913	.67265	.06065	4.1713	4.4114	2.50	5.00

Authorisation								
Health	23	4.4203	.48427	.10098	4.2109	4.6297	3.33	5.00
Training/Education/Homes	30	4.6222	.48529	.08860	4.4410	4.8034	3.00	5.00
Advocacy	28	4.4643	.49971	.09444	4.2705	4.6581	3.00	5.00
Development & Relief	37	4.2523	.63540	.10446	4.0404	4.4641	3.00	5.00
Research & Development	5	4.6000	.59628	.26667	3.8596	5.3404	3.67	5.00
Total	123	4.4363	.55175	.04975	4.3378	4.5348	3.00	5.00
Management Philosophy								
Health	23	4.4261	.57935	.12080	4.1756	4.6766	2.80	5.00
Training/Education/Homes	30	4.3733	.51924	.09480	4.1794	4.5672	3.20	5.00
Advocacy	28	4.4500	.50369	.09519	4.2547	4.6453	3.20	5.00
Development & Relief	37	4.3405	.56345	.09263	4.1527	4.5284	2.60	5.00
Research & Development	5	4.7200	.43818	.19596	4.1759	5.2641	4.00	5.00
Total	123	4.4049	.53559	.04829	4.3093	4.5005	2.60	5.00

Table 4.3 above shows a range of lower means under the human resource with health 3.3188, training/education 3.1667, advocacy 3.2262, development & relief 3.2703 and research & development 3.4000. The accounting aspect scored a mean of health 3.5362, training 3.8222, advocacy 3.6071, development & relief 3.6126, research & development 3.6667. Whilst these are lower means, the rest of the variables show means of above 4.1000, which indicates an overall no significant difference in the application of internal controls amongst MGOs.

Table 4.4. ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Human Resource	Between Groups	.461	4	.115	.465	.761
	Within Groups	29.227	118	.248		
	Total	29.687	122			
Organisation	Between Groups	.079	4	.020	.137	.968
	Within Groups	17.061	118	.145		
	Total	17.140	122			
Accounting	Between Groups	1.292	4	.323	.360	.836
	Within Groups	105.787	118	.896		
	Total	107.079	122			
Physical	Between Groups	.967	4	.242	.526	.717
	Within Groups	54.232	118	.460		
	Total	55.200	122			
Authorisation	Between Groups	2.452	4	.613	2.085	.087
	Within Groups	34.688	118	.294		
	Total	37.140	122			
Management philosophy	Between Groups	.747	4	.187	.643	.633
	Within Groups	34.250	118	.290		
	Total	34.997	122			

According to Table 4.4 above the analysis shows that there is no significant difference among participating NGOs between groups because the significance level of each aspect ranging from Human resources to Management philosophy from .761 to .633 which were all greater than .05(P >.05). (Human resource .761, organisation .968, accounting .836, physical controls .717, authorisation .087 and management .633) and therefore

not significant. The null hypothesis was accepted that there is no significance difference among participating NGOs as far as the application of internal controls in their operations is concerned.

Research Question 3

Does the size of the NGO impact on the institutionalisation and implementation of internal controls?

Table 4.5 One way-Descriptives

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min	Max
						Lower Bound			
Human Resource	1 – 10	48	3.1806	.48601	.07015	3.0394	3.3217	2.33	4.00
	11 – 20	30	3.2000	.40684	.07428	3.0481	3.3519	2.00	3.67
	20 and above	45	3.3556	.54309	.08096	3.1924	3.5187	1.33	5.00
	Total	123	3.2493	.49329	.04448	3.1613	3.3374	1.33	5.00
Organisation	1 – 10	48	4.7569	.44953	.06488	4.6264	4.8875	3.00	5.00
	11 – 20	30	4.7111	.40809	.07451	4.5587	4.8635	3.33	5.00
	20 and above	45	4.8667	.22918	.03416	4.7978	4.9355	4.00	5.00
	Total	123	4.7859	.37482	.03380	4.7190	4.8528	3.00	5.00
Accounting	1 – 10	48	3.6111	1.12217	.16197	3.2853	3.9370	1.00	5.00
	11 – 20	30	3.5444	.66369	.12117	3.2966	3.7923	2.00	4.67
	20 and above	45	3.7630	.88083	.13131	3.4983	4.0276	1.00	5.00
	Total	123	3.6504	.93685	.08447	3.4832	3.8176	1.00	5.00

Physical	1 – 10	48	4.1528	.82071	.11846	3.9145	4.3911	2.50	5.00
	11 – 20	30	4.3222	.43754	.07988	4.1588	4.4856	3.50	5.00
	20 and above	45	4.4185	.60888	.09077	4.2356	4.6014	3.00	5.00
	Total	123	4.2913	.67265	.06065	4.1713	4.4114	2.50	5.00
Authorisation	1 – 10	48	4.3333	.59945	.08652	4.1593	4.5074	3.00	5.00
	11 – 20	30	4.5444	.49891	.09109	4.3581	4.7307	3.33	5.00
	20 and above	45	4.4741	.52459	.07820	4.3165	4.6317	3.33	5.00
	Total	123	4.4363	.55175	.04975	4.3378	4.5348	3.00	5.00
Management philosophy	1 – 10	48	4.3208	.56227	.08116	4.1576	4.4841	2.60	5.00
	11 – 20	30	4.4267	.45708	.08345	4.2560	4.5973	3.20	5.00
	20 and above	45	4.4800	.55334	.08249	4.3138	4.6462	2.80	5.00
	Total	123	4.4049	.53559	.04829	4.3093	4.5005	2.60	5.00

Table 4.5 above shows a range of lower means under the human resource in terms of size of employees; 1-10 employees (3.1806); 11-20 employees (3.2000) and 20 and above employees (3.3556). Followed by accounting with a mean of 3.6111 (1-10); 3.5444 (11 – 20); 3.77630 (20 and above employees). The overall mean for employees; 1 – 10 (4.05925), 11 – 20 (4.1248) and 20 and above (4.2263) indicate that there is a highly application

of internal controls, hence a no significant difference in the application of internal controls. Research into the causes of errors in accounting systems has shown that personnel related issues to be a major cause of error.

Management policies and practices for hiring, orientation, training, evaluating, counselling, promoting and compensating employees have a significant effect on the effectiveness of the control environment.

Table 4.6. Significance-ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Human Resource	Between Groups	.808	2	.404	1.678	.191
	Within Groups	28.880	120	.241		
	Total	29.687	122			
Organisation	Between Groups	.502	2	.251	1.809	.168
	Within Groups	16.638	120	.139		
	Total	17.140	122			
Accounting	Between Groups	.981	2	.491	.555	.576
	Within Groups	106.098	120	.884		
	Total	107.079	122			
Physical	Between Groups	1.678	2	.839	1.881	.157
	Within Groups	53.522	120	.446		
	Total	55.200	122			
Authorisation	Between Groups	.924	2	.462	1.531	.221
	Within Groups	36.216	120	.302		
	Total	37.140	122			
Management philosophy	Between Groups	.607	2	.304	1.059	.350
	Within Groups	34.390	120	.287		
	Total	34.997	122			

The ANOVA Table 4.6 above shows that the significant values are greater than .05 (human resources .191, organisation .168, accounting .576, physical .157 and authorisation .221). Therefore, a null hypothesis was adopted which stated that there is no significant difference in the implementation of internal

controls considering the size of NGOs as measured by the number of employees.

Research Question 4

Is there any difference in the way the respondents rate the implementation levels of internal controls considering the position they occupied in the NGO?

Table 4.7. Considering the position occupied by person

Descriptives									
		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Min	Max
						Lower Bound	Upper Bound		
Human Resource	Bookkeeper/Cashier	41	3.2358	.49578	.07743	3.0793	3.3923	1.33	4.00
	Manager/Accountant/Administrator	41	3.2520	.54661	.08537	3.0795	3.4246	2.00	5.00
	CEO/Director	41	3.2602	.44417	.06937	3.1200	3.4004	2.33	4.00
	Total	123	3.2493	.49329	.04448	3.1613	3.3374	1.33	5.00
Organisation	Bookkeeper/Cashier	41	4.7236	.42754	.06677	4.5886	4.8585	3.33	5.00
	Manager/Accountant/Administrator	41	4.7154	.41873	.06540	4.5833	4.8476	3.00	5.00
	CEO/Director	41	4.9187	.20791	.03247	4.8531	4.9843	4.33	5.00
	Total	123	4.7859	.37482	.03380	4.7190	4.8528	3.00	5.00

Accounting	Bookkeeper/Cashier	41	3.7073	.76447	.11939	3.4660	3.9486	1.67	5.00
	Manager/Accountant/Administrator	41	3.5772	1.03555	.16173	3.2504	3.9041	1.00	5.00
	CEO/Director	41	3.6667	1.00554	.15704	3.3493	3.9841	1.00	5.00
	Total	123	3.6504	.93685	.08447	3.4832	3.8176	1.00	5.00
Physical	Bookkeeper/Cashier	41	4.3577	.69077	.10788	4.1397	4.5758	2.50	5.00
	Manager/Accountant/Administrator	41	4.1789	.67535	.10547	3.9657	4.3920	2.50	5.00
	CEO/Director	41	4.3374	.65350	.10206	4.1311	4.5437	2.67	5.00
	Total	123	4.2913	.67265	.06065	4.1713	4.4114	2.50	5.00
Authorisation	Bookkeeper/Cashier	41	4.4309	.55400	.08652	4.2560	4.6058	3.00	5.00
	Manager/Accountant/Administrator	41	4.4472	.51429	.08032	4.2848	4.6095	3.00	5.00
	CEO/Director	41	4.4309	.59742	.09330	4.2423	4.6195	3.00	5.00
	Total	123	4.4363	.55175	.04975	4.3378	4.5348	3.00	5.00
Management philosophy	Bookkeeper/Cashier	41	4.4976	.40527	.06329	4.3696	4.6255	3.40	5.00
	Manager/Accountant/Administrator	41	4.3366	.55397	.08651	4.1617	4.5114	2.80	5.00
	CEO/Director	41	4.3805	.62419	.09748	4.1835	4.5775	2.60	5.00
	Total	123	4.4049	.53559	.04829	4.3093	4.5005	2.60	5.00

Table 4.7 above shows that CEOs/Directors gave a higher rating of implementation of internal controls in their organisations, with a mean of 4.9187 (Standard deviation .20791) which means that the directors are more aware of the organisation procedures and policies to be followed. The bookkeepers and administrators rated the internal controls with a mean range of 4.7236 and 4.7154 respectively, which means that a higher frequency of

applying organisation policies and practices in their day to day operations prevails. There is a significant difference of .020 between groups, which means that the higher the position one holds within the NGOs the more awareness of policy issues. Therefore the null hypothesis is rejected and the alternative hypothesis is accepted which state that, there is a significant difference considering position in NGOs.

Table 4.8. ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Human Resource	Between Groups	.013	2	.006	.026	.975
	Within Groups	29.675	120	.247		
	Total	29.687	122			
Organisation	Between Groups	1.086	2	.543	4.058	.020
	Within Groups	16.054	120	.134		
	Total	17.140	122			
Accounting	Between Groups	.363	2	.182	.204	.816
	Within Groups	106.715	120	.889		
	Total	107.079	122			
Physical	Between Groups	.786	2	.393	.867	.423
	Within Groups	54.413	120	.453		
	Total	55.200	122			
Authorisation	Between Groups	.007	2	.004	.012	.988
	Within Groups	37.133	120	.309		
	Total	37.140	122			
Management philosophy	Between Groups	.568	2	.284	.990	.375
	Within Groups	34.429	120	.287		
	Total	34.997	122			

In Table 4.8 above shows that there is a significant difference of .020 between groups, which means that the higher the position one holds within the NGOs the more awareness of policy issues. Therefore the null hypothesis is rejected and the alternative hypothesis is accepted which state that, there is a significant difference considering position in NGOs.

5. Conclusion and Recommendations

The purpose of the study was to assess the extent to which NGOs in Zimbabwe apply or implement internal

controls in their operations; in the following areas; control environment, control procedures and monitoring of activities so as to ensure that they attain their set goals and objectives. The variables of the study were rated on a Likert scale of 1-5 with 5 being the highest score and the mean was used to measure central tendency.

The findings of this study revealed that NGOs in Zimbabwe apply internal controls in the their operations, notwithstanding the variation of degrees attributed to each aspect of internal control that is, based on type, size and position occupied by the personnel in the organisation. There was no major significant difference in the application of the internal controls by various NGOs in

Zimbabwe. However the media is awash of cases and incidences of fraud perpetuated within the NGOs sector in the country. Most of the studies conducted so far seem to focus on the technical and physical aspects of internal control systems within organisations, that is, the accounting of transactions aspects and records of organisational operations. The concerns of the local media certainly create a platform for further future research, particularly in the NGOs sector.

The researcher recommends to the donor community a concerted effort towards a financial and technical support to set up a sustained Human Resource development program within the NGOs sector. This is a focus on people rather than money for projects and welfare. There is a strong need for Human Resources training and development to ensure a sense of accountability and responsibility within the NGOs workers. There is a possibility that some misappropriation of donor funds and materials or goods takes place while still in transit or between the NGO and the intended beneficiaries, such that the beneficiaries end up not receiving the donation.

Recommendations for Future Research

The above assertions can only be strengthened by a further future research to try and establish the reasons for the concerns raised by the local media about the operations of NGOs in Zimbabwe. These future studies should focus outside the technical aspects of records keeping and transactions management and capture more of the human phenomenon, that is, the human element.

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