

THESIS ABSTRACT

Master of Business Administration
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Adventist University of Africa

School of Postgraduate Studies

Title: AN ASSESSMENT OF INTERNAL CONTROL SYSTEMS OF SELECTED SEVENTH-DAY ADVENTIST SECONDARY SCHOOLS IN ZIMBABWE

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The purpose of this study was to assess the effectiveness of internal control systems existing in selected Seventh-day Adventist secondary schools in Zimbabwe. The study was necessitated by the desire to have effective internal control systems in the institutions to prevent and reduce the occurrence of wrong practices, mismanagement of resources and accounting errors being experienced in the institutions despite the awareness to all institutions by the Zimbabwe Union Conference on the benefits of effective internal controls.

Quantitative cross-sectional and causal study designs were used in collecting data from a sample of four Adventist schools in Zimbabwe selected using the convenience

sampling method due to their proximity and accessibility to the researcher. A sample size of 103 respondents from the schools was selected using the stratified random sampling to ensure representation of all the stakeholder groups targeted in the schools. Data was collected using a researcher-constructed questionnaire and analyzed using descriptive (mean and standard deviation, frequencies and percentages) and inferential statistical (multi regression and correlations) techniques computed using Statistical Package for the Social Sciences (IBM SPSS 20).

The findings of the study revealed that internal control systems exist in the Adventist schools but are not effective, thus leaving room for improvement in order to achieve the objectives. The results have also shown that the institutions are performing in the range of average, with fees collection shown as their greatest challenge. Furthermore, the findings revealed that there is a statistically significant positive relationship between internal control components and institution performance with control activities component being a strong predictor of institutional performance.

Based on the research findings, the researcher recommends that the school authorities strengthen their internal control components in order to achieve internal control effectiveness and enhance performance. This can be accomplished through the establishment of an effective control environment, establishment of committees responsible for risk assessment and monitoring committees, establishment of a whistle blowing policy, and internal control manuals for continuity in the event of the hiring of new employees. It was also recommended that management improve communication and information through clear lines of communications and regular reporting to stakeholders. To enhance performance, management should strengthen their fees collection policies.

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A thesis

presented in partial fulfillment
of the requirements for the degree
Master of Business Administration

by

Patience Sithole


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APPROVAL BY THE COMMITTEE:



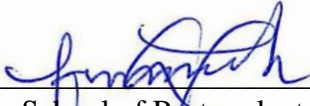
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CHAPTER 1

INTRODUCTION

Background of Study

The internal control system is an integral part of any organisation and forms one of the best defences against business failure as well as an important driver of business performance (International Federation of Accountants, 2012). Internal control system is recognised as one of the most important ingredients necessary for the survival of business enterprises as well as government agencies as it provides measures to minimize and even eliminate risks associated with failures (Adewale, 2014).

Internal control system is an important function or ingredient necessary for the survival of a business as mentioned above because of its contribution in ensuring reasonable assurance of the achievement of company objectives namely financial reporting, operating efficiency and compliance with company and state laws and regulations (Messier, Glover & Prawitt, 2008). According to Harrison, Horngren, Thomas, and Suwardy (2014) a proper internal control system is a primary way by which the organisation can prevent, detect and correct fraud as well as unintentional errors. Not only do internal controls help in the achievement of organisation objectives but Ainsworth and Deines (2009) suggested that having an internal control system is standard business practice. Besides being a good business practice Ainsworth and Deines (2009) further points out that, “In 1977 the US government passed a Foreign Corrupt Practices

Act that required all publicly owned companies to maintain detailed accounting records as well as documented systems of internal controls.” This regulation was supported by the Sarbanes-Oxley Act of 2002 which was passed as a way of addressing public concerns over the collapse of popular companies Enron and WorldCom. The act required that publicly held companies have their internal control systems audited by external auditors (Harrison et al, 2014). These requirements show how essential internal controls are in ensuring reasonable assurance in the achievement of company objectives.

In light of the importance of internal control systems, it is the researcher’s view that every organisation, large or small, profit or not for profit have in place adequate internal controls in their operations in order to achieve its goals. Churches, schools, hospitals and charity organisations are not an exemption from the need to have adequate internal controls as these handle public resources and are also prone to risks such as fraud, misappropriation of resources, losses of organizational assets, accounting errors, inefficient and ineffective operations. And according to Sulaiman et al. (as cited by Zuraidah, Razana, Jamaliah & Takiah, 2015), embezzlement of funds is also common in religious organisations due to lack of accountability and commitment to accounting.

Media reports on audits conducted in Zimbabwe revealed that many schools countrywide had lost large sums of money through fraudulent activities by those entrusted with the stewardship role. Mavhima (2016) reported the suspension of twenty school heads in the Midlands province for the embezzlement of funds and fraud. Another report by Harmony (2015) points out that three school heads were suspended in Bulawayo for fraud and embezzlement of School Development Association funds. The Financial Gazette (2015) also highlighted a number of schools which had been prejudiced

of the funds with the highest amount being in that report being US\$100,000 swindled from one high school in the city of Harare by the bursar and his assistant. Another startling report from Lupande (2015) transpired at Eaglesvale Senior School where the headmaster, salaries officer and bursar were charged of embezzling over US \$800,000 from the school through encashing their leave days and awarding themselves allowances without approval of the school board.

These gross misappropriations of funds are not only experienced in public but also in mission or church and private schools. The occurrence of these fraudulent activities in schools country wide according to the reports must have compromised a lot of development and services provision in the institutions as well as creating loss of confidence in the minds of stakeholders in those responsible for the administration and custodian of school resources. It is evident from the reports that the occurrence of these fraudulent activities in the schools may be attributable to the absence or laxity in the design and implementation of internal control systems in the schools among other issues.

Statement of the Problem

It is evident that internal controls provide important benefits such as improving the quality of accounting information, reducing the possibility of mismanagement, error and fraud. Hence, the Seventh-day Adventist Church in Zimbabwe has made efforts to conscientize its entities on the importance of internal controls. However, corrupt and unethical activities are also being experienced in some Adventist secondary schools. It is against this background that the researcher sought to make an assessment of the internal control systems existing in the Adventist secondary schools and establish whether the

controls are being adequately and effectively implemented to enable the institutions to achieve its operational and financial reporting goals.

Research Questions

Below are the research questions, which this study sought to address:

1. To what extent are the following internal control components practised in the Adventist Secondary Schools in Zimbabwe?
 - i. Control environment
 - ii. Risk assessment
 - iii. Control activities
 - iv. Information and communication
 - v. Monitoring activities.
2. To what extent are the respondent institutions performing in terms of financial and non-financial indicators namely: self-sustenance, audit, infrastructure development, fees collection, compliance and quality service provision?
3. Is there any significant relationship between the internal control components and institutional performance?
4. Which of the following internal control variables causes a significant variation to the institution's performance?
 - i. Control Environment
 - ii. Risk assessment
 - iii. Control activities
 - iv. Information and communication
 - v. Monitoring activities

Hypotheses

Based on the research questions above, the following null hypotheses were tested:

1. H₀: There is no significant relationship between internal control variables and institutional performance.
2. H₀: There is no significant effect of internal control variables on institutional performance.

Conceptual Framework

A synthesis of the variables that were looked into give an overview of the conceptual framework of the study as indicated in Figure 1. It shows that institutional performance depends to a large extend on effective control systems comprising five elements – control environment, risk assessment, control activities, information and communication, as well as monitoring mechanisms. Therefore, internal control systems have an impact on institutional performance.

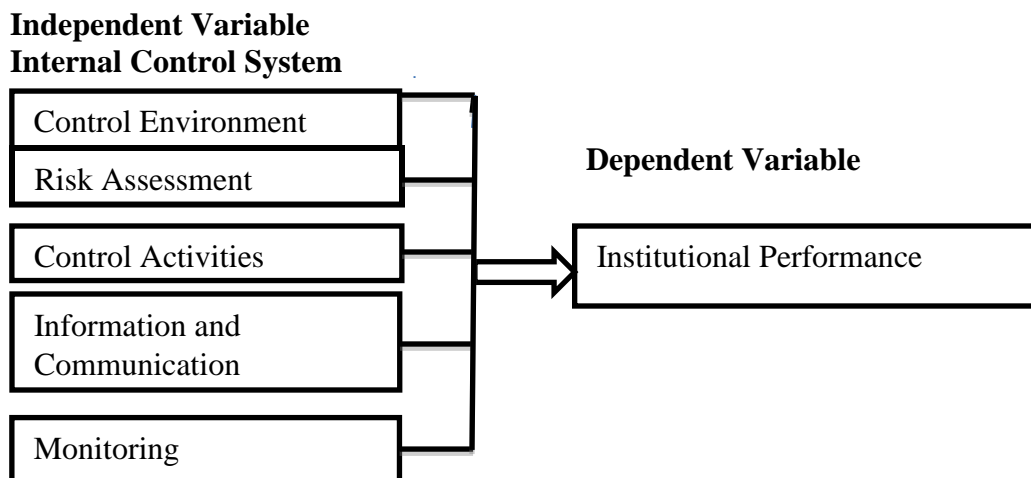


Figure 1. Conceptual Framework

Significance of the study

The focus of the research study was Adventist Secondary Schools in Zimbabwe. The results of the study are expected to add value to the board of knowledge. It will be of benefit to the Adventist schools by creating awareness as to the state of the existing internal controls and to use the recommendations proposed for improvement.

The researcher will also benefit from the study intellectually through reading of journals, books and articles in gathering information to compile the research.

Scope and Limitations of the Study

The study was limited to selected Adventist secondary schools in Zimbabwe specifically those secondary schools in Central, East and North Zimbabwe Conferences. The time available at the researcher's disposal limited the scope of the study to four schools with sample size of 103 respondents. The study was also limited to internal control components and institutional performance. The relative small sample size and techniques limited the generalizability of the study. More so, there was also lack of cooperation from some of the respondents thus a response rate of 72% was achieved.

Operational Definition of Terms

Internal Control - a process designed and effected by the entity's board of directors, management and other personnel to provide reasonable assurance about the achievement of the entity's objectives.

Internal Control System-refers to a series of the internal control activities put in place in an organization to ensure reasonable assurance towards the accomplishment of set goals.

Control Environment – the atmosphere in which the internal controls are implemented.

Risk Assessment – process of identifying, analyzing and responding to risk threatening the achievement of the entity’s objectives.

Control Activities – policies and procedures put in place to ensure that management directives are carried out.

Monitoring – process of assessing the quality of internal control performance over time and is important as it enables management to determine the functionality of the internal controls and see if any modifications are necessary.

Internal control system effectiveness: refers to the extent at which the controls enable the entity to accomplish its goals in terms of financial reporting, operation efficiency and compliance to laws and regulations.

Performance – a measure of how efficient an organization is with regards to the use of resources towards the achievement of goals.

CHAPTER 2

REVIEW OF LITERATURE

Concept and Definition of Internal Control Systems

According to Whittington and Pany (2008, 2016), various interpretations and ideas have been made on the meaning or definition and objectives of internal control system before the 1990s by many people including professional boards. Whittington et al. (2008) further states that it was during the early 1990s that the professional boards united and tasked the Committee of Sponsoring organization (COSO) to develop a common definition and scope of internal control system suitable to everyone. Therefore, the COSO definition as quoted by Messier et al. (2008) “internal control is a process designed and effected by the entity’s board of directors, management and other personnel to provide reasonable assurance about the achievement of the entity’s objectives in the following categories (1) reliability of financial reporting, (2) effectiveness and efficiency of operations and (3) compliance with applicable laws and regulations”. This definition has been supported and thus adopted by many including the Seventh-day Adventist Church organization as quoted in their worldwide *Accounting Manual* (p. 17).

The definition according to COSO is broad and Rivera-Alsing (2014) in a presentation on the basics of internal auditing points out four important concepts that are captured in the definition of internal control that is “process, effected by people

reasonable assurance and achievement of objectives.” These concepts according to the updated internal control integrated framework are fundamental in the design and implementation of internal control systems by providing the basis for application across different entity structures (COSO, 2013).

In addressing the important concepts, Whittington and Pany (2008, 2016) states that the COSO emphasizes that internal control is a “process or a means to an end and not an end in and of itself effected by individuals and not merely policy manuals, documents or forms” which implies that it is not a one-day activity but consists of ongoing tasks and activities undertaken by people at every level of an organization. Dorman, Gorgery, and Horvath (2011) support this idea by viewing internal controls as a series of actions that permeate an entity’s activities and occurs throughout the entity’s operations on an ongoing basis and not a once off event or circumstance. Whittington and Pany (2008, 2016) and Dorman et al. (2011) also point out the fact that internal controls are to be imbedded in the entity’s infrastructure and become an integral part of the essence of the entity. Thus, according to the International Organization of Supreme Audit Institutions (INTOSAI), internal controls should not be viewed as something added to the entity’s activities or a necessary burden but an important element within the organization’s infrastructure.

In support of the holistic approach, Whittington and Pany (2008, 2016) point out that the definition of internal control is comprehensive in that it addresses the achievement of company objectives in all areas that is financial reporting, operations and compliance with laws and regulations. The definition also disqualifies beliefs or myths about internal controls as pointed out by Bradford (n.d), that internal controls are a

responsibility of auditing and accounting functions. The definition shows that the design and implementation of internal controls is a responsibility of the entire organization.

The definition also points out an important fact about internal control that is also a misconception by many people. A lot of people believe that internal controls ensure absolute assurance of achievement of objectives Bradford (n.d), but rather internal controls only give reasonable assurance that the objectives will be achieved as these controls are subject to manipulation by people thus organizations should ensure that the cost do not exceed the benefits of controls.

The concept of internal control presents a situation where internal controls are devised and enforced in an organization with the main aim of ensuring as far as possible in the given circumstances, the efficient, orderly and less risk conduct of business. Internal control system as measures implemented in an organization should focus towards safeguarding the organization's assets; prevent fraud as well as the detection of fraud and error. Another component that should come naturally together with a sound internal control system is ensured accuracy and completeness of the accounting records together with a timely preparation and presentation of reliable financial accounting information.

Functionally control systems assist management to identify risks inherent in their organizations, mitigate these risks manage them. Learning institutions just like any other institution or firm require internal control as they handle a lot of public funds in the form of fees and levies which risk being abused as well as setting fertile grounds for fraudulent activities.

Significance or Objectives of Internal Controls

According to Harrison et al. (2014), it was as a result of the collapse of large international corporations such as Enron due to fraudulent activities that strict measures have been put in place with regards to internal controls especially for publicly listed companies. In support to the idea, Ainsworths and Deines (2009) suggest that having an internal control system is a good business practice and a legal requirement which should be taken seriously by every organization.

Internal controls present benefits that justify the growing need for their implementation in institutions, Adu-Gyamfi (as cited in Ofori, 2011) identifies reasons why internal controls are relevant in organizations. He argues that internal controls; (1) prevents the loss of assets, documents and records (2) facilitates the understanding of organizations operation; (3) mitigates against business risks; (4) enhances management effectiveness and efficiency in their day-to-day management of the organizations; (5) reinforce transactions discipline within the institutions; (6) safeguard and protects organization's assets from theft, pilferage and fraudulent activities.

While acknowledging the importance of internal controls in ensuring the achievement of the organization's mission, Hevesi (in Ofori, 2011), in contributing to the same subject, suggests that internal controls assist organizations and firms in the achievement of their "mission" by promoting orderly, economical, efficient and effective operations, compliance, safeguarding resources from losses due to waste, abuse, mismanagement, errors and fraud, and developing and maintain timely, accurate and reliable financial data.

As pointed out in the COSO definition, internal controls help in ensuring that accurate and reliable financial records are provided, operations are done “effectively and efficiently” and also that company or legal rules and regulations are complied with or followed by the management and employees. In support of the financial reporting objective, the Financial Services divisions of the Victorian government schools in their 2011 Finance manual and 2013 Internal control manual points out that internal controls are there to protect staff and resources in that they ensure all transactions are recorded and supported by appropriate documentation, authorized appropriately, accurate and assets are safe. That is internal controls are there to ensure that the financial reports are accurate and can be confidently relied on by stakeholders for decision making.

Messier et al. (2008) argue that internal controls play an important role in how management accomplishes its stewardship or agency responsibilities. The authors further suggest that proper internal controls create an environment of efficiency and effectiveness which encourages easy monitoring. Thus, internal controls are essential for the smooth running of an organization and hence should be well designed and monitored to ensure good results. The stewardship theory defines the employment relationship between two parties (the principal or owner) and the steward (manager). The theory suggests that the behavior of the steward is to be aimed at the best interest of the principal thus the organization (Davis et al; Zahra et al cited by Madison, K 2014).

Internal control systems are not only important in profit making organization, but they also play a vital role in ensuring the smooth running of nonprofit making organizations, schools, hospitals, charity organizations, government departments just to mention a few. Internal controls are equally important in these organizations as their

service provision operations involve handling of lots of public resources in that they help in safeguarding these resources from misappropriation, thefts and other losses. A report by Huefner (2011) on the internal control weaknesses in local governments indicated that inadequate internal control monitoring provided opportunities for fraud, abuse and waste of resources in organizations and thus internal controls help avoid such risks of losing the resources.

The Seventh-day Adventist Church organization also acknowledges the importance of internal controls and thus pointed out in the *Accounting Manual*, 2011 that internal controls are designed and implemented to address identified risks that threaten the achievement of organizational goals (p. 17). Even though it is a church organization with employees who are guided and abide by the biblical principles, management acknowledges the fact that the organization is not free from risks and thus like any other organizations believes that controls should be put in place to minimize the occurrence of such risks.

To sum it up, the existence of an efficient internal control system as suggested by Kumuthidevi (2016) helps the organization in minimizing the occurrence of fraudulent activities, errors or any other irregularities, safeguarding assets against misuse, achieving a high degree of accuracy and reliability of all financial and operating information, achieving operational efficiency and prevent wastage and encourages adherence to applicable rules and regulations.

Components of Internal Controls

According to the PricewaterhouseCoopers (PwC) (2013), COSO is an organization dedicated to providing thought leadership and guidance on internal control, enterprise risk management and fraud deterrence. COSO in its internal control integrated framework have suggested that an effective control system is made up of five important components. Whittington and Pany (2008, 2016) in support have suggested that in all audits the auditor's understanding of internal control must encompass five internal control components. These components according to COSO as quoted by Gamage, Lock, Fernando (2014) are the control environment, risk assessment, information and communication system, control activities and monitoring. These components are essential as they form the basis of assessing the effectiveness of an internal control system and therefore should be imbedded within the system (COSO, 2013).

Table 1. Components of an Internal Control System

Component	Description
Control Environment	Actions, policies that reflect the overall attitude of top management, directors and owners of an entity about internal control and its importance.
Risk Assessment	Management’s identification and analysis of risks relevant to the preparation of financial statements in accordance with the applicable financial reporting framework
Control Activities	Policies and procedures that management has established to meet its objectives for financial reporting including: adequate segregation of duties, proper authorization of transactions and activities, adequate documents and records, physical control over assets and records, and independent checks on performance.
Information & Communication	Methods used to initiate, records, process and report an entity’s transactions and to maintain accountability for related assets.
Monitoring	Management’s ongoing and periodic assessments of the quality of internal control performance to determine whether controls are operating as intended and are modified when needed.

Source: SDA – Transparency and Accountability Document for Church Leaders

In the COSO internal control document as borrowed by the Protiviti Independent Risk Consultants (n.d), the components are described as a dimension for measuring the effectiveness of internal controls and they are integrated with two other dimensions that is the entity which focuses on the organizational operation, financial reporting and compliance and the organizational structure which defines the operating units and legal entities. Each of the internal control components is evaluated on the basis of each of the objectives at both the entity and the activity or process level. McNally (2013) has also argued that an effective internal control system must have all the five components operating together in an integrated manner. The component that has been described by many authors as the first and also very important is the control environment. Whittington

et al. (2008) describe it as one that sets the tone as well as the foundation for the other components as it influences the control consciousness of people.

Control Environment

The control environment components include various factors that are essential in the running of an organization. These are integrity and ethical values, competency of the employees, management philosophy and operating styles, organizational structure and human resource practices (Whittington and Pany 2008). In support of this reasoning, Ofori (2011) notes that the control environment consists and reflects the philosophy of organization's management as shaped through its mission statement and vision.

Ndamenenu (2011) also points out that the control environment should also consist of the code of conduct or ethics policy which must be adequately communicated to all levels of the organization. Management is to further put in place mechanisms that will enable regular education and communication to the entire members of the organization on these elements together with the importance of internal controls so as to enhance their understanding of these elements.

Ofori (2011) further argues that the components of the institution control environment include the organization structures "which specify responsibility in financial as well as non-financial performance and duties, management's style of operations, their attitudes, ethical values, integrity, skill and the overall competence of personnel. He further identifies the components of an institutions control environment to consist of awareness of organizational values by personnel, directors and management's decisions and control actions. It is managements' attitudes towards internal controls and

“consciousness established” and maintenance by directors as well as all other internal stakeholders that shape the organization’s control environment.

According to KPMG (2013), the control environment forms the foundation on which all the other components are based. It is the foundation as it deals with the aspects of people and signifies the attitudes of the top management. This assertion found support in Mwachiro’s (2013) argument that it is the component which sets the tone for the organization’s internal control thrust thus it is to permeate within the entire organization. COSO (2013) as cited by Mwachiro (2013), in support of the argument, suggests that the control environment creates a frame of mind within which the internal control system can function at all levels in the institution. It is the source of discipline and structural choices for organizations and thus for internal controls to be effective top management is expected to actively support the programs.

According to the General Conference of the Seventh-day Adventist Church (2015), the control environment is the umbrella for the other four components and without an effective control environment the other, components are unlikely to result in effective internal controls regardless of their quality. Therefore, with this background in mind it is essential for schools’ management to ensure that a good culture and tone has been set in schools to enable creation of a greater desire for designing and implementing effective controls within the organization.



Figure 2. Control Environment in Relation to the other Components

Source: SDA – Transparency and Accountability Document

Risk Assessment

The risk assessment component describes the processes by which an entity identifies organizational risks and how they can respond to them. According to Messier et al. (2008), the risk assessment process includes the identification by management of risks relevant to the preparation of financial statements that are fairly presented in accordance to the generally accepted accounting principles, estimates their significance, assess their occurrence likelihood and determine the ways in which they can be managed. In other words, the functionality of an internal control is reliant on the ability of the entity's management to identify business risks and manage them.

Abiola (2013) posits that since internal control is a dynamic system due to continuous changing economic and operating conditions, mechanisms for risk assessment

are also subject to these changes and adjustment thus proper setting of objectives is necessary to achieve effective risk assessment. Finance officers have to ensure that continuous assessment in departments and divisions continues to be conducted. The significance of these activities is that, this assessment facilitates the checking of systems of internal control for effectiveness.

Risk identification is a very important task in risk assessment procedures; however, a difficult one to achieve (Cochran in Ntongo, 2012). The author further brings to attention the fact that risk identification is not easy in the sense that no matter how well the internal control system is designed and operated can only provide reasonably and not absolute assurance to management about the achievement of an entity's objectives. Further to that the authors argues that the task is challenging also as the risk is not only internal but may also be external that is it can be result of public scandals.

Information and Communication

Messier et al. (2008) have suggested that though internal controls are holistic in their operations more emphasis is put on the financial reporting objectives as it is believed that the other objectives are reliant on financials elements. This is the reason why information system and communication component is required in an internal control system. This component focuses on the systems relevant to financial reporting objectives and these are the accounting systems (manual or automated) and the records established to process, report and account for financial transactions. According to Aldride and Alberto (as cited in Badara and Saidin 2013), information and communication refers to the process of identifying, capturing and appropriate communication of relevant information within a given period in order to accomplish the financial reporting

objectives. Amudo and Inanga (as cited by Badara and Saidin 2013) pointed out that this component is necessary as it influences the working relationships within the organization at all levels.

Communication relates to how this financial information is relayed and understood by the members of the organization. It also involves the understanding of individual roles and responsibilities as far as internal control over financial reporting is concerned (Messier et al. 2008). In support of this assertion, Ofori (2011) posits that it is through information and communication that employees understand their roles and accountability in control systems and how these impact on their coworkers. Therefore, according to Lamoye as cited by Ofori (2011), it is necessary that relevant information be recorded and communicated timely to relevant management and other personnel within the organization for internal control systems to be effective and efficient.

Monitoring

The monitoring component has been defined by Whittington and Pany (2008) as the “process of assessing the quality of internal control performance over time and is important as it enables management to determine the functionality of the internal controls and see if any modifications are necessary.” In support, Ofori (2011) has argued that the purpose of monitoring is to ensure that controls are adequately designed and that they are effectively and properly implemented as intended. Gamage et al. (2014) have claimed that management should put emphasis on the monitoring process as internal controls and their application change overtime due to various reasons such as new recruitments, supervision, time and resource limitations or changes in circumstances for which the internal control system was original designed for.

Monitoring of controls can be done by regular management assessments or the engagement of internal and independent auditors. According to the Seventh-day Adventist Church working policy number S05 35 as quoted by the General Conference (2010), the controlling committees in each institution are expected to have an ongoing process of monitoring internal control system and make the necessary adjustments. However, important these processes are, many organizations are quiet reluctant in performing them.

A report by Huefner (2011) on internal control weaknesses in local governments indicated that inadequate monitoring can result in control weaknesses. Gamage et al. (2014) further submit that for the motoring process to be more effective all organization employees are to be conversant with the mission, objectives and risk tolerance levels of the organization.

Control Activities

Edmonds et al. (2008) posit that control activities are a critical component of internal control system. It is these control activities that makes up an internal control system. Further, they have identified control activities as policies and procedures put in place to ensure reasonable assurance of the accomplishment of the entity's objectives. Aikins, as cited by Badara et al. (2013), in support, suggested that these control activities ensure that all necessary actions or management directives have been taken to address the risks so as to enable the accomplishment of the organizational objectives. Gamage et al. (2014) describe control activities as both manual and automated tools that are established to help prevent or reduce the risks that can hinder the accomplishment of organizational objectives.

Control activities, according to Edmonds et al. (2008), can be divided into two categories that is the accounting and administrative controls and may vary from organization to organization and certain basic controls have been proved to be effective and common in many organizations over time. Whittington and Pany (2008, 2016) have suggested the following as examples of control activities: performance reviews, information processing controls, physical controls, segregation of duties, approvals, authorizations and verifications. These activities are quiet important for the organization as well as to the auditors as they address all aspects that may result in material losses of organizational assets.

Amudo & Inanga in Gamage et al. (2014) have suggested the following; organization employees' competence, comparisons, reconciliations, the design of source documents verification before making the payments, review operations and supervision as the control activities that should be implemented in any organization. Walker as cited by Gamage et al. (2014) pointed out that these control activities should occur at all levels and functions of the organization. He supports all the above listed but also included proper execution of transactions and events and accurate and timely recording of transactions and events.

COSO (2013) have suggested that the organization is to select control activities that are relevant in mitigating risks to acceptable levels, and these activities are to be deployed through policies that define the expectations and procedures that put the policies into action. These actions are of great importance since control activities help to ensure that necessary actions are taken to address risks to the achievement of the entity's objectives (Muraleetharan, 2013). Aikins, as cited by Badara et al. (2013), also suggested

that these control activities are to be properly documented so as to enable their execution and also provide adequate information for auditors in their examination of the overall adequacy of control design over financial management.

For the purpose of this study, the following activities will be considered as the control activities: segregation of duties, reviews and comparisons, reconciliations, proper documentation, physical controls, authorization, approvals, verifications and competence of employees. These controls are of necessity in educational institutions for operational efficiency and safeguarding of assets.

Categories of Internal Control Systems

Loustea, as cited by Ofori (2011), has identified and categorized internal controls as directive control, preventive controls, compensating controls, detective controls and corrective controls and these are explained below.

Preventive Controls

According to Lacotelli (as cited by Ofori 2011), preventive controls represent the measures adopted and implemented by organization management to mitigate, deter as well as completely eliminate noncompliance with directives, policies and procedures. The main focus of preventive controls is the prevention of the risk of error, fraud and other irregularities from occurring when transacting. This also prevents or minimizes losses in the system.

Detective controls

Ofori (2011) posits that detective controls are aimed at “detecting and uncovering problems” that may be in the form of fraud, errors and other irregularities after these have

already been committed. Detection can arise from audits that are conducted at regular intervals either through the internal audits function or by external auditors who are engaged by the company to provide an opinion. Detective controls as reasoned out by Wells in Ofori (2011) as having a critical role in the provision of evidence as to whether preventive controls are effective. According to Ofori (2011), detective controls can be in the form of reviews, analyses of financial statements and company records, variance analyses, physical stock takes, reconciliations and audits.

Corrective Controls

When the system of internal controls is discovered to be failing to achieve what it is intended to achieve management must institute corrective actions to adjust the deviation. Simmons, in Ofori (2011), points out that corrective controls are implemented to address any unintended outcome which will have occurred in the internal control system. Contributing to the same topic and discussion, Ofori (2011) cites systems re-designs, post-audits, follow-ups and the application of disciplinary actions by management for misconduct as corrective controls.

Directive Controls

Rittenberg, as cited by Ofori (2011), describes directive controls as the policies and procedures adopted and implemented by top management that is directors and executive management with the view to promote the entity's compliance with independent rules. These rules include internal control rules instituted by management and the regulations regarding the proper presentation of financial statements in line with international standards of accounting as well as national accounting regulatory requirements. Rittenberg, as cited by Ofori (2011), suggests that policies and procedures

that are adopted and implemented by top management of an entity must permeate through the whole entity and must be clear and consistent to make sure that compliance is reinforced.

Compensating Controls

Internal control systems should be implemented in the organization as whole at all times however, there are sometimes when systems do not exist in some sections of the entity altogether. It is in situations like these that compensatory controls come into play (Ofori, 2011). For example, an entity whose database is mainly electronic may find it worthwhile to support this with a hard copy of the client list in the library office (Ofori, 2011).

Internal Control System Effectiveness

According to COSO (2013), an internal control system is designed to give reasonable assurance as to the achievement of the entity's objectives with regards to reliability in financial reporting, operational effectiveness and efficiency and compliance with applicable laws and regulations. Therefore, following the same line for an internal control system to be effective it should give the board of directors and management with the reasonable assurance that (1) the organization's operational objectives are being achieved; (2) published financial statements are reliable; and (3) applicable rules and regulations are complied with (COSO as cited by Aygre, Gyamerah and Nartey, 2014; Mwindi cited by Ndifoni and Patrick, 2014).

Ofori (2011), on the other hand, argues that the effectiveness of an internal control system is to be judged by the extent at which the internal control elements exists and effectively operates in an organization. In harmony with this opinion, Aygre et al.

(2014) posit that an effective internal control system is a function of the workings of the five components of the system. Therefore, the effectiveness of an internal control system should be measured through an assessment of the functioning of the five components of an internal control system across the entire organization (COSO 2013). Consequently, where all the elements of the internal control system are working together, then effectiveness of internal control can at least be guaranteed.

Kumuthinidevi (2016) has suggested that it is only when these five elements are linked together that they are able to form an integrated system that is able to react dynamically to the rapidly changing business environment. The American Institute of Committee of Public Accountants (AICPA), as quoted by Kumuthinidevi (2016), also suggested that for an internal control system to be effective it must be intertwined with the operating activities and be built-in to the organization's infrastructure. It is by so doing that the internal control system becomes part of the very essence of the organization.

Therefore, to assessing internal control system effectiveness, it is important to understand the operations of the five internal control system components and their application across the organization in ensuring the achievement of the control objectives.

Institutional Performance

Performance, according to Mawanda as referenced by Ejoh and Ejom (2014), refers to the ability of an organisation to operate efficiently, profitable, survive growth and react to the environmental opportunities and threats. Thus it is a measure of how efficient an organisation is with regards to the use of resources towards the achievement of its goals. Continuous performance as viewed by Gavrea, Ilies and Stegrean (2011) is the objective

of any organisation because it is only through performance that an organisation is able to grow and progress. Both financial and non-financial indicators can be viewed as performance measures as they can offer information on the degree of achievement of objectives and results (Lebans and Euslee in Gavrea et al., 2011). For the purpose of this study performance measures will be limited to the following variables: financial indicators (liquidity and working capital ratios, audit opinion, asset or infrastructure development) and non-financial (compliance and quality service delivery to stake holders).

Internal Control Limitations

According to Edmonds et al. (2008), “no internal control system is foolproof” meaning that no matter how good the controls may be in design and implementation they are not free from short comings or limitations. Kumuthinidevi (2016) pointed out that even though an internal control structure is important to the effectiveness of the organization’s system it does not guarantee the success. The author further argues that the effective internal control system can only keep the right people informed about the organization’s progress or lack of progress in achieving the objectives but cannot turn a poor manager into a good one. These arguments clearly show that internal controls only give a reasonable assurance to the accomplishment of the entity’s objectives as suggested in the COSO definition of an internal control system.

According to Hughes, in Ofori (2011), the putting in place of an internal control system does not imply that organizational objectives will always be met and guaranteed. His argument is that internal control systems although necessary and essential “can only be expected to provide reasonable assurance” that organization objectives and goals will

be met and, according to Ofori (2011), employees are a critical component in the effectiveness of internal control systems. Their competency and dependability is the critical recipe for effective internal control systems at least in the majority of organizations. Loustea, as cited by Ofori (2011), suggests that limitations of internal control systems include “faulty human judgment, errors, misunderstanding of instructions, management override of controls and the collusive actions of employees.” As long as these limitations are available, then systems of internal controls will not be able to guarantee the meeting of objective by the entity.

However, according to the Seventh-day Adventist Church, Transparency in Financial Reporting document reported at the 2010 General Conference Annual Council, internal control limitations should not provide an excuse for any institution of failing to design and implement the best possible internal controls.

The purpose of research work is to gain more knowledge and add to the existing body knowledge of knowledge. A lot of research has been done on the assessment internal control systems across the globe. Ngwenya, B (2013) studied the application of internal controls in NGOs in Zimbabwe and found out that internal control systems in terms of control environment, procedures and monitoring were sound. Njanike, Mutengezanwa and Gombarume (2011) studied internal controls in ensuring good corporate governance in financial institutions in Zimbabwe and they discovered that failure to effectively implement internal controls contributed significantly to poor corporate governance.

Despite the vast literature on internal controls, their importance and influence on organizational operations, there is little or no empirical literature on internal control

systems in schools especially the Adventist schools in Zimbabwe; hence the justification for conducting this research as contribution to the body of knowledge.

CHAPTER 3

METHODOLOGY

Research Design

The study employed the cross-sectional and causal study designs. The cross-sectional was used as the data was collected at once within a period of one month and the causal was used since there was need to determine some relationships between the independent and dependent variables.

Population and Sampling Procedures

The targeted population for this study was the Seventh-day Adventist secondary schools in Zimbabwe. There are approximately 9 boarding secondary schools operated by the Seventh-day Adventist Church in the country. Administratively the church in Zimbabwe has one union conference and 6 conferences namely, East Zimbabwe Conference (EZC), North Zimbabwe Conference (NZC), Central Zimbabwe Conference (CZC), North West Zimbabwe Conference (NWZC), West Zimbabwe Conference (WZC) and South Zimbabwe Conference (SZC). On the next page is a table showing the list of the schools according to the conferences and their status.

Table 2. List of Adventist Boarding Secondary Schools in Zimbabwe

Name of Conference	Name of School	Status
East Zimbabwe Conference	Anderson Mutiweshiri	Boarding
	Nyahuni	Boarding
	Nyazura	Boarding
North Zimbabwe Conference	Mauya	Boarding
	Ruya	Boarding
Central Zimbabwe Conference	Anderson	Boarding
	Hanke	Boarding
	Lower Gweru	Boarding
North-West Zimbabwe Conference	Nil	Nil
West Zimbabwe Conference	Nil	Nil
South Zimbabwe	Solusi	Boarding

For the purpose of this study, only 4 out of the 9 schools were selected using the convenience sampling technique based on their location and accessibility to the researcher to be representatives of the secondary schools considering the fact that the schools are scattered throughout the country. These selected schools were Nyazura, Nyahuni, Ruya, and Anderson. From these schools the targeted respondents were board members, support staff and teachers. Each of the institution had an average of 12 board members, 15 support staff and 25 teachers. Apart from that population the researcher also used the Conference auditors in this study and the average targeted audit population was 6 auditors. On the next page is a table showing the targeted population sample:

Table 3. List of Sampled Adventist Boarding Secondary Schools in Zimbabwe

Name of School	Board Members	Support Staff	Teachers	Total Population
Nyazura	12	15	25	52
Nyahuni	12	15	25	52
Ruya	12	15	25	52
Anderson	12	15	25	52
Auditors (3 conferences)				6*
Total	48	60	100	214

NB: * Two auditors from each of the three conferences in which the schools are located

In regard to the sample size, a total of 103 respondents which is 48% of the total population were used. The sample was determined using the stratified random sampling technique to ensure that all the stakeholder groups were represented in the sample. Approximately a 50% representation from each group per school was picked to represent the population. This sample was considered sufficient to produce the required outcome and one of the rules in determining sample size by Roscoe (as cited in Sekara & Bougie, 2013) is “Sample sizes larger than 30 and less than 500 are appropriate for most research” (p. 269).

Table 4. Population Sample Size

Group	No of Schools	No of Respondents	Total Respondents
Board Members	4	6	24
Teachers	4	12	48
Support Staff	4	7	28
Auditors (3 conferences)	3*	1	3
Total			103

NB: * The 4 sampled schools are located in three conferences.

Research Instrument

A self-constructed questionnaire was used to collect the data related to the research questions. The questionnaire was structured as follows:

Part A: Demographics of the participants

This section was used to gather the respondents' demographic data such as gender, age, educational qualifications to enable the researcher to understand the characteristics of the respondents.

Part B: A Likert scale

A Likert scale was used with matrix questions for the closed questions. A Likert scale is a rating scale that requires the subject to indicate his or her degree of agreement or disagreement to a statement. In this type of questionnaire, the respondents were given seven choices. These options served as the quantification of the participants' agreement or disagreement on each question. On the next page are the designated quantifications that were used in the questionnaire (Sekaran & Bougie, 2013, p.115).

Table 5. Likert Scale

Scale	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree or Disagree	Somewhat Agree	Agree	Strongly Agree
	1	2	3	4	5	6	7

Validation of Instrument

Validity is the extent to which a construct/variable measures what it is supposed to measure. In order to establish the content/face validity of the questionnaire, the researcher consulted with her Adviser and AUA MBA research committee severally to pass judgment on the suitability of the question items.

Reliability

After establishing the content validity of the questionnaire, a pilot study was conducted to test the internal consistency of the various items in the questionnaire. Copies of the questionnaires were distributed to the support staff, teachers and board members of two selected Adventist schools namely Mauya and Mutiweshiri and these were not part of the sample. The reliability analysis in Table 6 showed an overall Cronbach's alpha of 0.875.

Table 6. Reliability Test

No. of Cases	Cronbach's Alpha	No of Items
24	.875	38

A Cronbach's coefficient alpha of 0.7 is generally acceptable, with other researchers considering a 0.6 and above to be adequately reliable (Aygre et al., 2014). Therefore, a Cronbach's alpha of 0.875 is a clear indication that the research instrument is reliable.

Ethical Considerations

Several ethical issues were considered in carrying out this research. The researcher sought for permission from the relevant authorities to conduct the study in their institutions. Participants were not required to identify themselves on the questionnaire hence the responses remained anonymous thereby ensuring that the respondent's privacy/confidentiality was maintained. Research participants were informed about the nature of the study and were made to choose whether they wanted to participate or not thus there was voluntary participation by respondents such that no participant was forced or intimidated to provide the required information. The data from the respondents was treated with strict confidentiality and the respondents were assured at the time of distribution of questionnaires. During the course of writing, the researcher acknowledged other people's work through referencing to avoid plagiarism.

Data Collection Procedure

After the approval of the research proposal by the School of Postgraduate Studies at Adventist University of Africa, permission was sought from the relevant authorities to conduct the research in their institutions. Questionnaires were distributed in person to the respondents and this gave the researcher opportunity to explain clearly the purpose of the research and assure them that their responses were to be treated with strict confidentiality.

Data Analysis

Various descriptive statistical techniques were used to analyze the data and these were computed using the Statistical Package for Social Sciences (IBM SPSS 20). Frequencies and percentages were used to analyze the demographic data. Mean and standard deviation were used to analyze research questions 1 and 2. Correlation analysis was used to analyze question 3 which sought to find out if there was a significant relationship between internal control components and institutional performance. To analyze research question 4, multiple regression was used since the question sought to find out which amongst the internal control components caused a significant variation to the institutions' performance.

CHAPTER 4

RESULTS AND DISCUSSIONS

This chapter presents, analyzes and discusses the results of the data collected from respondents through questionnaires. The findings are presented according to the sequence of the research questions.

Response Rate

Out of the 103 questionnaires distributed to participants, a total of 81 were retrieved. Of the 81 retrieved 6 were spoiled leaving a total of 75 which had no problems. Therefore, a response rate of 72.81% was attained for the study.

Demographic Characteristics of Respondents

Demographic information of respondents was gathered because the ability of respondents to give the relevant information on the study variables is dependent on that information. Therefore, the gathered information has been presented below in the following categories gender, age, education levels position and years of service.

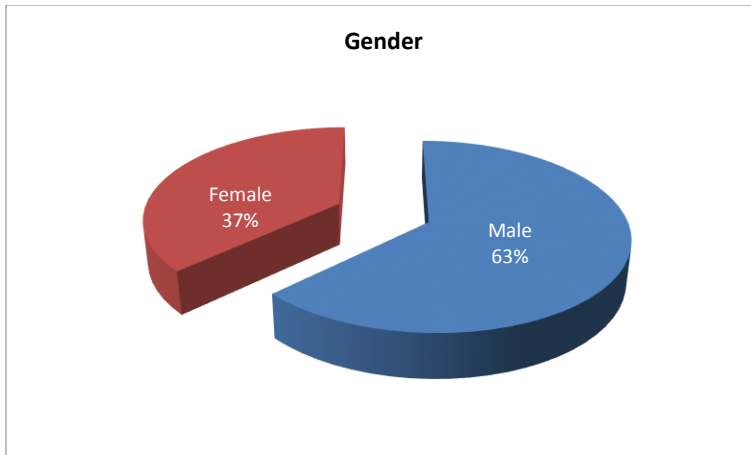


Figure 3. Distribution by Gender

Source: Survey Results

The data presented in Figure 3 above on gender characteristics shows that both males and females are represented in this study with the male respondents being the majority with 63% as compared to their female counterparts 37% of the entire sample. From the distribution of respondents by gender, the researcher can conclude that male manpower is still dominating as compared to their female counterpart as is evidenced by an almost double representation of male respondents over females.

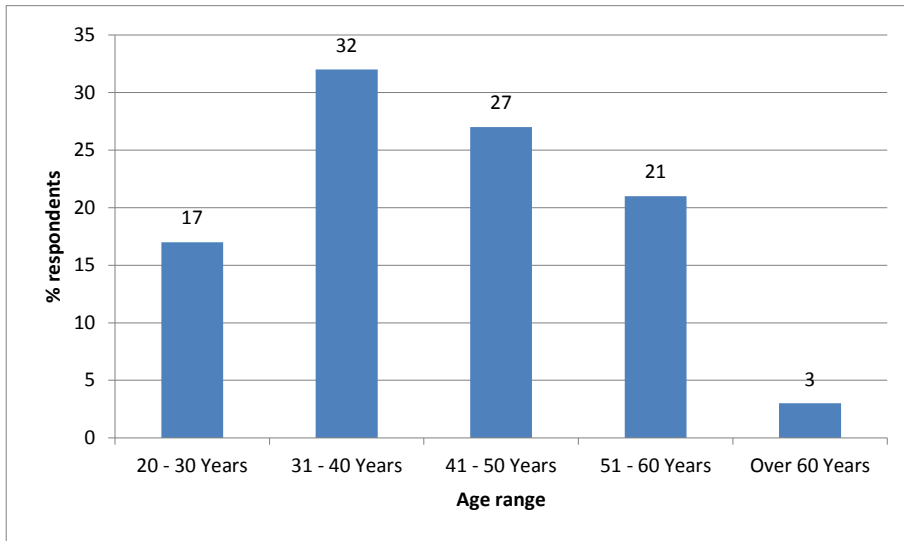


Figure 4. Distribution by Age

Source: Survey Results

Figure 4 shows that most of the respondents were in the age bracket of between 31-40 years constituting 32% followed by the 41-50 years representing 26% of the sample. Age groups 20-30 and 51-60 constituted 17% and 21% of the sample. The over 60 age group represented the minority with 3% and this may be attributable to the fact that the official retirement age in Zimbabwe is 65 and thus one may find few people in responsibility positions after 60 years. Based on the results, it can be concluded that the majority of respondents are in the most productive and creative age brackets of their life 31 to 50 years and are reasonably experienced, mature and competent to respond to the issue at hand.

Table 7. Distribution by Educational Qualifications

		Frequency	Valid Percent
Valid	College Certificate	6	8
	College Diploma	8	10
	Bachelor's Degree	44	59
	Master's Degree	12	16
	Other	5	7
	Total	75	100

Source: Survey Results

The level of education as presented in Table 7 was required from the respondents to find out whether the respondents would be able to interpret and understand the questionnaires given. Of the 75 respondents 56 are University graduates. In percentiles as shown in Table 7, 59% Bachelors and 16% Masters. Respondents with college certificates, diplomas and other qualifications constituted only 25% of the entire sample. The findings indicated that the respondents are adequately qualified academically and therefore highly knowledgeable to interpret and complete the questionnaire satisfactorily.

Table 8. Distribution by Position held in the Institution

		Frequency	Valid Percent
Valid	Board Members	22	29
	Support Staff	18	24
	Teachers	32	43
	Other	3	4
	Total	75	100

Source: Survey Results

The information on Table 8 above pertains to the positions held by the respondents in the institutions. The findings show that the majority of the respondents are teachers constituting 43% followed by board members 29%, support staffs 24% and finally other stakeholders who are auditors with a mere 4%. Teachers have the largest representation in the sample as these are the majority of staff members in any learning institution and are the core service providers in schools.

Table 9. Distribution by Years of Service in the Institution

		Frequency	Valid Percent
Valid	Less than 2 years	13	17
	3 - 5 years	28	37
	6 - 8 years	11	15
	9 - 11 years	6	8
	12 - 15 years	7	9
	More than 15 years	10	13
	Total	75	100

Source: Survey Results

Table 9 above shows the survey results on the number of years respondents have served the Adventist institutions. This information is important to the researcher as it gives the information on the experience of the respondents with the operations of the Adventist institutions. The more the years of service in the institution the better the understanding one has on the systems of the institutions. From the survey as indicated in Table 9, 62 out of the 75 respondents have served the institutions for at least three years. Therefore, these results indicate that the majority of the respondents have served the institution for more years thus they are well acquainted with how the systems operate.

Assessment of Internal Control Systems

In order to accomplish the objectives of the study data analysis was based on the response of the respondents on their degree of agreement or disagreement on each of the questions on a 7 point Likert response scale. The expected mean for very effective and adequate implementation is 7 and the analysis is based on how the mean responses of the respondent are close to the expected. Table 10 below shows the verbal interpretations for each of the mean scores.

Table 10. Verbal Interpretations

Mean Score	Response	Verbal Interpretation
1 – 1.49	Strongly Disagree	Very ineffective
1.50 – 2.49	Disagree	Ineffective
2.51 – 3.49	Somewhat Disagree	Moderately ineffective
3.50 – 4.49	Neither Agree / Disagree	Not Sure
4.50 – 4.49	Somewhat Agree	Moderately effective
4.50 – 5.49	Agree	Effective
5.50 – 7.00	Strongly Agree	Very effective

1. Research Question 1: To what extent are the following internal control components: control activities, risk assessment, control activities, information and communication and monitoring activities practiced in the Adventist Secondary Schools in Zimbabwe?

Tables 11 – 15 address research question 1 which sought to establish the extent at which the internal control components are practiced in the institutions.

*Table 11. Implementation of Control Environment Component
n= 75*

Control Environment	Mean	Std. Dev
A code of ethics or conduct which stipulates acceptable ethical and moral behaviours, conflicts of interest and acceptable business practices exists in the institution	5.95	1.25
The code of conduct for this institution expressly prohibit override of internal controls by management	4.76	1.59
Management in my organization demonstrates the appropriate tone at the top, including moral guidance about what is wrong or right	5.67	.89
This institution has a clear organizational structure which clearly defines the lines of authority and responsibilities	5.29	1.41
There is clear segregation of duties in this institution such that no single employee in the accounts department controls all phases of a transaction.	5.19	1.47
Key positions in the institution are held by employees with the relevant skills and competencies (e.g. school administrators, accounts personnel, head of departments for other operational areas)	5.49	1.42
Management supports staff development programs to ensure that adequate and relevant training has been provided for employees to perform their duties effectively	5.16	1.31
Valid N (listwise) Average	5.36	1.33

Source: Field Data

Table 11 above shows details of the mean and standard deviation scores of variables under control environment component of internal control that were used to test the extent at which the control environment component is practiced in the respondent institutions. Recalling the discussions in the literature review section, the control environment, as described by Whittington and Pany (2016), is the one that sets the organizational tone, as well as the foundation for the other components. It defines the internal control atmosphere which includes integrity and ethical values, employee

competencies, management philosophy and operating styles, organizational structure, reporting structures, human resource practices and others. Therefore, directors must pay due attention to the control environment and create an appropriate culture and embed a commitment to robust the controls throughout the organization (ACCA, 2016).

As shown in Table 11 above, the mean scores for control environment variables ranges between a low of 4.76 and a high of 5.95 which indicates that respondents relatively agree that certain elements of control environment exists in their institutions. The average mean score of 5.36 and standard deviation of 1.33 were attained for the control environment which indicates that the control environment exists but is moderately effective in the institutions.

Absence of an effective control environment results in an ineffective internal control system as stated by General Conference of the Seventh-day Adventist Church (2015) that without an effective control environment the other components are unlikely to result in effective internal controls regardless of their quality. A standard deviation of 1.33 also reveals that the responses from the respondents were heterogeneous.

The highest mean of 5.95 was attained on the statement which tested the existence of a code of ethics or conduct which stipulates acceptable ethical and moral behaviors, conflicts of interest and acceptable business practices exists in the institution. This mean is quite close to the agreed mean of 6 suggesting that acceptable ethical and moral standards are present and effective in the institutions and Salihu (2015) highlights that moral values prevent employees from fraud, immoral and unlawful conducts. The corresponding standard deviation of 1.25 on the same variable indicates heterogeneous responses from the respondents. When respondents were asked whether the code of

conduct in the institution expressly prohibit management override, a mean score of 4.76 verbally interpreted as moderately effective and standard deviation of 1.59 was achieved. From the results the researcher can safely conclude that the institution has a code of conduct but it's not very clear as to whether it has a clause that explicitly address issues of control override by management. Since override of controls is not clearly stated in the code of conduct, management may override the controls and, as was discussed in the literature review section, Loustea, as quoted by Ofori (2011), cited management override as one of the factors that weakens the control systems.

Asked on whether management in the institutions demonstrate the appropriate tone at the top including moral guidance about what is right or wrong a mean of 5.67 and SD 0.89 was attained respectively which is verbally interpreted as effective implementation. This means that management in the institution have managed to lead by good example in demonstrating and practising integrity and ethical behaviours which according to INTOSAI (n.d.) fosters and maintains positive and supportive attitude towards internal control in an organisation. The standard deviation shows that the responses were homogenous.

The survey results also indicated other areas where the control environment is moderately implemented. As evidenced in Table 11 mean and standard deviation of 5.29 and 1.41 respectively achieved when respondents were asked whether the institutions had organizational structures which clearly defined lines of authority and responsibilities indicated that organizational structures exists in the institutions but are moderately effective which does not really correspond with Whittington and Pany's (2016) advocacy that management together with the controlling board should set up an effective

organizational structure which properly separate authority, reporting structures and responsibilities. The absence of clearly defined lines of authority and responsibilities in an organizational structure may complicate and distract the smooth running of the institution and this, according to Salihu (2015), may result in employees not knowing the precise powers they have and to whom they are to report to.

A mean of 5.19 was also attained for segregation of duties verbally interpreted as moderately effective however a standard deviation of 1.47 suggests heterogeneous responses. These results reveal that segregation of duties exists in the accounts department but is moderately implemented. Lack of effective segregation of duties which maybe be a result of inadequate supervision or under staffing may result in one person controlling all the phases of a transaction thus exposing the institution to fraud risk or concealment of theft which concurs with Salihu (2015)'s advocacy that segregation of duties reduces the risk of accidental errors, deliberate misappropriations and financial indiscipline. The findings here seem to be a cause of concern if we are to go by Whittington and Pany (2016)'s suggestion that no one person should handle all aspects of a transaction from beginning to end in terms of the functions of authorizing, recording and custody over assets.

In considering human resource policy variables used in the survey an average mean of 5.33 and standard deviation of 1.36 reveals that human resource policies addressing staff development and hiring of competent staff for key positions exist in the institutions but are moderately effective. Moderate implementation shows relative commitment by management to human resource policies which needs some improvement if we are to go by Khan (2011)'s view that employees are the most important resources

and backbone of every organization and so should be trained regularly to enhance and strengthen their knowledge base and skills. Competent employees are drivers to an effective control environment.

*Table 12. Implementation of Risk Assessment Component
n=75*

Risk Assessment	Mean	Std. Dev.
Assessments of this institution's vulnerability to fraudulent activities are performed regularly	4.40	1.53
All fixed assets in this institution have been insured with the Adventist Risk Management or commercial insurers as contingency measures for covering any losses that may occur	4.75	1.33
Regular computer information system backups are performed to ensure continued operation in the event of disaster	5.07	1.28
Changes in accounting systems are promptly adopted and implemented to manage risks associated with the transition and support of the new reporting needs.	5.12	1.24
Background checks are performed for new employees before their engagement	4.36	1.36
Valid N (listwise) Average	4.75	1.12

Source: Field Data

The responses on implementation of risk assessment as outlined in Table 12 above shows an overall average mean of 4.75 (SD 1.12) which means that the component exist in the institutions but is moderately effective.

From the analysis, the highest mean of 5.12 was attained on the variable used to test the organization's promptness in adopting and implementing changes in accounting systems. This mean reveals that institutions are responsive to changes in the accounting systems but to a moderate extent which implies commitment by management to changes

in accounting systems. This situation challenges the subject educational institution to give more attention to their internal control system by integrating new technology in the day to day operations. Furthermore, due to the rapidly changing technology it is imperative that institutions be prompt in adopting new technological advances because failure to do so may result in institutions failing to produce financial reports according to relevant reporting framework thus loss of stakeholder confidence in the system.

According to the results in Table 12, the lowest mean score of 4.40 was attained on the statement which sought to determine the extent at which management conduct regular assessments on the institution vulnerability to fraudulent activities. This result suggests that the respondents were not sure if that management conducted such assessments at all. However, high standard deviation of 1.53 indicated that the responses were highly heterogeneous, suggesting varied responses. Fraud vulnerability assessments help management to identify and manage areas of potential fraud risk opportunities within the institution before they occur.

Respondents also revealed that they were not sure if employee background checks were performed before recruitment as shown by a mean score of 4.43 and standard deviation of 1.36 meaning that the responses were heterogeneous. The results may be suggesting that background checks are not performed during the recruitment process. Failure by management to perform background checks may result in the recruitment of wrong people with questionable previous employment history such as poor performance or misconduct thus increasing risks within the institution or new employees with wrong perspectives about internal controls which may confuse the whole system. Absence of background checks in the recruitment procedures contradicts with Harrison et al. (2014)

who advocates for background checks on job applicants as it helps in ensuring that the right persons are recruited for the jobs to which Whittington and Pany (2016) assert that performance of such checks signifies management commitment to hiring of competent and trustworthy people.

Other important procedures tested in the survey included fixed assets insurance coverage with mean 4.75 (SD 1.33), regular computer information system backups mean 5.07 (SD 1.28) verbally interpreted as moderately effective. The results therefore suggest that these procedures exist in the institutions as a way of managing risk but are moderately effective. Insurance coverage protects institutions against possible risk and in the event of loss the institution will be compensated and computer information backups help to restore the integrity of a computer system in the event of a hardware or software failure due to physical disaster, or human error. Schools, like any other business organization, capture and generate large amounts of data on a daily basis such as student fees information, employee data bases etc., and this data can be lost or corrupted through hardware failures, human error, viruses etc. Failure to perform regular backups may result in significant income losses by schools due to failure to recover the lost data.

*Table 13. Implementation of Information and Communication Component
n= 75*

Information and Communication	Mean	Std. Dev.
Internal control processes in this institution are well documented for easy understanding by employees	4.13	1.70
Employee job descriptions including specific duties, reporting relationships have been clearly communicated	5.19	1.29
Management in this institution meets to review monthly financial statement to ensure data accuracy and transparency	5.05	1.14
Financial statements for this institution are prepared and reported regularly to stakeholders for transparency	5.24	1.30
A whistle blowing policy exists in the institution to enable employees to report suspected improprieties to management or governing committee	3.87	1.47
Valid N (listwise) – Average	4.70	1.38

Source: Field Data

The survey results as shown in Table 13 reveal that the mean scores for information and communication range between a low of 3.87 and a high of 5.24. An overall mean of 4.70 verbally interpreted as moderately effective was attained for the information and communication component. The standard deviations of 1.38 shows that the responses generated from the respondents were heterogeneous. The results indicate that the internal control component, information and communication exists in the institutions but is moderately implemented. Effective communication helps to enhance the flow of information within and outside the organization and Lamoye, as cited by Ofori (2011), advocates for timely communication of relevant information among the organizational members to enhance decision making thus enabling the effective achievement of set goals.

The highest mean of 5.24 was achieved on financial preparation and reporting and a mean of 5.05 was also achieved on monthly financial statement reviews meaning that the financial statements for subject institutions are prepared, reviewed for accuracy and reported to stakeholders but this is moderately practiced. The researcher's observation in some of these institutions is that the statements are prepared regularly but reviews and reporting to stakeholders is not done on a regular basis. Failure to timely prepare, review and report financial statements may result in the concealment of errors and fraud by those in charge of preparing the reports thus inaccurate and unreliable statements affecting proper decision making. This is a departure from the Southern Indian Ocean Division policy S19-05 provisions that at least nine out of the twelve financial statements in a year be prepared, reviewed and presented or distributed to the governing board committee members (p. 494). Otieno and Nyangechi (2013) point out that if financial reports are not timely prepared and presented, they lose confirmatory and predictive values which are important for decision making. Therefore, it is in the researcher's view that preparation, review and presentation of financial statements be done timely and regularly so as to improve the accuracy and reliability of the statements thus enhancing decision making.

The analysis in Table 13 also shows that clear communication of job descriptions and reporting relationships was ranked second with a mean score of 5.19 and a standard deviation of 1.29. This mean score is verbally interpreted moderately effective. The standard deviation on the same variable reflects the heterogeneity of responses obtained from the respondents. From these results, it is clear that respondents confirm that communication of job descriptions and reporting relationships is done in the subject institutions, but is moderately effective. Recalling from the discussion on the control

environment it was also seen that the organizational structures with clear reporting structures were moderately effective in the institutions. Lack of clear communication of job descriptions and reporting structures may cause a lot of confusion in the organization as employees would not really know what is expected of them and where and how to report. This is a deviation from INTOSAI (n.d)'s advocacy that communication makes employees aware of their roles and responsibilities in effecting and supporting control components.

As indicated in Table 13, the lowest mean score of 3.87 was attained when respondents were asked if a whistle blowing policy existed in the subject institutions. A standard deviation of 1.38 on the same variable reveals that responses were heterogeneous. The mean result is verbally interpreted as not sure which may be a confirmation by respondents that a whistle blowing policy does not exist in the subject institutions. This maybe a cause of concern as the institutions are also vulnerable to unethical practices such as corruption, fraud, student harassment of which some of the offenders are never caught. A whistle blowing policy as suggested by OECD (2012) provides effective protection to whistle blowers and encourages an open organisational culture where employees know how to report and have confidence in the reporting procedures. Absence of such a policy, as noted by Taiwo (2015), discourages decent employees from questioning wrong doing they may come across in their workplaces.

The *SDA Accounting Manual* (2011) advocates for the documentation of internal control processes however mean value of 4.13 (neither agree nor disagree) reveals a not sure position by the respondents as to whether internal controls are documented in the institutions. The standard deviation of 1.70 to this same test suggests that the responses

were highly heterogeneous. These results may suggest that documentation of internal controls does not exist and if it exists the manuals may not be available to employees. This is common in many institutions that most useful manuals are kept in the administrators' offices instead of putting them in places that are accessible to employees. These results are a cause of concern if we are to follow the *SDA Accounting Manual* that internal controls are to be documented to which the American Institute of Chartered Public Accountant (2014) posits that it's a good practice to document internal control processes so as to provide understanding and continuity of processes when new employees are hired.

Table 14. Implementation of Control Activities
n=75

Control Activities	Mean	Std. Dev.
There is clear segregation of duties to enhance internal controls	4.92	1.33
An annual operating budget is approved by the governing committee before execution	6.09	1.28
All cash disbursement transactions in this institution are appropriately authorized and approved by relevant officers before execution	6.20	.89
All cash disbursements and purchases in this institution are supported by appropriate and sufficient backup	6.11	.86
Bank reconciliations are performed by an officer other than the cashier or account signatory on a monthly basis	5.47	1.37
Cash receipted is banked in tact	5.91	1.19
Physical count of all inventories in this institutions is done regularly by an officer other than the custodian to ascertain their existence	5.12	1.58
The institution has an asset policy which defines the procurement, recording and disposal of assets	5.49	1.27
Periodic comparisons between actual fixed assets and recorded assets are performed in this institution	4.52	1.65
Training is provided in this institution to equip employees on how to use new accounting systems or execute new policies and procedures	5.41	1.04
Average	5.52	1.24

Source: Field Data

Control activities, as described by Whittington and Pany (2016) are policies and procedures that help in ensuring that management directives are carried out, and, according to Abiola (2013), are the most visible elements of internal control that helps in preventing wrong actions from happening. These activities include, physical controls, segregation of duties, approvals, authorizations and verifications. The survey results as indicated in Table 14 shows an average mean for the control activities of 5.52 (SD 1.24)

which means the control activities component exists in the institutions and is effectively implemented.

As evidenced in Table 14, the highest mean was achieved when the respondents were asked to rate the extent at which authorization control is practiced in the institution. According to the responses, a mean score of 6.20 verbally interpreted as effective revealed that proper authorization and approval of transactions was effectively implemented in the institutions before any disbursement is done which is in line with Harrison et al, (2014)'s advocacy that "no transaction should be processed without management's general or specific approval." A low standard deviation of 0.89 revealed that the responses generated from respondents were homogenous. Respondents also confirmed by mean score of 6.11 verbally interpreted as effective that disbursements and purchases done in the institutions were supported by appropriate and authentic receipts and invoices as evidence that the occurrence of a transaction. A low standard deviation on this element suggested the homogeneity of the responses. Use of receipts as purchase support documents is supported by Harrison et al (2014) when they say back up receipts serve as proof of purchase. Considering these results on disbursement authorisations it can be concluded that cash disbursement procedures are effectively implemented in the schools, which is a good practice in reducing opportunities for fraud since every disbursement undergoes authorisation and there after purchase receipts or invoices are attached to the disbursement vouchers as proof of purchase.

Subsequently a mean of 6.09 and standard deviation of 1.28 shows that the approval of annual operating budgets is effective in the institutions which is in line with the requirements of the Southern Indian Ocean Division (SID) working policy provisions

as stated on policy S09 10 that each institution to have an approved annual budget in place to serve as the primary instrument for financial authorization and control (p. 491) which seem to agree with Salihu (2015)'s proposal that an approved annual budget for all the organisation's activities should exist to help management in planning and controlling organisational operations.

The lowest mean score of 4.52 verbally interpreted as moderately effective was attained on the existence of segregation of duties to enhance internal controls. This mean score suggest that segregation of duties exists in the institutions is moderately effective to enhance internal controls. Lack of segregation of duties may also be the reason for moderately effective asset controls as reflected by mean score of 5.47 on test statement "bank reconciliations are performed by an officer other than the cashier or bank account signatory on a monthly basis" and mean 5.12 on the statement "physical count of all inventories in the institution is done regularly by an officer other than the custodian to ascertain their existence." Failure to segregate duties in performing the bank reconciliation task may result in the employee stealing the cash and manipulate the reconciliations to conceal the theft according to Harrison et al, (2014). Absence of segregation of duties also exposes the inventory to theft or misappropriation risk which contradicts the provisions of the *SDA Accounting Manual* (2011) that physical inventory count be done regularly by someone other than the custodian.

Survey results in Table 14 also shows a mean score of 5.91 which is close to the agreed score of 6 verbally interpreted as effective suggesting that cash receipted is banked intact. The standard deviation of 1.19 indicates that the responses were not highly heterogeneous. The mean score of 5.91 clearly indicates that the banking control

procedure is effectively implemented in the institutions to safeguard cash. The findings here seem to be in accordance with Edmonds et al (2008)'s advocacy that cash receipts must be deposited in the bank account timely to which Harrison et al (2014) adds by saying cash is the most liquid asset, very easy to steal and convert to other forms of wealth and therefore should be promptly deposited intact in the bank for safe keeping at the same time reducing the risk of it being stolen if kept for long within the premises.

Table 15. Implementation of Monitoring
n=75

Monitoring	Mean	Std. Dev.
Regular budget reviews are performed in this institution to compare actual against budget	5.35	1.10
Budget variances are communicated to the affected departments so that corrective measures can be taken	4.77	1.60
Management in this institution conducts ongoing assessments to determine whether internal controls are operating as intended	4.60	1.47
Performance reviews on employees' key result areas are performed annually to ascertain their competence in performing the tasks.	3.89	1.68
This institution is audited annually by Conference or GCAS auditors.	5.91	1.34
Average	4.90	1.44

Source: Field Data

According to Gamage et al. (2014), as discussed in the literature review section, internal control systems and application of controls change over time due to various factors such as arrival of new personnel, resources constraints and change of circumstances for which they were originally designed for and therefore effective monitoring helps in ensuring that internal controls are still effective to achieve the desired

objectives. An overall mean of 4.90 verbally interpreted as moderately effective was attained for monitoring activities as shown in Table 15 indicating that the component exists but moderately implemented which maybe a cause of concern if the institutions are to follow the recommendations of the SID (2015) working policy number S04 35 that the controlling committees of the institutions should make sure that effective ongoing assessments are performed so as achieve internal control effectiveness (p. 491).

The highest mean attained for monitoring activities as shown in Table 15 is 5.91 which is close to the agreed score of 6 verbally interpreted as effective. This mean score indicates that auditing is effectively implemented in the institutions which is in line with Whittington and Pany (2016)'s suggestion that "internal auditing to be performed as part of the monitoring activities of an organization" to which Edmonds et al (2008) asserts that in addition to verifying the accuracy of accounting records auditors should also evaluate the effectiveness of internal control system. The standard deviation of 1.337 on the same element shows that the responses obtained were heterogeneous.

Audit should serve as independent performance verification and to complement the assessments done by management since, according to Edmonds et al. (2008), at times it is difficult for management to evaluate their performance objectively. This argument is evidence that management is to perform ongoing internal control assessments as a monitoring procedure. However, despite the effectiveness of independent monitoring in form of audit a mean score of 4.60 verbally interpreted as moderately effective reveals that management ongoing assessments to ascertain the functionality of internal control systems are moderately implemented.

The lowest mean of 3.89 and standard deviation of 1.68 as displayed on Table 15 indicates a deficiency in monitoring activities in form of annual employee performance appraisals. The standard deviation shows that the responses were highly heterogeneous and the mean response of neither agree nor disagree verbally interpreted as not sure suggests that employee performance appraisals do not exist in the institutions because if they were being implemented employees would know. Employee performance reviews are necessary control procedures as they enable management to see if employees' skills are still relevant for the task they are performing as was suggested by Gomez, Balkin and Cardy (2012) that performance appraisals help employees know what is expected of them, how successful they are in achieving the expectations and what they can do to improve the weaknesses. Without performance reviews institutions are likely to keep "dead wood" or underperforming employees.

Other monitoring activities existing in the institutions are regular budget reviews for comparing actual results against the budget and communication of budget variances to affected departments. An average mean of 5.06 for the two variables verbally interpreted as moderately effective shows that the controls exist but are practiced to a moderate extent. Inadequate implementation of budget reviews is at odds with Salihu (2015)'s advocacy that budgets should be compared with actual results of operations and appropriate actions be taken by management on the variances revealed by the comparisons.

Analysis of Institutional Performance

Question 2: To what extent are the respondent institutions performing in terms of financial and non-financial indicators?

Table 16. Institutional Performance
n = 75

Performance items	Mean	Std. Dev.
This institution is operating at a self-sustenance level as its liquidity and working capital percentages are above the recommended 100%	4.36	1.74
The asset base for the institution have greatly increased over the years	5.25	1.44
This institution has been receiving standard or clean audit reports over the years	4.85	1.31
All fees charged in this institution are dully paid in time	2.97	1.25
This institution operate in compliance with the applicable Government and SDA rules and regulations	6.17	1.12
This institution provides quality services to students (in terms of educational, boarding, cafeteria) to an extent that stakeholders are confident that their resources are well utilized.	5.23	1.37
Valid N (listwise) – Average	4.81	1.37

Source: Field Data

As stated in the literature, an effective internal control system should provide reasonable assurance as to the achievement of the entity's objectives with regard to reliability of financial reporting, operational efficiency and compliance with applicable rules and regulations (Mwindi, as cited by Ndifoni and Patrick, 2014). The subsequent discussions pertain to the extent at which the institutions reviewed are performing. Table 16 displays variables that were used to measure the performance of the institutions and their mean scores ranged from 2.96 to 6.17. In overall, the extent at which the institutions

are performing is moderate as represented by an average mean score of 4.81 verbally interpreted as moderately effective suggesting some deficiencies in the performance. The average standard deviation of 1.37 reflects that the views of the respondents were heterogeneous.

As reflected in Table 16, the highest mean of 6.17 (SD = 1.120) verbally interpreted as effective was attained on compliance. This result implies that the respondents believe that the institutions are compliant to the applicable Seventh-day Adventist and government rules and regulations. One of the elements tested by the General Conference Auditing Services in the institutions during audits is compliance with the applicable state and church policies. Effective compliance with the legal rules and regulations, as stated by Harrison et al. (2014), protects the institution from financial losses or heavy penalties like imprisonment for disobeying the laws. Therefore, basing on the results it can be safely concluded that the extent at which institutions are performing in terms of compliance is good and satisfactory.

The lowest mean of 2.97 according to the survey results was attained on the performance of institutions in terms of fees collection which means moderately ineffective. The standard deviation of 1.25 reveals that the responses obtained from respondents were heterogeneous. This mean result is an indication of failure by institutions to collect all the fees charged to students on time. Failure to collect all the fees results in high receivables, insufficient cash to fund operations and thus crippling the operations. This poor performance could be the explanation to the institutions failure to operate above the recommended working capital and liquidity of 100% as indicated by a mean score of 4.36 verbally interpreted as not sure. This position contradicts the

expectations of the SID policy S24, which states that an institution should have a working capital and liquidity percentage of 100% and above for it to be viewed as financially health in terms of performance (SID Working Policy, 2016). The results therefore, imply that the institutions are failing to achieve financial soundness as suggested in the working policy.

The results in Table 16 also show a mean of 5.23 interpreted as moderately effective and standard deviation 1.371 respectively indicating that the responses were heterogeneous. These results therefore indicate that the institutions are moderately performing in terms of providing quality services. Moderate performance may be suggesting that the quality of services being provided in the institutions is not uniform in all the areas. For instance, classroom services may be good whilst cafeteria services are not, such that the stakeholders are not very much satisfied. Failure to provide quality services is contrary to the provisions, as stated in the Lupane State University (2016) quality assurance policy, that quality services lead to improved student educational experience to which DiDomenico, in Ali and Mohamed (2014), posits that satisfaction of students towards the institution services have an impact on the public and provides the institution with a competitive advantage.

Other variables used as performance measures included asset base increase and clean audit reports with mean scores of 5.25 and 4.85 respectively interpreted as moderately effective.

Testing Hypotheses

Question 3: Is there any significant relationship between institutional performance and internal controls?

A Pearson product – moment correlation coefficient was computed to assess the relationships between internal control system components and institutional performance.

Table 17. Relationship - Internal Control System and Institutional Performance

		Institution Performance
Information and Communication	Pearson Correlation	.544**
	Sig. (2-tailed)	0.000
	N	75
Control Activities	Pearson Correlation	.583**
	Sig. (2-tailed)	0.000
	N	75
Monitoring	Pearson Correlation	.456**
	Sig. (2-tailed)	0.000
	N	75
Control Environment	Pearson Correlation	.495**
	Sig. (2-tailed)	0.000
	N	75
Risk Assessment	Pearson Correlation	.522**
	Sig. (2-tailed)	0.000
	N	75

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

Source: Survey Results

The results in Table 17 above present relationship between internal control components and institutional performance. It shows significant positive moderate

relationships between institutional performance and internal control components: information and communication ($r = .544, p < .01$), control activities ($r = .583, p < .01$), monitoring ($r = .456, p < .01$), control environment ($r = .495, p < .01$) and risk assessment ($r = .522, p < .01$). These results therefore indicate a significant relationship between the internal control components and institutional performance. Hence, the null hypothesis which stated that there is no significant relationship between internal control components and institutional performance is rejected.

These results seem to agree with COSO (2013) that internal control components form the basis for assessing the effectiveness of internal control systems to which Amoo and Adeyiga (2013) posit that the effective functioning of internal control components provides a reasonable assurance regarding achievement of one or more of the stated objectives to ensure high levels of performance. In agreement, Phillips, Libby & Libby (2008) posit that effective internal controls play a significant role in improving financial performance.

Question 4: Which of the internal audit components namely control environment, risk assessment, information and communication, control activities and monitoring causes a significant variation to the institution's performance?

This research question sought to determine the effect of internal control component on the institutions' performance. Consequently, a multiple linear regression analysis was conducted to evaluate the relative influence of each the internal control components on the dependent variable. Table 18 presents the results.

Table 18. Multiple Regression - Internal Controls Effect on Performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.076	.705		.107	.915
	RISK	.084	.145	.084	.581	.563
	INFORCOM	.165	.141	.166	1.166	.248
	CONACT	.361	.161	.295	2.234	.029
	MONITOR	.097	.113	.101	.859	.393
	CONTROL	.181	.154	.144	1.172	.245
a. Dependent Variable: PERFORMANCE						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.651 ^a	.424	.382	.80592		

a. Predictors: (Constant), CONTROL, CONACT, MONITOR, INFORCOM, RISK

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	32.923	5	6.585	10.138	.000 ^b
	Residual	44.815	70	.640		
	Total	77.738	75			

a. Dependent Variable: PERFORMANCE

b. Predictors: (Constant), CONTROL, CONACT, MONITOR, INFORCOM, RISK

The results in Table 18 show an F value of 10.138 with a corresponding $p < 0.01$, indicating that there is a significant relationship between the internal controls and institutional performance. A further critical look at the same table reveals that only control activities with (beta = 0.295, $t = 2.234$ and $p < 0.05$) explains a significant degree of variation in the performance of the institutions. More so, the adjusted R square of

0.382 means that approximately 38% of the total variation in the institutions' performance is as a result of control activities. The multiple coefficient of correlation Multiple R, of 0.651 also indicates a relative strong correlation.

These results seem to agree with Whittington and Pany (2016)'s belief that "control activities are policies and procedures that help ensure management directives are carried out" to which Abiola (2013) suggests that they are the most visible elements of internal control and important in preventing wrong actions from happening. This therefore suggests that if control activities are implemented adequately institutions are likely to achieve high performance. Therefore, the null hypothesis which claims that there is no significant relationship between institutions' performance and control activities is rejected.

On the other hand, since the other internal control variables such as control environment, risk assessment, information and communication and monitoring did not enter the regression equation as significant, the null hypotheses which state that there is no significant relationship between performance and each of the afore mentioned is accepted.

CHAPTER 5

SUMMARY, CONCLUSION & RECOMMENDATIONS

Summary

The researcher undertook the study that aimed at assessing the effectiveness of internal control systems in Adventist secondary schools in Zimbabwe. Consequently, the following questions were raised:

1. To what extent are the following internal control components practised in the Adventist Secondary Schools in Zimbabwe?
 - i. Control environment
 - ii. Risk assessment
 - iii. Control activities
 - iv. Information and communication
 - v. Monitoring activities.
2. To what extent are the respondent institutions performing in terms of financial and non-financial indicators namely?
3. Is there any significant relationship between the internal control components and institutional performance?
4. Which of the following internal control variables causes a significant variation to the institution's performance?
 - i. Control Environment

- ii. Risk assessment
- iii. Control activities
- iv. Information and communication
- v. Monitoring activities

A causal research design was used to address the questions raised. Besides, the main data collection instrument was designed by the researcher and tested for content validity and reliability. Descriptive statistics, correlations and multiple linear regression analyses were used to analyse the collected data.

Findings

The following were the findings of the study:

1. The average mean of 5.36 (SD = 1.334) on control environment revealed that the control environment exist in the institutions but is not adequately practiced to be considered as very effective.
2. According to the respondents of the subject institutions, internal controls with regards to risk assessment procedures are not effective as evidenced by a mean average of 4.75 (SD = 1.121).
3. The study established that information and communication existed but is not adequately implemented in the institutions as evidenced by a mean average of 4.70
4. The research findings indicated that internal controls with regards to control activities existed and were effective in the institutions as evidenced by a mean average of 5.52 (SD=1.244). Furthermore regression analysis also revealed that the control activities is the highest predictor of institutional performance as

evidenced by a positive beta of 0.295 suggesting that a positive change in control activities caused 29.5% positive change in institution performance.

5. The study established that monitoring of internal control systems is being practiced at a moderate extent in the institution as evidenced by a mean average of 4.90 (SD= 1.437)
6. The research findings indicated that the institutions are averagely performing as evidenced by a mean average of 4.81 on performance
7. The research revealed that a significant relationship exists between internal control components and institutional performance as revealed by the following results: information and communication ($r = .544, p < .01$), control activities ($r = .583, p < .01$), monitoring ($r = .456, p < .01$), control environment ($r = .495, p < .01$) and risk assessment ($r = .522, p < .01$).
8. Furthermore the research revealed that only control activities component of internal control caused a significant variation to institutional performance.

Conclusion

Based on the findings of this study, the following conclusions are drawn:

Internal control systems exist in Adventist secondary schools in Zimbabwe; however, there is more room for improvement. Besides, the institutions are performing in the average range, with the greatest performance challenge noticed in fees collection.

Furthermore, there is a significant positive relationship between internal control systems and institutional performance. More so, control activities component is a strong predictor of institutional performance.

Recommendations

Based on the research findings the researcher made the following recommendation:

1. School Administrators must ensure that all features of an effective control environment are established and effectively implemented like having clear organisational structures, recruiting and filling key positions with competent and skilled personnel, providing training to staff etc.
2. According to the research findings the implementation of risk assessment is fairly implemented. Therefore to strengthen the implementation the researcher proposes the setting up of a Risk Assessment Committee as recommended by the Adventist Risk Management organisation for the purpose of identifying the institutions' vulnerability to risks, assessing the significance of the risks and identifying the necessary remedial actions in order to prevent or reduce the risk.
3. Concerning information and communication, the study revealed that the practice is not effective. It is therefore recommended that management establish appropriate and effective lines of communication to enable effective flow of relevant information to all stakeholders on a timely basis. Management need to establish internal control manuals for their respective institutions and avail them to employees for easy understanding of their roles in the control system and also for continuity in event of new employee. A whistle blowing policy should be established to protect whistle blowers.
4. The research established that the monitoring function of internal control systems is not adequately practised. The researcher recommends the establishment of a committee to perform regular ongoing assessments of the entire internal control

system to determine its adequacy and functionality and not only rely on annual external auditors assessments.

5. The research finding revealed that in fees collection is the greatest performance challenge being experienced by the secondary schools in Zimbabwe, which could also be the main cause of low levels of self-sustenance. The researcher recommends that school management should come up with fee collection policies with full implementation.

Recommendations for Future Studies

It is recommended that a similar study be conducted with other Adventist institutions to determine the level of internal control practices.

An evaluation of the effectiveness of internal controls on the management of student accounts receivables in Adventist boarding schools will be a very interesting study.

APPENDICES

APPENDIX A

Questionnaire

Dear Respondent,

My name is Patience Sithole, an MBA student at the Adventist University of Africa, Kenya. I am working on a thesis entitled “**An Assessment of Internal Control Systems of selected Adventist Secondary schools in Zimbabwe**”. The research is done for the purpose of fulfilling the requirements of the degree program. You are kindly requested to participate in this research by responding to the questionnaires below on the internal controls of your institution. All information obtained from this research will be used for academic purposes only and will be treated with strict confidentiality.

In this research internal controls refers to the policies and procedures put in place by management to enable achievement of the institution’s objectives in terms of operational efficiency and effectiveness, accuracy and reliability in financial reporting, safeguarding of organisational assets and compliance with applicable rules and regulations.

Section A: General Demographic Information

The following questions are for analytical purposes only and will not be used for individual identification and kindly respond to them by putting a tick in the appropriate box.

A1. Gender (i) Male (ii) Female

A2. Age Range

(i) 20 – 30 years (ii) 31- 40 years
(iii) 41 – 50years (iv) 51 – 60 years
(v) Over 60 years

A3. Indicate your highest level of Education

(i) College Certificate (ii) College Diploma
(iii) Bachelor’s Degree (iv) Master’s Degree
(v) Other (specify)

A4. Position in the Institution

(i) Board Member (ii) Support Staff
(iii) Teacher (iv) Other (specify)
.....

A5. How long have you been a member at the school?

(i) Less than 2 years (ii) 3 – 5 years
(iii) 6 – 8 years (iv) 9 – 11 years
(v) 12 - 15 years (vi) Over 15 years

Section B: Assessment of Internal Control Systems.

Instruction: Please respond to the following questionnaires on internal controls by ticking the appropriate box using the Likert scale 1-7 where:

- 1 = Strongly Disagree 2 = Disagree 3 = Somewhat Disagree
 4 = Neither Agree or Disagree 5 = Somewhat Agree 6 = Agree
 7 = Strongly Agree

Control Environment	1	2	3	4	5	6	7
A code of ethics or conduct which stipulates acceptable ethical and moral behaviors, conflicts of interest and acceptable business practices exists in the institution	1	2	3	4	5	6	7
The code of conduct for this institution expressly prohibit override of internal controls by management	1	2	3	4	5	6	7
Management in my organization demonstrates the appropriate tone at the top, including moral guidance about what is wrong or right	1	2	3	4	5	6	7
This institution has a clear organizational structure which clearly defines the lines of authority and responsibilities	1	2	3	4	5	6	7
There is clear segregation of duties in this institution such that no single employee in the accounts department controls all phases of a transaction.	1	2	3	4	5	6	7
Key positions in the institution are held by employees with the relevant skills and competencies (e.g school administrators, accounts personnel, head of departments)	1	2	3	4	5	6	7
Management supports staff development programs to ensure that adequate and relevant training has been provided for employees to perform their duties effectively	1	2	3	4	5	6	7
Risk Assessment							
Assessments of this institution’s vulnerability to fraudulent activities are performed regularly	1	2	3	4	5	6	7
All fixed assets in this institution have been insured with the Adventist Risk Management or commercial insurers as	1	2	3	4	5	6	7

contingency measures for covering any losses that may occur							
Computer information system backups are performed regularly to ensure continued operation in the event of disaster	1	2	3	4	5	6	7
Changes in accounting systems are promptly adopted to manage risks associated with the transition and support of the new reporting needs.	1	2	3	4	5	6	7
Background checks are performed for new employees before their engagement	1	2	3	4	5	6	7
Information and Communication	1	2	3	4	5	6	7
Internal control procedures in this institution are well documented for easy understanding by employees	1	2	3	4	5	6	7
Employee job descriptions including specific duties, reporting relationships have been clearly communicated	1	2	3	4	5	6	7
Management in this institution meet to review monthly financial statements to ensure data accuracy & completeness	1	2	3	4	5	6	7
Financial statements for this institution are prepared and reported regularly to stakeholders for transparency	1	2	3	4	5	6	7
A whistle blowing policy exists in the institution to enable employees to report suspected misconducts to management or governing committee	1	2	3	4	5	6	7
Control Activities							
There is clear segregation of duties to enhance internal controls	1	2	3	4	5	6	7
An annual operating budget is approved by the governing committee before execution	1	2	3	4	5	6	7
All payments done in this institution are properly authorized and approved by relevant officers before execution	1	2	3	4	5	6	7
All payments done in this institution are supported by appropriate and sufficient documents or backups	1	2	3	4	5	6	7
Bank reconciliations are prepared on a monthly basis	1	2	3	4	5	6	7

All cash receipted is banked intact before use	1	2	3	4	5	6	7
Physical count of all inventories in this institutions is done regularly by an officer other than the custodian to ascertain their existence	1	2	3	4	5	6	7
The institution has an asset policy which defines the procurement, recording and disposal of assets.	1	2	3	4	5	6	7
Periodic comparisons between actual fixed assets and recorded assets are performed in this institution	1	2	3	4	5	6	7
Training is provided to equip employees on how to use new accounting systems or execute new policies and procedures	1	2	3	4	5	6	7
Monitoring							
Regular budget reviews are performed in this institution to compare actual performance against budget	1	2	3	4	5	6	7
Budget variances are communicated to the affected departments and corrective measures can be taken	1	2	3	4	5	6	7
Management in this institution conduct ongoing assessments to determine whether internal controls are operating as intended	1	2	3	4	5	6	7
Performance reviews on employees key result areas are performed annually to ascertain their competence in performing their duties.	1	2	3	4	5	6	7
This institution is audited annually by Conference or GCAS auditors.	1	2	3	4	5	6	7
Institutional Performance							
This institution is operating above the recommended liquidity and working capital of 100%	1	2	3	4	5	6	
The asset base or infrastructure of this institution has increased greatly over the years	1	2	3	4	5	6	
This institution has been receiving standard or clean audit reports over the years	1	2	3	4	5	6	

All fees charged in this institution are dully paid before the end of each school term	1	2	3	4	5	6	
This institution operates in compliance with the applicable Government and SDA rules and regulations	1	2	3	4	5	6	
This institution provides quality services to students (in terms of educational, boarding).	1	2	3	4	5	6	

Thank you so much for your valued time and responses.

APPENDIX B

Statistical Raw Data

A1. Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	47	62.7	62.7	62.7
	Female	28	37.3	37.3	100.0
	Total	75	100.0	100.0	

A2. Age Range

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 - 30 Years	13	17.3	17.3	17.3
	31 - 40 Years	24	32.0	32.0	49.3
	41 - 50 Years	20	26.7	26.7	76.0
	51 - 60 Years	16	21.3	21.3	97.3
	Over 60 Years	2	2.7	2.7	100.0
	Total	75	100.0	100.0	

A3. Education Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	College Certificate	6	8.0	8.0	8.0
	College Diploma	8	10.7	10.7	18.7
	Bachelor's Degree	44	58.7	58.7	77.3
	Master's Degree	12	16.0	16.0	93.3
	Other	5	6.7	6.7	100.0
	Total	75	100.0	100.0	

A4. Position

	Frequency	Percent	Valid Percent	Cumulative Percent
Board Member	22	29.3	29.3	29.3
Support Staff	18	24.0	24.0	53.3
Valid Teacher	32	42.7	42.7	96.0
Other	3	4.0	4.0	100.0
Total	75	100.0	100.0	

A5. Years of Service

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 2 years	13	17.3	17.3	17.3
3 - 5 years	28	37.3	37.3	54.7
6 - 8 years	11	14.7	14.7	69.3
Valid 9 - 11 years	6	8.0	8.0	77.3
12 - 15 years	7	9.3	9.3	86.7
More than 15 years	10	13.3	13.3	100.0
Total	75	100.0	100.0	

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.651 ^a	.424	.382	.80592

b. Predictors: (Constant), CONTROL, CONACT, MONITOR, INFORCOM, RISK

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	32.923	5	6.585	10.138	.000 ^b
	Residual	44.815	70	.640		
	Total	77.738	75			

a. Dependent Variable: PERFORMANCE

b. Predictors: (Constant), CONTROL, CONACT, MONITOR, INFORCOM, RISK

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		
	B	Std. Error	Beta			Lower Bound	Upper Bound	
1	(Constant)	.076	.705		.107	.915	-1.330	1.481
	RISK	.084	.145	.084	.581	.563	-.205	.373
	INFORCOM	.165	.141	.166	1.166	.248	-.117	.447
	CONACT	.361	.161	.295	2.234	.029	.039	.683
	MONITOR	.097	.113	.101	.859	.393	-.128	.323
	CONTROL	.181	.154	.144	1.172	.245	-.127	.489

a. Dependent Variable: PERFORMANCE

Descriptive Statistics

Control Environment	N	Min	Max	Mean	Std. Deviation
BA.1. A code of ethics or conduct which stipulates acceptable ethical and moral behaviours, conflicts of interest and acceptable business practices exists in the institution	75	2	7	5.95	1.251
BA.2. The code of conduct for this institution expressly prohibit override of internal controls by management	75	1	7	4.76	1.593
BA.3. Management in my organization demonstrates the appropriate tone at the top, including moral guidance about what is wrong or right	75	3	7	5.67	.890
BA.4. This institution has a clear organizational structure which clearly defines the lines of authority and responsibilities	75	1	7	5.29	1.412
BA.5. There is clear segregation of duties in this institution such that no single employee in the accounts department controls all phases of a transaction.	75	1	7	5.19	1.468
BA.6. Key positions in the institution are held by employees with the relevant skills and competencies (e.g school administrators, accounts personnel, head of departments for other operational areas)	75	2	7	5.49	1.418
BA.7. Management supports staff development programs to ensure that adequate and relevant training has been provided for employees to perform their duties effectively	75	1	7	5.16	1.305
Valid N (listwise)	75				

Risk Assessment	N	Min	Max	Mean	Std. Deviation
B.B8. Assessments of this institution's vulnerability to fraudulent activities are performed regularly	75	1	7	4.40	1.525
B.B9. All fixed assets in this institution have been insured with the Adventist Risk Management or commercial insurers as contingency measures for covering any loses that may occur	75	1	7	4.75	1.326
B.B10. Regular computer information system backups are performed to ensure continued operation in the event of disaster	75	1	7	5.07	1.277
B.B11. Changes in accounting systems are promptly adopted and implemented to manage risks associated with the transition and support of the new reporting needs.	75	1	7	5.12	1.241
B.B12. Background checks are performed for new employees before their engagement	75	1	7	4.43	1.357
Valid N (listwise)	75				

Descriptive Statistics

Information and Communication	N	Min	Max	Mean	Std. Deviation
B.C13. Internal control processes in this institution are well documented for easy understanding by employees	75	1	7	4.13	1.703
B.C14. Employee job descriptions including specific duties, reporting relationships have been clearly communicated	75	1	7	5.19	1.291
B.C15. Management in this institution meets to review monthly financial statement to ensure data accuracy and transparency	75	2	7	5.05	1.138
B.C16. Financial statements for this institution are prepared and reported regularly to stakeholders for transparency	75	1	7	5.24	1.303
B.C17. A whistle blowing policy exists in the institution to enable employees to report suspected improprieties to management or governing committee	75	1	7	3.87	1.473
Valid N (listwise)	75				

Control Activities	N	Min	Max	Mean	Std. Deviation
B.D18. There is clear segregation of duties to enhance internal controls	75	1	7	4.92	1.333
B.D19. An annual operating budget is approved by the governing committee before execution	75	1	7	6.09	1.275
B.D20. All cash disbursement transactions in this institution are appropriately authorized and approved by relevant officers before execution	75	3	7	6.20	.885
B.D21. All cash disbursements and purchases in this institution are supported by appropriate and sufficient backup	75	3	7	6.11	.863
B.D22. Bank reconciliations are performed by an officer other than the cashier or account signatory on a monthly basis	75	2	7	5.47	1.369
B.D23. Cash receipted is banked in tact	75	2	7	5.91	1.187
B.D24. Physical count of all inventories in this institutions is done regularly by an officer other than the custodian to ascertain their existence	75	1	7	5.12	1.577
B.D25. The institution has an asset policy which defines the procurement, recording and disposal of assets	75	1	7	5.49	1.267
B.D26. Periodic comparisons between actual fixed assets and recorded assets are performed in this institution	75	1	7	4.52	1.647
B.D27. Training is provided in this institution to equip employees on how to use new accounting systems or execute new policies and procedures	75	2	7	5.41	1.041
Valid N (listwise)	75				

Descriptive Statistics

Monitoring	N	Min	Max	Mean	Std. Deviation
B.E28. Regular budget reviews are performed in this institution to compare actual against budget	75	2	7	5.35	1.097
B.E29. Budget variances are communicated to the affected departments so that corrective measures can be taken	75	1	7	4.77	1.599
B.E30. Management in this institution conducts ongoing assessments to determine whether internal controls are operating as intended	75	1	7	4.60	1.470
B.E31. Performance reviews on employees key result areas are performed annually to ascertain their competence in performing the tasks.	75	1	7	3.89	1.681
B.E32. This institution is audited annually by Conference or GCAS auditors.	75	1	7	5.91	1.337
Valid N (listwise)	75				

Descriptive Statistics

Institutional Performance	N	Min	Max	Mean	Std. Deviation
B.F33. This institution is operating at a self-sustenance level as its liquidity and working capital percentages are above the recommended 100%	75	1	7	4.36	1.737
B.F34. The asset base for the institution have greatly increased over the years	75	1	7	5.25	1.443
B.F35. This institution has been receiving standard or clean audit reports over the years	75	1	7	4.85	1.312
B.F36. All fees charged in this institution are dully paid in time	75	1	6	2.97	1.252
B.F37. This institution operate in compliance with the applicable Government and SDA rules and regulations	75	2	7	6.17	1.120
B.F38. This institution provides quality services to students (in terms of educational, boarding, cafeteria) to an extent that stakeholders are confident that their resources are well utilized.	75	2	7	5.23	1.371
Valid N (listwise)	75				

Correlations

		1	2	3	4	5	6
INFORCOM	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	75					
CONACT	Pearson Correlation	.627**	1				
	Sig. (2-tailed)	.000					
	N	75	75				
MONITOR	Pearson Correlation	.533**	.513**	1			
	Sig. (2-tailed)	.000	.000				
	N	75	75	75			
CONTROL	Pearson Correlation	.550**	.530**	.540**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	75	75	75	75		
RISK	Pearson Correlation	.707**	.655**	.442**	.575**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	75	75	75	75	75	
PERFORMANCE	Pearson Correlation	.544**	.583**	.456**	.495**	.522**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	75	75	75	75	75	75

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

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Computer Proficiency

- SunPlus Accounting System (Versions 6-1)
- Microsoft Office (Word, Excel, PowerPoint)

Academic Qualifications

1992- 1995 10 Ordinary Level Passes including Mathematics and English Language

1996- 1997 2 Advanced Level Passes

Professional Qualifications

2001- BBA – Finance Degree

Employment History

Company: **North Zimbabwe Conference**
Assistant Finance Officer (January 2015 to date)

Company: **East Zimbabwe Conference**
Assistance Financial Officer (January 2014 to 31 December 2014)

Company: **Nyazura Adventist High School**
Business Manager (September 2010 to 31 December 2013)
Accountant (November 2002 to August 2010)

Company: **Tridge Finance**
Accounts Clerk (June 2001 – August 2001)

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- Choral Music.
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