

**AN EVALUATION OF THE EFFECTIVENESS AND EFFICIENCY OF
INTERNAL FINANCIAL CONTROLS IN STATE-OWNED ENTERPRISES
IN NAMIBIA: A CASE STUDY OF THE NAMIBIA DEVELOPMENT
CORPORATION HEAD OFFICE PROJECTS (KAVANGO CATTLE
RANCH AND NAUTE) AND REGIONAL OFFICES**

**A THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE
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ABSTRACT

The thrust of this study was to evaluate the effectiveness and efficiency of internal financial controls in state owned enterprises in Namibia and this was done within the context of the Namibia Development Corporation. The investigation was done to examine the relationship that exists between internal financial control and financial accountability, and misappropriation of public funds. The investigation was prompted by the increase in public sector scandals and misappropriation of public funds in Namibia. The study employed a single case study research strategy to answer the research problem and the study used only senior executives, employees in the audit department, accounting and administration that were drawn from the organisation's head office in Windhoek, projects offices in Kavango cattle ranch and Naute as well as its regional offices countrywide. The participants were randomly selected. The questionnaire was used as the main research instrument of data collection and the Statistical Package for Social Sciences was employed for analysis. The study results showed that there is a significant positive relationship between financial accountability and fraud detection. According to the results of this study, there is a significant positive relationship between internal financial control and fraud detection, prevention of errors as well as financial accountability on the part of the NDC as an organisation that is owned by the state. Therefore, it was concluded that, state owned enterprises with effective internal financial controls can realise better financial accountability to their stakeholders. It was also established from the study that there was a significant positive relationship between internal financial control and protection of the interests of both the organisation and the employees. Thus, an improvement in internal financial control helps state owned organisations to improve service delivery and avoid a lot of misappropriation of funds. In relation to employees, it reduces the degree to which they may be accused of irregularities. The researcher recommends that state owned enterprises should continue to establish and strengthen their internal financial control systems in a bid to enhance financial accountability. This can be achieved through the implementation of policies, recruitment of competent employees and ensuring there are monitoring and evaluation systems in place.


Dedication

This dissertation is dedicated to my lovely wife, son and daughter who have supported me throughout the entire process of this research. At all times they

Declaration

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I, Petrus Nuukushu Ashipembe, Student Number 9506926, hereby declares that this dissertation is the result of my own investigation and research, except to the extent indicated in the acknowledgements, references and by documents included in the body of the report, and that it has not been submitted in part or in full for any degree in any other university.

Signature  Date 10/04/2018

Dedication

This dissertation is dedicated to my lovely wife, sons and daughters who have supported me throughout the entire process of this research. At the same time, I would also like to dedicate this dissertation to my grandmother for her endless prayers and to all my siblings for the unconditional love and support.

Almighty God, who has always been present to give me strength and inspiration to keep on working and complete this study.

Secondly, my supervisor, Dr. Lovemore Mafipira for his dedication and professional guidance during the research process.

I sincerely also acknowledge the support of the staff members of the National Development Corporation who offered their cooperation and participated in the research project.

And last but not least, my family for their continuous support, unconditional love and encouragement.

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And last but not least, my family for their continuous support, unconditional love and encouragement.

ACRONYMS USED

1. COSO –Committee of Sponsoring Organisation
2. ICFR –Internal Control Over Financial Reporting
3. NDC – Namibia Development Corporation
4. SEC –Securities Exchange Commission
5. SOEs -State owned enterprises

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CHAPTER 1

INTRODUCTION

1.1 Orientation of the study

Internal financial controls are systems that are put in place by a company for the purposes of designing methods and procedures that are aimed at achieving effective operations, establishing reliable financial reporting, avoiding fraud and maintaining compliance with the country's regulations and laws (Asare, 2006; Dragomir, Vesna, & Vladimir, 2015). Internal financial control evaluation is meant to help an organisation review and assess its structure of accountability, and thus an effective system of internal financial control is generally considered to offer assurance in relation to the integrity of the financial report and safeguarding of organisational assets (Dragomir, Vesna, & Vladimir, 2015). In addition to this, cases of fraud can be easily detected through such internal controls (Asare, 2006). However, relatively fewer studies have attempted to empirically evaluate internal financial control within the context of public sector companies.

The emergence of internal financial control over specific segments of organisational activities is believed to have been linked with management's need for evaluation of the consistency between the actual situation and development targets (Dragomir, Vesna, & Vladimir, 2015). The usage of internal financial controls within organisations is to ensure that the financial information relayed is accurate and valid (Krishnan, 2005; Asare, 2006; Dragomir *et al.*, 2015).

The existence of internal financial control systems is deemed important mainly because literature shows that it protects the integrity of an organisation's financial information and also provides stakeholders with a benchmark to measure the financial health of the organisation in question. In addition to this, Krishnan, (2005) argues that, strong internal financial control has got the potential to increase the organisation's profitability. With shareholders always demanding accountability, the need for strong internal financial control cannot be over emphasised. However, in public sector organisations, the demands for accountability are not as strong as within the context of private sector companies. In the case of public sector companies, the taxpayers and donors are usually late in taking action, and as a result, because of funding issues, the incentives for and the number of effective internal financial controls in public sector companies continues to increase (Hardiman, 2006). Fraud in the United States of America is easily detected through internal financial control which is helpful in ensuring accuracy in relation to financial reporting (Asare, 2006). Accordingly, the focus of this study is to empirically evaluate internal financial controls in the public sector in Namibia using the Namibia Development Corporation as a case study.

The traditional role of internal financial control systems focused on monitoring internal control and financial compliance (Alzeban, & Gwilliam, 2014). However, internal control systems have grown significantly in importance in recent years, towards a wider internal consulting role within the firm's risk management function (Alzeban & Gwilliam, 2014). In this context, it is important to investigate how effectively and efficiently internal financial control systems serve their ascribed purpose in state owned enterprises. The current study builds on a number of previous

international studies that investigated and evaluated aspects of internal financial control efficiency and effectiveness (Cohen & Sayag, 2010; Arena & Azzone, 2009; Ahmad, Othman, & Jusoff, 2009; Mihret & Yismaw, 2007). Through research in Italy, Arena and Azzone (2009) found that characteristics of the internal control team, audit processes and activities, and organizational links influence effectiveness and efficiency. Using a mixed interview and questionnaire methodology in Ethiopia, Mihret and Yismaw (2007) identified organisational characteristics that improve or degrade internal financial control effectiveness and efficiency. The same cannot be said in the Namibian context as research on this area remains limited.

According to Transparency International (2006) there is a pervasiveness of corruption in Namibia. The contribution of this study is to further broaden the understanding of the complex relationship between internal financial controls and issues of accountability that are becoming highly critical in organisations today. Research with regards to financial control systems in the context of Namibia is limited. There is to date no research that could be found that has evaluated the role of internal financial control systems in the management of public enterprises in Namibia. The current study seeks to narrow this gap by means of evaluating the effectiveness and efficiency of internal financial control systems in the context of Namibia Development Corporation (NDC). Insights are drawn on the existing literature on internal financial control in public sector research.

1.2 Statement of the problem

Literature shows that, there are copious components of internal financial control systems that can be used to develop and evaluate an organisation's financial regulatory compliance. The components of such a financial regulatory compliance

system include the control environment, risk assessment, control activities, information and communication and monitoring. However, these components must be employed together such that they form a strong set of methods and procedures that an organisation follows in its operations. In addition to this, Namibia has the Comptroller-Auditor General, established to ensure sound financial administration of state owned enterprises. The Auditor General supervises various legal frameworks that enhance the effectiveness and efficiency of internal financial control and ensure financial accountability in public sector financial administration in Namibia.

According to Transparency International (2006), there is a pervasiveness of corruption in African countries as suggested by the corruption perception indices. This clearly points towards the inherent risk of senior public officers overriding internal financial control systems to achieve their personal and private gains. With increasing donor support for developmental projects and increasing budgetary allocations, there are growing calls for stringent financial management as a way of ensuring value for money and consequently increasing the total well-being of the country. In addition to this, there is a general lack of research on internal financial control systems within not-for-profit organisations such as the NDC, as much research was done in the context of profit making organisations. Therefore, there is need for research to evaluate internal financial control systems in the public sector context. The question that remains is: are state-owned enterprises' financial control systems effective and efficient?

1.3 Objectives of the study

This study evaluated the effectiveness and efficiency in relation to the implementation of internal financial control systems in public sector companies in Namibia using the NDC case as its broad objective. In line with this broad objective, the study had the following specific objectives:

- To identify and establish the internal financial control systems that are used at the NDC;
- To evaluate the level of compliance with financial management regulations;
- To identify and establish the effects of compliance or non-compliance of internal financial control systems; and
- To highlight and recommend areas for improving internal financial control systems.

1.4 Significance of the study

The findings of this study will contribute to and broaden existing literature with regards to the effectiveness and efficiency of internal financial control in public organisations in the empirical context of Namibia. Little research has been done in terms of the effectiveness and efficiency of financial control systems and the findings of this study are crucial in narrowing the gap. Therefore, conceptual contributions attributable to this study are based on presenting ways of improving the way financial control systems are implemented in public sector contexts.

Recommendations of this study are crucial in enabling the Namibian government's awareness of the internal financial controls that are associated with SOEs like the NDC and to be able to find appropriate steps in addressing them. In addition to this,

directors of SOEs are also going to be made aware of the problems and recommendations, and consequently be in a strategic position to solve them. Findings that were obtained in this study are useful to managers because of the new insights it generated in terms of how to use internal financial control effectively and efficiently. Through this research, the researcher was able to acquire a number of research skills that are imperative in conducting a critical research study like this, make academic and evaluative judgments within the financial control field, and as a result, putting to test the knowledge that has been acquired.

In this study, the researcher was able to get an appreciation of the ever changing business environment in which public organisations conduct their business and how internal financial control reflects on their accountability to their various stakeholders within the context of the NDC. Consequently, the researcher through this study was able to develop a positive perception of the achievements and challenges met by other researchers and practitioners in establishing the fundamentals of the research foundations in terms of evaluating the effectiveness and efficiency in implementing internal financial control systems in public sector companies in Namibia using NDC as a case study.

The study is expected to be helpful to public sector leaders in general, and private sector companies, government, especially line ministries under which public sector companies fall as the findings of this research are reported in such a way that it provides a more reliable scientific appraisal and perspective for describing and evaluating the effectiveness and efficiency of implementing strong internal financial control systems in public sector companies in Namibia using the NDC as a case

organisation. More specifically, the results of this study serve as a source of information that is going to bring to the lime light the context specific internal financial controls that are employed by the public sector companies in an increasingly competitive global business environment.

1.5 Limitations of the study

The area of study under financial control is so diversified and broad to the extent that looking only at the effectiveness and efficiency of internal financial controls is just but a mere segment of the whole spectrum of financial control and financial reporting within organisations. It was difficult to cover all the financial control and reporting constructs due to time constraints as this was to be completed by August 2016. In addition to this, another limitation to this study was that, the study only focused on one public sector company and private sector companies were not discussed and this limited the degree of generalisability of the findings to public sector companies only.

The collection of data in this study was restricted to the NDC. This made the sample of public sector organisations to be very uneven since there are so many public sector companies in Namibia. Thus, this limited the generalisability of the research findings to the NDC as a public sector company.

1.6 Definition of terms

It is of essence and obligatory that terms to be applied in this study be defined in a way that they are going to be applied. These definitions are meant to spell out the milieu, in which the terms are going to be used and applied in this study.

1.6.1 Internal financial control

The Committee of Sponsoring Organisations of the Treadway Commission (COSO) (1992) defined internal control as a process that is effected by an organisation's board of directors, management and other personnel, and is also designed to provide reasonable assurance in relation to the achievement of objectives in the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. This is the definition that was applied in this study.

1.6.2 State owned enterprises

A state-owned enterprise (SOE) is a legal entity that is created by the government in order to partake in commercial activities on the government's behalf (Dewenter, & Malatesta, 2001). It can be either wholly or partially owned by a government and is typically earmarked to participate in commercial activities (State-Owned Enterprise Act, 2006, Act No 2 of 2006). This is the definition that was applied in this study.

1.6.3 Effectiveness and efficiency

Effectiveness refers to the degree to which objectives of an organisation are being met (Andrews, Boyne, Law & Walker, 2011). It can also refer to the extent to which targeted problems the organisation is facing are being solved (Andrews *et al.*, 2011). Effectiveness is the capability of producing a desired result or the ability to produce desired output. When something is deemed effective, it means it has an intended or expected outcome, or produces a deep, vivid impression (Dictionary.com, 2011). In contrast, to efficiency, effectiveness is determined without reference to costs, and whereas, efficiency is defined as "doing things right" and effectiveness means "doing the right thing" (Andrews *et al.*, 2011). Andrews *et al.*, (2011) define efficiency as a

measurable concept that can be determined by determining the ratio of useful output to total input. It is clear that, efficiency minimises the waste of resources such as physical materials, energy and time, while successfully achieving the desired output.

1.7 Delimitation of the study

The study was conducted in Namibia using the NDC as a case study. Thus, the study was delimited to the NDC's Head Office, Projects (Naute and Kavango Cattle Ranch) and Regional Offices). The organisation had 284 permanent employees at the time of the research.

1.8 Structure of the dissertation

This research dissertation is structured as follows:

Chapter One: Introduction

Chapter one presented the general introduction to the effectiveness of internal financial control within state owned enterprises in the context of the NDC. It also presented the research objectives, significance of the study and defined key terms.

Chapter Two: Literature review

Chapter two examines the obtainable literature on the topic and explains how the research fits into the gaps identified.

Chapter 3: Research Methodology

Chapter three outlines the research methodologies employees and it describes the research parameters. It is in this chapter where the research strategy is also outlined.

It covers the selection of the sample, sampling techniques, instrument design, data collection process, extensive research approach and the overall methodology employed in this study.

Chapter 4: Results and discussion

This chapter presents the results and the discussion of the results. The results of the study are analysed in this chapter. It therefore provides an in-depth discussion of the results.

Chapter 5: Conclusions and Recommendations

Chapter five concludes the study and presents the researcher's recommendations.

1.9 Summary

This chapter sets in motion the research under study. Gives a background to the highlighted issues to do with effectiveness and efficiency of internal financial control systems in the context of public enterprises. The statement of the problem was also discussed in this chapter. Conclusively these issues enabled crafting of the research objectives of the study.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter is to review of literature relevant to this research study and ultimately provide a theoretical framework. In the first section, there is a brief review of the definitions of internal financial control and this will be followed by an attempt to discuss the regulatory frameworks and guidelines that are used for internal financial control systems in the wider financial literature. It is in this chapter that the researcher exhibited awareness of the contemporary state of knowledge in the study and how the research will fit in the wider context.

This chapter also defines what is understood by both financial managers in public enterprises and scholars in terms of the effectiveness and efficiency of financial control systems as a way of defining and establishing the current state of affairs regarding the investigation of the internal financial control systems in Namibia within the context of the NDC. It is imperative for this chapter to determine the factors that influences the effectiveness and efficiency of financial control systems in public sector companies such that the research will be able to contribute towards literature.

The study carries out an investigation into the effectiveness and efficiency of internal financial control systems within public sector companies in Namibia using the NDC as a case study. Thus, literature review in this chapter helped the researcher to

develop the right methodology through identification of the gaps that existed in the body of knowledge. During the past few decades, experts and scholars have renewed their interests on internal financial control systems.

2.2 Internal financial control

Firms generally set up internal financial control systems to identify and manage risks in business operations. Therefore, the establishment of an effective internal financial control system has become a central issue in corporate performance (Minelli *et al.*, 2009; Palermo, 2011; Van der Stede, 2011). Consequently, this has resulted in significant efforts to strengthen financial risk management systems in firms, as well as changes in the Securities Exchange Commission (SEC) and stock exchange regulations worldwide. Business firms are required to have individual internal financial control systems that are capable of providing an assurance that the organisation is managing risks in an effective way.

COSO framework proposes that sufficiently effective internal control provides an assurance that a firm conducts its operations efficiently and in accordance with its mission statement, that its management data and financial reporting are reliable, and that it promotes compliance with applicable laws, and regulations. Therefore, if an organisation does not have effective internal financial control, hence it is considered possible that, a business' financial statement may contain material weaknesses. It is generally believed that organisations that have effective and efficient financial control systems do not have material weakness. The objective of this study is to critically evaluate internal financial control in the context of SOEs in Namibia.

Internal financial control systems were long recognised as significant tools in ensuring that there is high quality financial reporting (Altamuro & Beatty, 2010; Johnstone et al., 2011; Brown *et al.*, 2014). The most widely employed framework is the COSO (Gupta, 2007) which has also become the main framework for the ICFR compliance as a result of the regulations that were recently introduced by SOX (Klamm and Watson, 2009; Martin *et al.*, 2014). The COSO framework was introduced in 1992 and has been recently revised in 2013. The updated framework does not change the definition for internal financial control and its three categories of objectives are:

- Effectiveness and efficiency of operations;
- reliability of financial reporting; and
- Compliance with applicable laws and regulations.

These three objectives directly relate to five integrated components that includes:

- the control environment
- risk assessment;
- control activities;
- information and communication; and
- monitoring activities

The assessment of internal financial control system is an important part of the structure, organisation and operations of any company (Chow, 2010). The larger and the more complex the organisation and its various activities, the more care that must be given towards the design of internal financial control systems (Dragomir *et al.*, 2015). However, Krishnan (2005) argues that, internal financial control systems are

effective if they are installed, maintained and used by competent, dedicated managers, suggesting that internal control systems can only support such managers but they cannot substitute for them.

2.3 Regulatory Frameworks and Guidelines for Internal Financial Control

The evaluation of internal financial control is one of the responsibilities that are carried out by an organisation's internal auditing department. COSO (1992) define internal control as a process that is effected by an organisation's board of directors, management and other personnel, and is also designed to provide reasonable assurance in relation to the achievement of objectives in the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. The organisational approach however, provides both profit and non-profit organisations with a universally accepted and recommended reference point that can be used to evaluate the quality of an organisation's internal financial control.

The objectives of a company, its internal organisation and the environment in which it conducts its business operations are continuously changing, and as a consequence, the risks that an organisation faces are also continually becoming dynamic. Against this background, a sound and strong system of internal control is therefore dependent on a thorough and regular evaluation of the nature and the extent to which the company is exposed to business risks (Doyle *et al.*, 2006). Profits, usually in the profit making organisations, are in part, the reward for successful risk-taking in business, therefore the objective and purpose of internal control is to help manage and control risk appropriately rather to eliminate it (Doyle *et al.*, 2006). Considering

this gap, it is important for research to evaluate the effectiveness and efficiency of internal financial control systems in SOEs.

2.3 Regulatory Frameworks and Guidelines for Internal Financial Control systems

With the severity of high-profile corporate accounting failures increasing steadily over the last decade, there is a corresponding increase in the development of new legislation, global standards, codes and guidelines aimed at assisting organisations in improving their internal control, particularly the internal financial control. The acknowledgement of the critical significance of internal control is quite evident from the growing number of key frameworks and guidelines that emerged on the subject. However, the existing key frameworks focuses on all control that cover the entirety of the company's range of activities and operations, not just those directly related to financial reporting and tends to adopt a risk-based approach to internal control.

Extant literature on internal control is growing globally since the beginning of the 21st century following a series of large corporate scandals and failures (Schoenberg, Collier, & Bowman, 2013). Corporate failures led to growing and louder calls for enhanced internal financial control with governments, legislators, regulators and the standards setting group coming under pressure to ensure measures have been taken to assist in preventing similar corporate failures from occurring in the future. It is clear that, there is lack of research with regards to the evaluation of the role of internal financial control in public enterprises, hence the need for further research. A lot of existing studies have been qualitative in nature and therefore, there is a quantitative

methodology gap in terms of research that focuses on internal financial control systems in public enterprises.

2.4 Importance of Internal Control

Studies that were reviewed for this study showed that the effectiveness and efficiency of internal financial control largely depends on the size of the independent audit committee, the frequency of meetings by the independent audit committee as well as the financial expertise they possess (Berdard *et al.*, 2004; Chow, 2010). In the case of public corporations, Krishnan (2005) argue that, there is an association between independent audit committee and internal control problems using a public corporations that changed auditors and the study found out that, there were a lot of internal control deficiencies for the period 1994 – 2000, comparing them with those companies that did not change auditors and had no internal financial control deficiencies. Therefore, it is important for research to ensure that these deficiencies in literature are dealt with. The importance of internal financial control systems have not been sufficiently explored in the context of developing countries.

Commercial companies with effective and efficient internal control systems have characteristics like independent audit committees, increase committee size and financial expertise and this is documented in the wider literature that it has a positive correlation in terms of influencing the financial reporting of an organisation and it has the propensity to reduce the likelihood of misstatement or restatement (Krishnan, 2005; Abbott, Parker & Peters, 2004; Carcello & Neal, 2000; Chen, Sun, Tang, & Wu, 2011). Scholars such as Krishnan (2005) argues that, corporate independent audit committees essentially seem to influence internal financial control systems

though research is yet to attract public sector interest in this regard (Chen, Sun, Tang, & Wu, 2011; Chow, 2010).

The Audit committee charter model identifies clearly the duties that are related to the internal financial control and financial reporting, thus most corporate audit committees take their role on internal financial control systems seriously (Carcello *et al.*, 2000, 2002; DeZoort, 1997), consequently engaging themselves in the evaluation and examination of internal financial control (Krishnan, 2005). The role of audit committees in public sector contexts remains largely under-researched, the need for research to fill this gap cannot be overemphasised.

The importance of internal financial control cannot be overemphasised within the business context. Companies, particularly, profit oriented ones, consider all types of control including those of operational or compliance nature as well as internal control. The systems of internal financial control have an essential role to play in ensuring that a business is well run and its strategic objectives achieved. According to Anderson, Mansi and Reeb (2004), through increasing the quality of internal financial control of corporations, corporations are able to obtain a significantly lower cost of debt financing, though this cannot be easily transferable towards the NDC, it is crucial for this study to evaluate the effectiveness and efficiency of internal financial control in relation to how it lowers operational costs for the organisation.

Literature shows that improved internal financial control have a direct and positive correlation with improved quality of financial reporting outcomes for organisations (Agrawal & Chadha, 2005; Dragomir *et al.*, 2015). Internal control over financial

reporting has long been recognised as an important feature of a company in the wider literature (for example, Kinney, 2000; Doyle *et al.*, 2006). The concern of this proposed study is to evaluate the effectiveness and efficiency of internal financial control of the NDC.

Internal financial control are beneficial to business organisations including SOEs in that they help in detecting error and fraudulence (Lin, 2005; Rittenberg *et al.*, 2005). Through the enhanced structure of internal control, which includes the establishment and improvement of the control environment, according to the system and control programme, the possibility of error and fraudulence can be diminished to the minimum level (Chow, 2010). The regulations a business entity needs to comply with can be subtle and complicated. If a reckless conduct leads to results of law breaking, it might not only damage the public image of the entity (reputation risk) but also carries the risk of difficulties of operation due to time consuming law suits and indemnities (Chen, Sun, Tang, & Wu, 2011). The establishment and enhancement of internal control helps in decreasing illegal conducts. In addition to these internal financial control is imperative because it improves the competitiveness of the business entity (Chen, Sun, Tang, & Wu, 2011).

A well-built –in and efficient internal control system contributes to the success of a business entity. In the highly competitive market, a well-managed internal control system guards the business entity from failure. The small scale of internal control inside the business entity improves employee’s understanding of company goals and objectives and builds up the concepts of internal control; employees tend to carry out more exactly on the company policies and programs thus the operating efficiency can

be improved as a whole. Good control means that risks are identified and dealt with effectively.

2.5 Empirical review

Empirical research into the effectiveness of internal financial control has been summarised by Felix and Niles (1988), Dirsmith and Haskins (1991), and Trotman (1998). In their study, Felix and Niles (1988) note that, 19 academic studies have been carried out to discuss the effect of documentation and learning about internal financial control, 16 papers have been concerned with the planning and evaluation of internal financial control, while 24 research papers were done in relation to re-evaluating internal financial control. In their analysis, Felix and Niles (1988) concluded that, while research on internal financial control is becoming reasonable, significant research gaps still exists in areas such as the effectiveness and efficiency of internal financial control in state-owned enterprises and financial accountability. The review of some of these studies emphasised on how the current study can hopefully expand the knowledge base in the area.

Extant literature shows that effective financial control are important for the maintenance of proper accounting records and this helps an institution such that it will not be unnecessarily exposed to financial risks and that the financial information of a business is widely used (Hayles, 2005). Walters and Dunn (2001) have stated that obtaining sufficient knowledge of the internal financial control, both information technology control and application control, are needed to facilitate the determination of the audit strategy and to carrying out subsequent steps. According to Khoove (2010) the control environment is the attitudes, abilities, awareness and actions of a

client personnel and particularly management in relation to control. Financial control activities are the policies and procedures that help ensure that management directives are carried out (Walters & Dunn, 2001).

Control of the financial decisions covering the organisation, method, process and internal audit established by the administration in order to ensure that the activities are carried out in compliance with the purpose of the administration and determined policies and the legislation, the assets and resources are protected, accounting records are kept in an accurate and complete manner and financial and management information is produced in line and in a reliable manner (Khoove, 2010). Hence control of the financial decisions and transactions of the public institutions related to the revenue, expenditure, assets and liabilities concerning their compliance with the budget, budget item, available applicable amount, expenditure programme, financing programme of the administration, to central government budget law and other financial legislation provisions and in terms of the utilisation of the resources in an effective, economic and efficient manner (Financial Management Act, 2004).

In both the developed and developing countries public financial management professionals working within the public sector are concerned with improving financial management and budgeting, responding to changes in financial reporting, securing better regulation, strengthening institutions and improving management and auditing fraud and corruption. Financial management consists of all the activities concerned with obtaining money and using it effectively and efficiently (Warren, 2005). Financial management involves careful planning and efficient use of resources. Proper financial management can ensure that financial priorities are

established in line with organisational goals and objectives, spending is planned and controlled in accordance with established priorities and sufficient financing is available when it is needed both now and in the future (Pride et al., 2002). It is generally recognised that most developing countries have ineffective governmental financial control system.

The serious deficiency in the financial control systems in most developing countries generally recognised as the major factor which facilitate the misuse of public resources and financial corruption in these countries (El-Nafbi, 2008). For example in Zambia, there has been no specific financial improvement for the public sector (El-Nafbi, 2008). Historically the Zambia public sector has faced capacity constraints compounded by inadequate information process and systems. In addition, non-compliance with internal control has led to poor predictability of government expenditure and lack of analytical capacity. Whereas, the issue for the Zambian government was the need to improve financial reporting and auditing systems, the challenges for Zimbabwe was dealing with an acute shortage of qualified professionals working within the public sector and Botswana also had very similar issues to those in Zimbabwe. Although a relatively wealthy country, Botswana's public sector was challenged by its failure to match the rewards offered to professional staff by the private sector (El-Nafbi, 2008). Kenya is considered to have the largest, most diversified and innovative economy in East Africa (Karanja & Ng'ang'a, 2014).

2.6 Summary

The review of the theoretical literature has shown that limited studies have been done in Namibia despite an increasingly growing global interest on internal financial control against a budding increase of corporate scandals globally. In addition to this, it is also important to highlight that, there is quite scanty and this study seeks to broaden the existing literature by narrowing this gap through the empirical evaluation of the effectiveness and efficiency of internal financial control in the public sector.

This chapter's thrust was to provide a review of related literature from other researchers' works in an attempt to expose the flaws and how to avoid them in the research design. In this regard, the researcher gave credibility to the researchers who did the groundwork as their works paved the way of discovering explicit recommendations for further research on this topic. The researcher through the works of other researchers has been able to ascertain insights in research approaches.

3.2 Research design

The next chapter covers the research methods applied for the research.

CHAPTER THREE

RESEARCH METHODS

3.1 Introduction

The purpose of this chapter is to outline the research design and methodology used in collecting data for this study. The research instruments that were employed by the researcher in collecting data are also clarified in this chapter. The researcher also looked at a number of research variables such as research design, population, sample procedure, sample size, instruments used for data collection, presentation and data analysis. In this chapter an outline of the research procedure is also covered. The chapter describes also the research population and how the sample for the study was drawn.

3.2 Research design

The research design for this study provided a framework through which the researcher was able to collect and analyse the data (Bryman & Bell, 2007). In addition to this, the research design was used as a platform to provide who and what was involved in this research study, and where and when the study would take place (Du Plooy, 2007). The choice of a research design for this study was based on the priority that the researcher gave to the research variables; the connections between variables, and the size of the population under investigation. The purpose of a research design is to state what is to be achieved by the research and how the results can be used.

Oppenheim (1992) defines research design as a basic plan or strategy of the research study and the logic behind it that makes it possible and valid to draw more general conclusions from it. Design refers to the format and theoretical structure under which the study would be carried out, that is how the worthiness and contribution of certain elements are. A research design is generally a basic plan of strategy of a research and logic behind it, which then makes it possible and valid to make more general conclusions. Thus, a research design is more like a strategic plan, without it, it would be impossible to carry out the research successfully. There are three stages that one follows when designing a research methodology and these are:

- exploratory,
- descriptive and;
- Explanatory stages (Yin, 2003).

3.2.1 Exploratory Research design

Researchers employ exploratory research when little is known about the topic and previous theories or ideas do not apply (Yin, 2003). Little is known about the effectiveness and efficiency of internal financial control systems within the context of public sector companies in Namibia in general and the NDC in particular, so this research design was adopted since it enabled the researcher to clarify problems, gather data and create initial hypothesis and theories about subjects. The primary point of exploratory research was to give the researcher pertinent information and help them to form initial hypotheses about the subject.

3.2.2 Descriptive Research Design

The researcher also used descriptive research design, which is done with a specific research question in mind. It gave the researcher a set views of the subject, population, market segments and problem. Descriptive research provided research questions, populations or methods of analysis before the research is even started. Both exploratory and descriptive research designs have their place in forming a better understanding of a problem or issue; understanding the difference between the two made the research more targeted and effective.

3.2.3 Explanatory Research Design

The term explanatory research implies that the research in question is intended to explain, rather than simply to describe, the phenomena studied. This type of research has had a contested history in qualitative inquiry, and divergent views of the appropriateness of such goals in qualitative research are currently held. This entry summarizes the current state of this debate and describes some of the most important qualitative methods for such an explanation. The researcher did not use this design because, traditionally the research denoted by the term explanatory research has been quantitative in nature, the data is analyzed using statistical techniques and this tends to be time consuming and expensive as well.

The researcher adopted the descriptive research design and the exploratory design. The choice was made because, descriptive design is usually on the surface and there is no discussion that goes beyond what one sees in terms of who, what, how part of the research topic. Thus, given the level of the study, the exploratory research design was also deemed appropriate for this study. This research design was adopted

because it enhanced the reliability, credibility and validity of the research. Rodson (2002) explains that, descriptive research is used to portray an accurate profile of persons, events and situations. Schindler (2003) shares the same view and further suggests that descriptive research is appropriate for data derived from the three methods mentioned above. On this basis, the descriptive approach was relevant to this study as it intended to gather data on the effectiveness and efficiency of internal financial controls within the context of the NDC as a case study. The approach also allowed the researcher to come up with both qualitative and quantitative data which also aided meaningful analysis of the data.

3.3 Research Strategy

Kitamoto (2009) defined a research strategy as a general plan of how the researcher goes about answering the research questions already set. Relating to this research, a research strategy is a general plan of how the researcher intends to answer the research questions that were formulated in Chapter One. It must be noted that the choice of data collection for this study was mainly determined by the research strategy that was adopted for this study. Examples of research strategies include case studies, experiment, action research, ethnographic studies, grounded theory or archival research and survey (Saunders *et al.*, 2007; Malhotra 2010).

3.3.1 Action research

An action research strategy is a strategy that is used in a study that investigates a specific problem in a specific environment and thereafter an appropriate intervention is then designed and implemented to solve the problem and/or improve the same (Saunders *et al.*, 2007). It is also a research in action rather than about action. It must

be noted that it is diagnostic and evaluative in nature and it involves people or it is subjective in solving the problem and it is more collaborative (Saunders *et al.*, 2007).

3.3.2 Experimental research

An experiment is a research strategy that is usually used when one is conducting a causal study where the focus of the study is to examine, scrutinise or investigate changes that could occur in one research variable while the other variables in the study are manipulated or are put into controlled conditions. This kind of research strategy is usually employed by natural scientists and those doing social psychology research themes (Saunders *et al.*, 2007; Cooper and Schindler, 2006). Thus, it must be noted that, this strategy was not appropriate for this study, given that the study had nothing to do with natural sciences.

3.3.3 Survey research

A survey research strategy is usually associated with the deductive research approach and is more applicable in business and management research studies. The beauty of the survey strategy is that of allowing the collection of an enormous amount of data from large research populations at a lower cost. It is most used with a descriptive research design. The survey strategy was used in this study given that the objective of this study was to make an assessment of the effectiveness and efficiency of internal financial control systems in public sector organisations using the NDC as a case organisation. Through this strategy, the researcher was able to seek opinions of employees and managers at the NDC about the effectiveness and efficiency of internal financial control systems. These opinions were sought using a more objective survey instrument, and for this study, a structured questionnaire was used.

3.3.4 Single Case study research

A case study is a research strategy that is concerned with a specific situation and the impact it has in order to have a more accurate detail for analysis and it also requires an in-depth analysis of the phenomena as it relates to a specific environment. A case study strategy is mostly used where the motive and objective is to gain a rich and in-depth understanding of the research context and the processes that are being enacted (Saunders *et al.*, 2007).

It is a research strategy that uses quite a number of data collection sources and this is generally referred to as triangulation. Given that the nature of this study was partly descriptive and largely exploratory, the research chose a case study research strategy because the research sought to find out “why”, “what” and “how” issues in a case context. Yin (2003) cited in Saunders *et al.*, (2012) maintained that case studies can be single or multiple, holistic and/or embedded. The researcher used a case study to explore causation in order to find underlying principles. A case study is an inquiry into an event by either an individual or an organization.

Given the challenges that a descriptive research design can pose, the researcher chose a single case study as a research strategy and as a general plan of how the researcher goes about answering the research questions already explored in chapter one. The research used a case study because it makes use of a combination of the other research strategies. It also goes without saying that case studies are appropriate when small scale researches that handle few units in a narrow perspective and where an in-depth study is going to be conducted (Denscombe 2000). Yin (2009) argued that there is no formula on choosing a research design method arguing that it depends on

the research questions. The case study method becomes a preferred choice when, “how” and “why” questions are being asked, when the investigator has little control over the events and when focus is on contemporary issues within real life situations.

Case studies are said to be a meta-data method and are used to compare the case study with the actual situation. A case study can be viewed as an in-depth study of interactions of a single instance in a closed system (Malhorta, 2010). There are different ideas about what a case study is (Yin, 2009). It is generally agreed that, a case study should have a “case” which is the object of study and in this particular research; the object of research was employees and managers at the NDC.

Yin (2009) argued that the following are the characteristics of the case:

- be a complex functioning unit,
- be investigated in its natural context with a multitude of methods, and
- be contemporary
- the researcher can ask “how” and “why” questions so as to understand the nature of complexity of the process
- The research is being conducted in an area where few, if any, previous studies have been undertaken.

The research considered quite a number of factors in choosing a case study research strategy and chief among them was the need to provide a comprehensive picture of the effectiveness and efficiency of internal financial control systems within public sector companies in Namibia, using the NDC as a case. In addition to this, the researcher also considered the case study research strategy as the best because it

helped the researcher in understanding the research problem much better as it enabled the research to focus on key factors that influences effectiveness and efficiency of internal financial control systems in public enterprises.

3.4 Research Approach

The distinction between qualitative and quantitative research is a methodological issue. The decision to choose a specific methodology should be based on its suitability to answer the research questions (Bryman, 1988). Denzin and Lincoln (1998) asserted that qualitative research emphasises the process of discovering how the social meaning is constructed and stresses the relationship between the investigator and the topic studied. Conversely, quantitative research is based on the measurement and the analysis of causal relationships between variables. Berg (2001) discriminated between qualitative and quantitative research arguing that qualitative research referred to the meanings, concepts, definitions, characteristics, metaphors, symbols and descriptions of things, while quantitative research referred to the measures and counts of things.

Qualitative and quantitative research approaches differ basically in some major areas, including: their analytical objectives; types of questions posed; types of data collection methods used; types of data produced; degree of flexibility in study design (Mack *et al.*, 2005). Snape and Spencer (2003) indicated that qualitative research is a naturalistic/interpretative approach concerned with understanding the meaning people give to the phenomena within their social setting. They outlined a number of key elements which distinguish the qualitative approach, among these: it is the approach which provides a deeper understanding of the social world; it is based on a

small scale sample; it uses interactive data collection methods, i.e. interviews; it allows new issues and concepts to be explored. Accordingly, the study used a mixed approach to accomplish the overall aim of the study.

It is important also to classify the research approach in terms of whether it is inductive or deductive. Saunders *et al.*, (2012) differentiated between these two types of research design. First, the deductive approach – known as testing a theory, in which the researcher develops a theory or hypotheses and designs a research strategy to test the formulated theory, second, the inductive approach – known as building a theory, in which the researcher starts with collecting data in an attempt to develop a theory. A researcher should explain clearly which approach is being followed in his or her research project.

The current study is shaped by inductive research design. Saunders *et al.*, (2012) noted that, the inductive approach gives the chance to have more explanation of what is going on. The researcher started the research process by exploring and collecting the data from different sources and by using multiple sources of evidence that was gathered through the questionnaire and document analysis in an attempt to evaluate the effectiveness and efficiency of internal financial controls in public enterprises in Namibia. Secondary data sources of data used in this research involved critically reviewing existing internal financial control systems, financial reports and documents on financial matters.

3.5 Research Philosophy

A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analysed and used. The term epistemology (what is known to be true) as opposed to doxology (what is believed to be true) encompasses the various philosophies of research approach. The purpose of science, then, is the process of transforming things believed into things known: *doxa to episteme*. Two major research philosophies have been identified in the Western tradition of science, namely positivist (sometimes called scientific) and interpretivist (also known as anti-positivist) (Galliers, 1991).

3.5.1 Positivism

Positivists believe that reality is stable and can be observed and described from an objective viewpoint (Levin, 1988), i.e. without interfering with the phenomena being studied. They contend that phenomena should be isolated and that observations should be repeatable. This often involves manipulation of reality with variations in only a single independent variable so as to identify regularities in, and to form relationships between, some of the constituent elements of the social world.

Hence, given the nature of the research questions and objectives of this study (as stated in chapter 1), a positivism research philosophy was applied because it was deemed appropriate. A positivism research philosophy is suitable, because the data collection instrument in a form of a questionnaire. Importantly, the positivism research philosophy was used because it assisted the researcher in explaining the assumptions that were inherent in the research process of this study.

The fact is that one philosophy is not inherently better than the other, although researchers may favour one over the other. It simply provides the justification for the research methodology, because the methodology should be informed by the nature of the phenomena being observed.

3.5.2 Interpretivism

Interpretivists contend that only through the subjective interpretation of and intervention in reality can that reality be fully understood. The study of phenomena in their natural environment is key to the interpretivist philosophy, together with the acknowledgement that scientists cannot avoid affecting those phenomena they study. They admit that there may be many interpretations of reality, but maintain that these interpretations are in themselves a part of the scientific knowledge they are pursuing. Interpretivism does not have a tradition that is no less glorious than that of positivism, nor is it shorter. However, recognizing the lack of objectivity sometimes associated with interpretivist research methods, the researcher adopted a positivist, approach to the development of our key research instrument.

3.6 Research Population

Population refers to the total number of people living in a particular demographic area at a certain point in time. Target population is defined by Hammond, (2005; 105) as “the total number of individuals, items, or data from which the results of a study are intended to relate and from which those individuals selected to participate in the study are drawn”. McDaniel and Gates (1993, p.457), define population as the total group of people from whom information is needed. Burns and Grove (1993, p.

779) define a population as all elements (individuals, objects, and events) that meet the sample criteria for inclusion in the study.

The population of the study consisted of the employees of the Namibia Development Corporation that included the Managing Director of the Namibia Development Corporation, 10 workers in the accounting department; 4 workers in the audit department, 30 NDC employees working in other departments apart from the Accounting and Finance, Auditing and Administration and 35 Administration staff. The population of this study involved people who were based at the Namibia Development Corporation Head Office in Windhoek, Projects (Naute and Kavango Cattle Ranch) and Regional Offices. At the time of the research the Namibia Development Corporation had 284 permanent employees. 80 respondents (inclusive of the Managing Director, employees in the accounting, finance and administration departments) were sampled for this study.

3.4.1 Sampling and Sampling Techniques

One of the key aspects of communication research is sampling. Jensen (2002, p. 215) elaborated on the fact that it is essential that the individuals selected in a survey should be representative of the total population from which they are drawn, if the researcher wants to generalize findings to the population as a whole. Keyton (2001) mentioned that representivity is the main aim in selecting a sample from a population. To the extent that a sample is representative, all elements in the sample had the same chance of being selected as part of the sample for the study.

3.4.2 Sampling Unit

The sampling unit is the group of elements subject to the selection of the sample (Jensen, 2002, p. 215). For the purpose of this research, the sampling unit was limited to NDC employees and leaders. The participants who formed the sampling unit were based at the Head Office of the NDC, which is in Windhoek, Naute and Kavango Cattle Ranch) and Regional Offices.

3.4.3 Sample size

The population of NDC in Namibia was too large, since it had 284 employees. Therefore, it was going to be expensive and time consuming to collect data from each member of such a large population. The sample selected was large enough (80 respondents) to make it possible to use statistical techniques to show the probability that the characteristics of the sample would also be found in the rest of the population. A sample of 80 subjects was randomly selected from the study population.

3.4.4 Sampling Techniques

Samples can be constructed either on a probability or a non-probability basis. A probability sample is selected according to the mathematical guidelines whereby the chance for selection of each unit is known. On the other hand, non-probability sampling does not follow such guidelines (Jensen, 2002, p. 215). For the purpose of this research, a random sampling technique was used.

A number of sampling techniques exist from which the researcher could have used. They range from the probability sampling to the non-probability sampling

techniques. Saunders *et al.*, (2000) hold that probability sampling is most commonly used with survey based research methodologies where the researcher needs to make suppositions from the sample about a population to answer the research questions or to meet the research objectives.

Saunders *et al.*, (2000) argued that, there are five main non probability sampling. This includes the quota, snowball, self-selection, convenience, and purposive sampling techniques. Of all these techniques the researcher used convenience and purposive sampling to come up with the sample for the study. These approaches enabled the researcher to use one's judgment to select cases that could best enable answer the research questions and meet the objectives. Yin (2003) asserts that, convenience and purposive sampling is most appropriate when the researcher wishes to select cases that are informative. Saunders *et al* (1996) also argued that, these approaches enable researchers to undertake an in-depth study which focuses on a small, perhaps single, sample selected purposively. Thus, the researcher used these approaches to sampling in an attempt to solicit information that is rich from the case being studied in a bid to explore the research question. It must also be noted that, a random sample was used to select participants within the NDC and its projects as well as Regional Offices.

3.5 Data collection

There are two categories for data collection in carrying out a research, that is primary and secondary data collection. Hakim, cited in Saunders *et al.*, (2000) referred secondary data as "data that have been collected for other purposes", while Saunders adds, "secondary data can provide a useful source to answer or begin to answer one's

research questions". On the other hand primary data is new and collected for that specific purpose. Both categories can further be divided into internal and external sources of data.

Internal data is generated from within the organisation for its specific purposes. This is often regarded as reliable. The researcher used internal secondary data that is minutes of meetings, policy documents and various NDC strategic documents. On the other hand, external data is a little reliable than internal data because the extraction process is a little less removed from the source (Saunders *et al.*, 2000). Therefore the researcher did not use external data.

The researcher relied on collection of primary data through questionnaires and interviews; and the collection and collation of secondary data was an extensive literature review. Secondary data is defined as data that already exists and might have been collected for other research and not particularly for this research (Tull & Hawkins, 1993). Questionnaires were also distributed to the participants via email. The assessment of the effectiveness and efficiency of internal financial control was explored.

The questions were selected carefully for this study in an attempt to solicit reliable and verifiable information that would help in meeting the research objectives. Thus, the questions were designed to gain an understanding of how effective internal financial control were in the context of the NDC. Appendix 1 shows all the questions that were asked to employees and management of the NDC in relation to their thoughts on the effectiveness and efficiency of internal financial control. The

questions were both open ended and closed with the objective that they will be answered with as much detail as needed and closed in an attempt to have as much participation in the study as possible.

The use of questionnaires enjoyed the benefit that each participant was asked to respond to the same set of questions in a predetermined order. The approach was deemed appropriate by the researcher because it provided an efficient way of collecting responses from the sample that was big. This method was done concurrently with the use of in-depth interviews that were structured according to the questionnaire format. Thus, these approaches enabled the researcher to assess the effectiveness and efficiency of internal financial control within the NDC.

3.6 Data Collection Instruments

The researcher intensely relied on the collection of primary data through structured questionnaires and the use of secondary data. Secondary data is defined by Tull and Hawkins (1993) as data that already exists and might have been collected for other research and not particularly for the research at hand. This is, thus, data that might be readily available, which might be useful to the research being conducted. The secondary data used included the referred journals, books and articles on the effectiveness and efficiency of internal financial control within organisations. Primary data for the study collected included the effectiveness and efficiency of these internal financial control.

3.6.1 Research Instrument

Cannel and Kahn (2008) defined a questionnaire as a list of questions which are carefully documented and given to a respondent to answer. A self-administered questionnaire was applied. A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents (Keyton, 2001). Although they are often designed for statistical analysis of the responses, this is not always the case. The researcher used a questionnaire because they were relatively easy to analyze considering a large sample of the population that was used. The questionnaires were also chosen because it was cheaper and simple to administer. The format was familiar to most respondents, they were simple and quick for the respondent to complete and information was collected in a standardised way. The questionnaires enabled the researcher to get information from individuals on issues that were difficult to obtain in an interview setting.

Both open and close ended questions were used so that the problem questions could be thoroughly answered. Closed questions were important for this study because they captured the attitudes and perceptions of the chosen population. Open ended questions gave the participants enough time to read through questions and elaborate on the answers in own words. It must also be noted that the researcher's time was saved through the use of a questionnaire. Time needed to screen relevant data was also reduced by the use of the questionnaire. In addition to this, the questionnaire gave the respondents generous time to fill them as these were administered to them well in advance thus the researcher managed to get comprehensive responses on all the questions answered.

3.6.2 Questionnaire Design

The questionnaire was used to collect data from respondents. However, it must be noted that the items in the questionnaire were tailor made to suit the context of public sector organisations like the NDC. The questionnaire sought the respondents' perception about the effectiveness and efficiency of internal financial control within the NDC.

The questionnaire was designed in a very simple manner constituting mainly of structured questions using a 5 point Likert scale. The primary objective was to entice a high response rate from the participants. Structured questions were considered appropriate given that they were easy to use in the field especially in a case where the researcher posted the questionnaires and was not presenting and administering the questionnaire. The use of structured questions also helped the researcher to code and tabulate such data at the findings and interpretation stage. The attributes of reliability and validity were also considered in the design of the questionnaire. The researcher carefully designed the questions to ensure that each question was relevant to implore the research question and meet the research objectives.

3.6.3 Administering the Questionnaire

The researcher used two approaches in administering the questionnaire in this study. Respondents who had email addresses were sent questionnaires via their email addresses and the collection of the completed questionnaires was done through the same mechanism. The researcher also employed a follow up call to confirm whether they had received the questionnaires or not. They were first contacted through the phone and advised of the delivery of the questionnaire.

3.7 Pilot Study

Pre-testing, according to Keyton (2001) happens before data collection actually begins. At this stage, the researcher tries to administer the questionnaire to a small group of respondents who are similar to those individuals that form the rest of the population. Keyton, (2001, p.182) highlighted four approaches to pre-testing a survey: “cognitive, conventional, behaviour coding and expert panel”. In regard to this study inquiry, the researcher used two approaches: the cognitive approach and an expert panel. “The main aim of the cognitive approach to pre-testing is to help identify questions that stimulate multiple interpretations. This approach allows the researcher to test for semantics or problems affecting how easily the question can be understood” (Keyton, 2001, p. 182).

A pilot study was done before conducting the research; this refers to a smaller version of a larger study that is conducted. A pilot study can involve pre-testing a research tool, like a new data collection method. It can be used to test an idea or hypothesis (Wong Kong, 2009). The main reason for conducting a pilot test was to detect weaknesses in the design and instrumentation as well as providing alternative data for selection of a probability sample. Pilot tests were done to the researcher’s fellow workers; the main reason for choosing this group was that they were the ones who could have an idea of what the effectiveness and efficiency of internal financial control in public organisation means. It was discovered that the wording of some of the questions in the questionnaire were not suitable for the target group. The researcher had to rephrase some questions and remove repetitive ones.

Additionally, the expert panel approach to pre-testing was used. The researcher used experts in financial management and business research methodologies to assist in improving the questionnaire. The questionnaire was read through and potential problems discussed. Keyton (2001) acknowledged that because they are experts, this approach to pre-testing can pinpoint semantic problems on how questions are worded, as well as potential problems encountered with analysing the data after the survey is complete.

3.9 Validity and Reliability

The main aim of social scientific research, particularly within the positivist tradition, is the establishment and demonstration of the reliability and validity of research findings (Jensen, 2003, p. 212). Data obtained through measurements that are not valid are worthless data. Measurement has validity to the extent that it measures what the researcher wants it to measure and not something else. On the other hand, reliability speaks to the consistency or stability of the measurements (Keyton, 2001, p.110).

Keyton (2001) argued that, there are several types of validity, namely: face validity, content validity, criterion-related validity, and concurrent validity, predicative and construct validity. In connection with this research, the researcher used content validity. This is the degree to which the items in the measuring device represent the full range of characteristics or attitudes associated with the construct of interest (Keyton, 2001). Rubin (2005) and Jensen (2003) explained that reliability refers to how dependable, consistent and repeatable measures are in a study and across several studies. There are several types of reliability; test-retest reliability, split-half

reliability and internal reliability. In this research, internal reliability was measured. If all the items in the measurement seem to measure the same thing, one can say that the measure has internal reliability. This study used the Cronbach's Alpha to test the validity and reliability of the study.

3.10 Data Analysis

The qualitative data was analysed using concept analysis procedure. This procedure involves categorising similar responses and identifying similarities and patterns among the responses (Lee, 1991). Concept analysis procedure was a lengthy process which allowed the researcher to rigorously analyse the data. The first step of the process was reading through all the questionnaires leading to the selection of one questionnaire and making notes from the emerging themes and ideas. Then responses from the interviews were also compiled.

After data was compiled into concepts and clusters, the responses were entered into a fully coded SPSS data set. In the process efforts were made to check for the completeness of the data and any missing values. In addition to this reliability and validity of the measuring instruments were also done through confirmatory factor analysis. SPSS was used in factor analysis, reliability and correlation analysis. Frequency counts and percentages were also used in data analysis.

3.11 Ethical Considerations

The researcher treated all the information collected from participants with confidentiality without disclosing the respondents' identity and was as open minded

as possible and expressed opinions as they were given. In addition to this, individual consent was sought before the commencement of the study.

RESULTS AND DISCUSSION

3.12 Summary

This chapter discussed the research design and the study's population. In addition to this, the researcher chose convenience and purposive sampling techniques. A number of problems were encountered in data collection and the researcher devised methods of dealing with the problems and/or reducing its threshold. The study employed both

descriptive and explanatory research designs in trying to answer the research questions that were posed in chapter 3. Frequency tables, pie charts, graphs and bar charts were employed in the presentation of the findings.

4.2 Response Rate

A total of 80 questionnaires were distributed to the Chief Executive Officer (CEO) of the NDC, and to employees of the Accounting department, Auditing Department, Administration and Other Departments. 70 questionnaires were returned with usable responses for data analysis and Table 4.1 below shows the number of questionnaires that were distributed as well as those that were returned for analysis. The study achieved a response rate of 87.5%.

Table 4.1: Response rate

| Category | Questionnaires distributed | Number of Questionnaires returned |
|---------------------------|----------------------------|-----------------------------------|
| Chief executive officer | 1 | 1 |
| Accounting Department | 10 | 10 |
| Auditing Department | 4 | 3 |
| Administration Department | 30 | 25 |
| Other Departments | 35 | 31 |
| Total | 80 | 70 |

CHAPTER 4

RESULTS AND DISCUSSION

4.1 Introduction

The objective of this chapter is to present, analyse and discuss the results of this study from the data that was collected. The results of this study are grouped according to logical themes. It is important to note that, the study employed both descriptive and exploratory research designs in trying to answer the research questions that were posed in chapter 1. Frequency tables, pie charts, graphs and bar charts were employed in the presentation of the findings.

4.2 Response Rate

A total of 80 questionnaires were distributed to the Chief Executive Officer (CEO) of the NDC, and to employees of the Accounting department, Auditing Department, Administration and Other Departments. 70 questionnaires were returned with usable responses for data analysis and Table 4.1 below shows the number of questionnaires that were distributed as well as those that were returned for analysis. The study achieved a response rate of 87.5%.

Table 4.1: Response rate

| Category | Questionnaires distributed | Number of Questionnaires returned |
|---------------------------|----------------------------|-----------------------------------|
| Chief executive officer | 1 | 1 |
| Accounting Department | 10 | 10 |
| Auditing Department | 4 | 3 |
| Administration Department | 30 | 25 |
| Other Departments | 35 | 31 |
| Total | 80 | 70 |

4.2 Description of the Sample

The response rate for this study was computed mathematically (the number of respondents who filled the questionnaire) as follows:

The total number of respondents who filled in and returned the questionnaire = **70**

Total number of questionnaires distributed = **80**

$$70/80 * 100 = 87.5 \%$$

4.3 Reliability Analysis

The reliability of the effectiveness and efficiency of internal financial controls in public sector organisations was checked for using the Cronbach's Alpha coefficient. The coefficient was computed for 16 items that were used in the survey research. Extant literature shows that, the Alpha coefficient ranges from 0 to 1 with zero denoting that there has been no reliability on the part of the instrument while 1 denotes an ideal situation of perfect internal reliability of the survey instrument (Bryman & Bell, 2007). Therefore, it is imperative and quite significant to note that, the closer the coefficient is to 1, the greater the internal consistency of the items on the scale. As a result, greater internal consistency was realised from the survey items that were employed in this current study as indicated in Table 4.2 below:

Table 4.2: Demographic Profile of respondents

Table 4.2: Reliability Statistics

| Cronbach's Alpha | N of Items |
|------------------|------------|
| .841 | 16 |

Age in years

4.4 Description of the Sample

It was also important for this study to gather and analyse the demographic information that defines the profile of the sample that participated in this study. Therefore, the study collected demographic information on gender, age, income levels as well as educational qualifications of the respondents. The information that was collected in this regard is presented in Table 4.3 below.

51.4% of the respondents were male while 48.6 % were female and the majority of people indicated to the researcher that they had a monthly take-home income that ranged between N\$100 000 - \$175 000 as indicated in the table 4.3 below. The average age of respondents was 35 years. The majority of respondents were married 51.4%.

Workers in NDC were found to be educated as the majority of the respondents indicated that they had a Bachelor's degree (57.1%) earning an average of N\$175 000 per annum. This indicated that, the organisation is in a better position to improve its internal financial control as the majority of the employees would understand what it means.

Table 4.3: Demographic Profile of respondents

| Variable | N | % |
|---------------------|----|------|
| Gender | | |
| Male | 36 | 51.4 |
| Female | 34 | 48.6 |
| Age in years | | |

| | | |
|---------------|----|------|
| 24 -30 years | 10 | 14.2 |
| 31 – 35 years | 25 | 35.7 |
| 36 -40 years | 10 | 14.1 |
| 41 -50 years | 14 | 20 |
| 51 -60 years | 5 | 7.0 |
| ≥61 years | 6 | 9.0 |

Marital Status

| | | |
|---------|----|------|
| Married | 34 | 48.6 |
| Single | 36 | 51.4 |

Education Level

| | | |
|-------------------|----|------|
| Diploma | 25 | 35.7 |
| Bachelors' Degree | 40 | 57.1 |
| Masters' degree | 5 | 7.1 |

Income

| | | |
|----------------------|----|------|
| N\$100000 - \$175000 | 40 | 57.1 |
| N\$175000 – \$250000 | 10 | 14.3 |
| N\$250000 – \$300000 | 15 | 21.4 |
| Over N\$500 000 | 5 | 7.1 |

4.5 Independence of the Internal Audit Function

This section of the results presents the perceptions and views on the effectiveness and efficiency of the NDC's internal financial control systems by focusing on the independence of the internal audit function within the organisation. Organisations that have independent audit functions are believed to have strong financial control. Table 4.4 below and Figure 4.1 show that, 51.4 % of the participants to this study strongly agreed that, there is independence of the internal audit function within the NDC. This view was further compounded by 27.1 % of the participants who also

agreed that the audit function is independent of the influence that comes from top management. However, 20.0 % of the participants could neither agree nor disagree, while those who strongly disagreed were recorded as 1.4 % of the participants. In this particular item, there was none who aired the disagree view in relation to the independence of the audit function at the NDC.

Table 4.4 Independence of the Internal Audit Function

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------------|-----------|---------|---------------|--------------------|
| Valid Strongly Agree | 36 | 51.4 | 51.4 | 51.4 |
| Agree | 19 | 27.1 | 27.1 | 78.6 |
| Neutral | 14 | 20.0 | 20.0 | 98.6 |
| Strongly Disagree | 1 | 1.4 | 1.4 | 100.0 |
| Total | 70 | 100.0 | 100.0 | |

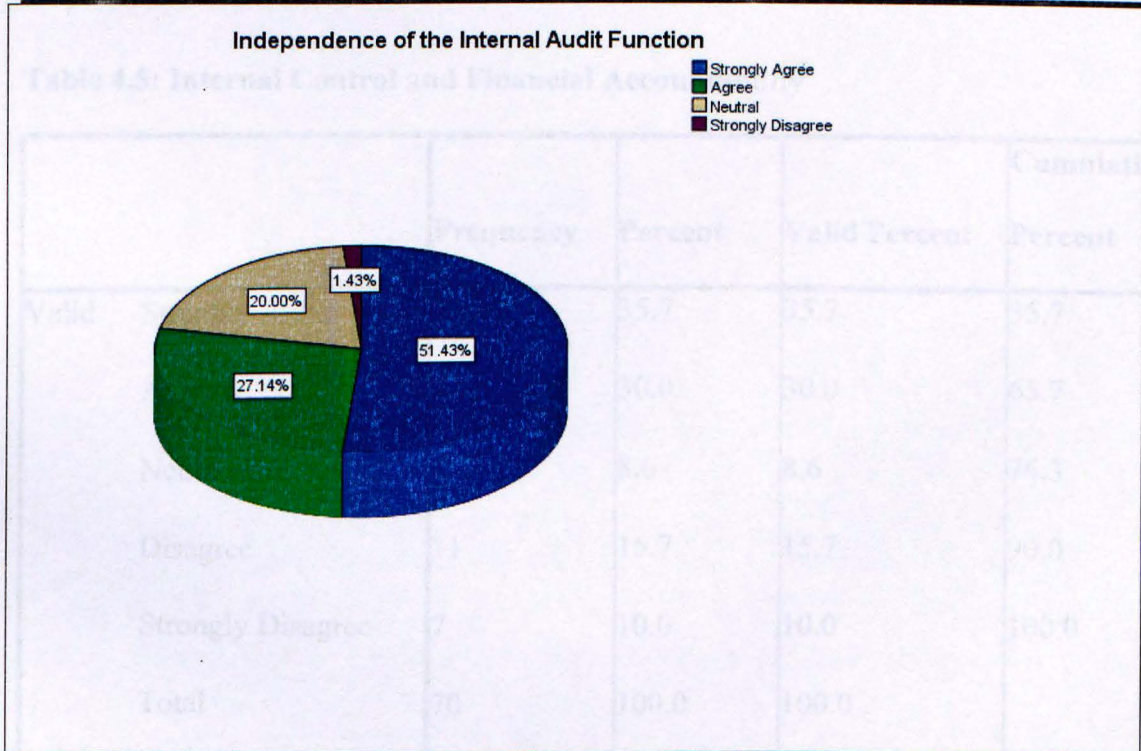


Figure 4.1: Independence of the Internal Audit Function

Therefore, it was decided that, from the audit perspective, the internal financial control of the NDC were effective.

4.6 Internal control and Financial Accountability.

The study also investigated the relationship between internal control systems of the NDC and its impact on financial accountability. Table 4.5 and Figure 4.2 below shows that, 35.7 % of the participants strongly agreed that there is a positive relationship between the internal financial control that the NDC uses and the financial accountability of the organisation in relation to its stakeholders. In addition to this, 30.0 % of the participants also agreed that there is a positive relationship between internal financial control and financial accountability. However, 8.6% choose to be neutral while those who disagreed of the existence of the relationship between internal controls were 15.7 % of the sample. 10.0 % strongly disagreed.

Table 4.5: Internal Control and Financial Accountability

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|---------|---------------|--------------------|
| Valid | Strongly Agree | 25 | 35.7 | 35.7 | 35.7 |
| | Agree | 21 | 30.0 | 30.0 | 65.7 |
| | Neutral | 6 | 8.6 | 8.6 | 74.3 |
| | Disagree | 11 | 15.7 | 15.7 | 90.0 |
| | Strongly Disagree | 7 | 10.0 | 10.0 | 100.0 |
| | Total | 70 | 100.0 | 100.0 | |

The results that were obtained in this study revealed that, there is a significant positive relationship that exists between internal financial control and financial accountability within the context of the NDC. The results that were found are consistent with the view that internal financial control is a management function that is critical for proper accountability in business organisations (Gendion, Cooper & Townley, 2000). Chen (2004) argued that, organisations must ensure accountability for all funds at all times and the results of this study suggests that there is financial accountability at the NDC for the funds that they generate and receive from various stakeholders.

Internal Controls and Financial Accountability

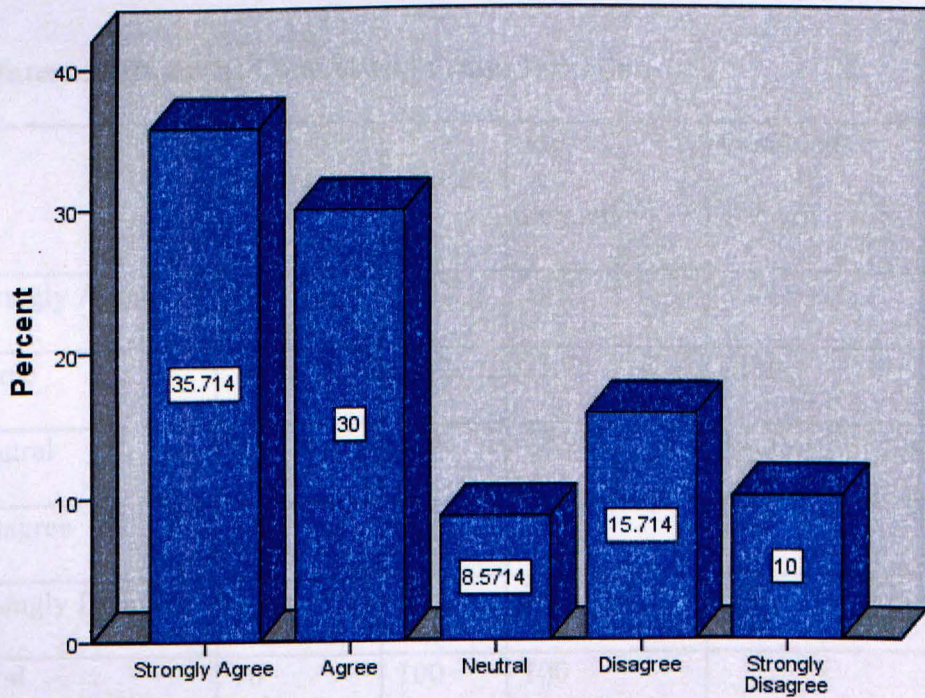


Figure 4.2: Internal Control and Financial Accountability

Chow (2010) is also of the view that, there are a lot of benefits that an organisation can derive through the implementation of an effective internal financial control system.

4.7 Internal Financial Control and Fraud detection

Lame and Tan (2000) argue that strong internal financial control systems help prevent errors and irregularities by detecting them in a timely manner and this helps an organisation in promoting reliable and accounting records. Thus, it was important for this study to investigate the role of internal financial control in relation to error prevention and irregularities such as fraud within the context of the NDC.

Table 4.6 Internal Financial Control and Fraud Detection

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|---------|---------------|--------------------|
| Valid | Strongly Agree | 25 | 35.7 | 35.7 | 35.7 |
| | Agree | 18 | 25.7 | 25.7 | 61.4 |
| | Neutral | 9 | 12.9 | 12.9 | 74.3 |
| | Disagree | 13 | 18.6 | 18.6 | 92.9 |
| | Strongly Disagree | 5 | 7.1 | 7.1 | 100 |
| | Total | 70 | 100 | 100 | |

Table 4.6 and Figure 4.3 shows that 35.7 % of the participants strongly argued that the NDC has strong internal financial control that helps the organisation to detect

errors as well as irregularities like fraud. In addition to this, 25.7 % of the participants also agreed that internal financial control within the NDC are helping the organisation in detecting irregularities like fraud. 12.9 % were neutral while 7.1 % of the participants strongly disagreed in terms of the strength of the internal financial control in detecting fraudulent activities, while 18.6 % also disagreed with this.

One of the key functions of internal financial control is to ensure that it protects the interests of employees by clearly specifying to them their duties and levels of authority, responsibilities and ensuring that employees are safeguarded against being

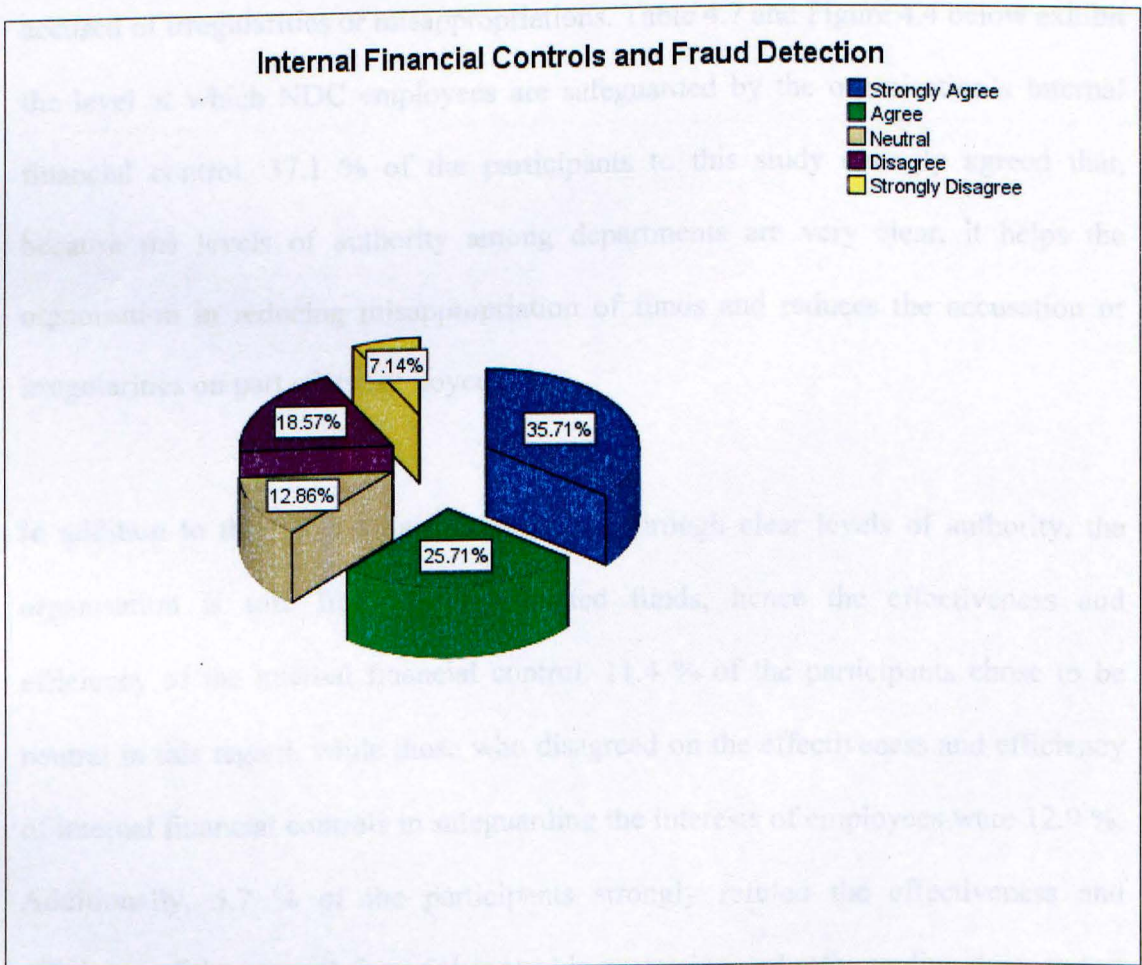


Figure 4.3 Internal Financial Control and Fraud detection

The results of this study show that strong financial control helps an organisation to prevent errors and detect irregularities. The results are consistent with the findings of

Lame and Tan (2000). Thus, it was found out that as a result of strong internal financial control the NDC is able to quickly resolve issues that arise as a result of financial reporting errors.

4.8 Levels of Authority

One of the key functions of internal financial control is to ensure that it protects the interests of employees by clearly specifying to them their duties and levels of authority, responsibilities and ensuring that employees are safeguarded against being accused of irregularities or misappropriations. Table 4.7 and Figure 4.4 below exhibit the level at which NDC employees are safeguarded by the organisation's internal financial control. 37.1 % of the participants to this study strongly agreed that, because the levels of authority among departments are very clear, it helps the organisation in reducing misappropriation of funds and reduces the accusation or irregularities on part of its employees.

In addition to this, 32.9 % also agreed that through clear levels of authority, the organisation is safe from misappropriated funds, hence the effectiveness and efficiency of the internal financial control. 11.4 % of the participants chose to be neutral in this regard, while those who disagreed on the effectiveness and efficiency of internal financial controls in safeguarding the interests of employees were 12.9 %. Additionally, 5.7 % of the participants strongly refuted the effectiveness and efficiency of the internal financial control in protecting and safeguarding the interests of NDC employees in relation to being accused of irregularities and misappropriation of funds.

Figure 4.4: Levels of authority among Departments

Table 4.7: Levels of authority among departments

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------------|-----------|---------|---------------|--------------------|
| Valid Strongly Agree | 26 | 37.1 | 37.1 | 37.1 |
| Agree | 23 | 32.9 | 32.9 | 70.0 |
| Neutral | 8 | 11.4 | 11.4 | 81.4 |
| Disagree | 9 | 12.9 | 12.9 | 94.3 |
| Strongly Disagree | 4 | 5.7 | 5.7 | 100.0 |
| Total | 70 | 100.0 | 100.0 | |

Levels of Authority among Departments

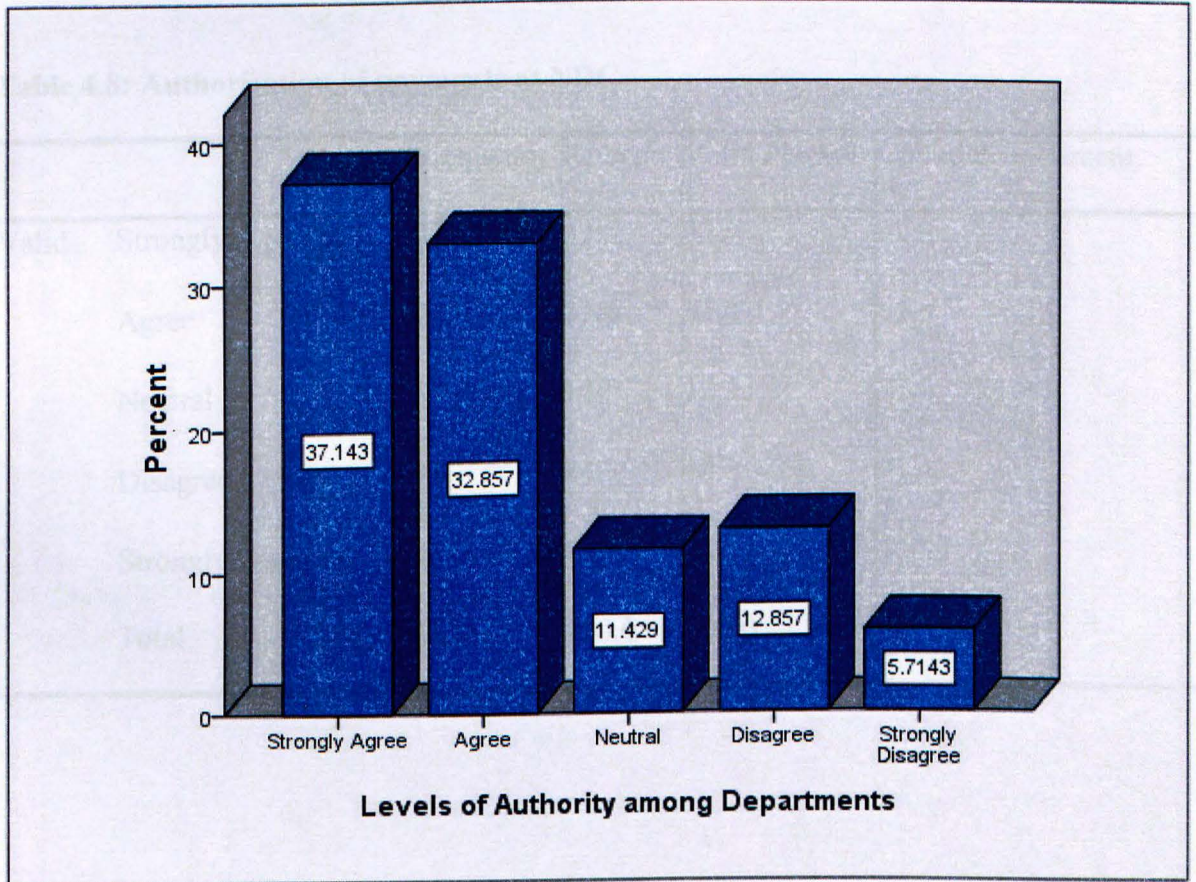


Figure 4.4: Levels of authority among Departments

The results of this study were found to be consistent with the findings of Dess and Shou (2001), who also argued that, good and effective internal financial controls in an organisation must protect the interests of employees by clearly specifying to them their level of authority, duties and responsibilities. The results showed that the NDC employees are safeguarded by the internal financial control, hence the effectiveness and efficiency of the internal financial controls.

Table 4.8 and Figure 4.5 below also show that NDC is an organisation that ensures that only authorised amounts are paid. Chances of making payments without authority or approval obtained from the relevant people and departments is limited according to the findings of this study.

Table 4.8: Authorisation of payments at NDC

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------------|-----------|---------|---------------|--------------------|
| Valid Strongly Agree | 23 | 32.9 | 32.9 | 32.9 |
| Agree | 22 | 31.4 | 31.4 | 64.3 |
| Neutral | 9 | 12.9 | 12.9 | 77.1 |
| Disagree | 10 | 14.3 | 14.3 | 91.4 |
| Strongly Disagree | 6 | 8.6 | 8.6 | 100.0 |
| Total | 70 | 100.0 | 100.0 | |

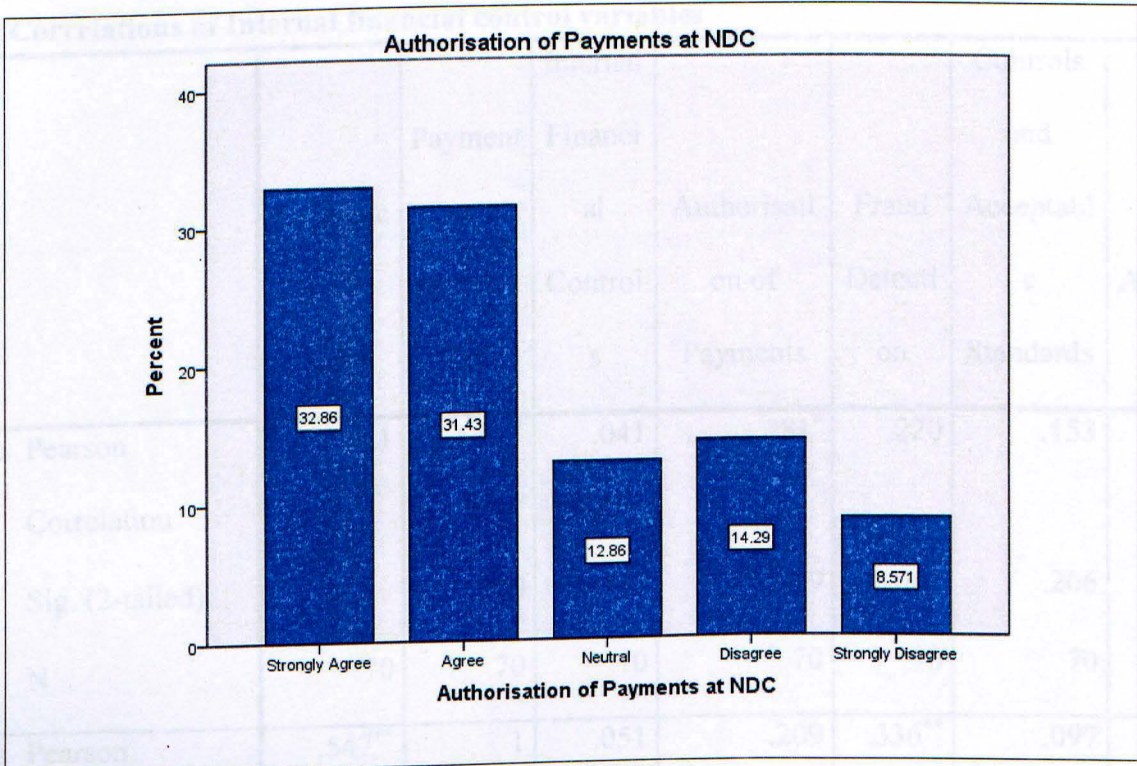


Figure 4.5: Authorisation of payments at NDC

These results were found to be consistent with the findings of Adler and Kwoh (2002) who argued that, when an organisation authorises payments, it will have proper internal financial control. Therefore, it was deduced that, NDC as an organisation has proper internal financial control and it exercise them. This definitely helps NDC as an organisation in the preparation of sound financial information for effective decision making that helps the organisation in terms of strategic planning. Reliable financial information is useful for an organisation like the NDC in the determination of the performance value of the business.

4.9 Correlation of variables

Table 4.9 below presents the correlation of the internal financial control effectiveness and efficiency.

Table 4.9 Correlations of Internal financial control variables

| | Frequency of Audits | Payments procedures | Internal Financial Controls | Authorization of Payments | Fraud Detection | Controls and Acceptable Standards | Financial Accountability |
|--------------------------------------|---------------------|---------------------|-----------------------------|---------------------------|-----------------|-----------------------------------|--------------------------|
| Frequency of Audits | 1 | .547** | .041 | .281* | .220 | .153 | .237* |
| Pearson Correlation | | | | | | | |
| Sig. (2-tailed) | | .000 | .735 | .019 | .067 | .206 | .048 |
| N | 70 | 70 | 70 | 70 | 70 | 70 | 70 |
| NDC has effective payment procedures | .547** | 1 | .051 | .209 | .336** | .097 | .132 |
| Pearson Correlation | | | | | | | |
| Sig. (2-tailed) | .000 | | .674 | .082 | .004 | .426 | .277 |
| N | 70 | 70 | 70 | 70 | 70 | 70 | 70 |
| Internal Financial Controls | .041 | .051 | 1 | .489** | .150 | .147 | .196 |
| Pearson Correlation | | | | | | | |
| Sig. (2-tailed) | .735 | .674 | | .000 | .215 | .225 | .104 |
| N | 70 | 70 | 70 | 70 | 70 | 70 | 70 |
| Authorization of Payments | .281* | .209 | .489** | 1 | .287* | .070 | .370** |
| Pearson Correlation | | | | | | | |
| Sig. (2-tailed) | .019 | .082 | .000 | | .016 | .563 | .002 |
| N | 70 | 70 | 70 | 70 | 70 | 70 | 70 |

| | | | | | | | | |
|-----------------------------------|---------------------|-------|--------|------|--------|--------|--------|--------|
| Fraud Detection | Pearson Correlation | .220 | .336** | .150 | .287* | 1 | .248* | .417** |
| | Sig. (2-tailed) | .067 | .004 | .215 | .016 | | .038 | .000 |
| | N | 70 | 70 | 70 | 70 | 70 | 70 | 70 |
| Controls and Acceptable Standards | Pearson Correlation | .153 | .097 | .147 | .070 | .248* | 1 | .406** |
| | Sig. (2-tailed) | .206 | .426 | .225 | .563 | .038 | | .000 |
| | N | 70 | 70 | 70 | 70 | 70 | 70 | 70 |
| Financial Accountability | Pearson Correlation | .237* | .132 | .196 | .370** | .417** | .406** | 1 |
| | Sig. (2-tailed) | .048 | .277 | .104 | .002 | .000 | .000 | |
| | N | 70 | 70 | 70 | 70 | 70 | 70 | 70 |

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

* . Correlation is significant at the 0.05 level (2-tailed).

Statistical correlation is a statistical technique that is used to determine the relationship between two variables. The researcher correlated the items in an attempt to find out if the relationship between the variables is positive or negative. Additionally, the researcher was concerned with finding out the strength that exists between these variables. Statistical correlation is measured by the Pearson's coefficient (r) and its numerical value ranges from +1.0 to -1.0 and it gives an indication of the strength of the relationship between two variables.

In general, $r > 0$ indicates positive relationship, $r < 0$ indicates negative relationship while $r = 0$ indicates no relationship (or that the variables are independent and not related). Additionally, when the coefficient is $r = +1.0$ describes a perfect positive correlation while $r = -1.0$ describes a perfect negative correlation. The closer the coefficient is to 1.0, the greater is the strength of its relationship.

The results in Table 4.9 above shows that there is a positive relationship between many variables that were used in this study, though some were found to be weak positive relationships. Strong positive relationships were found between effectiveness and efficiency of internal financial control and frequency of audits at the NDC ($r = .547$); effectiveness and efficiency of internal financial control and authorisation of payments ($r = .489$) as well as the use of acceptable standards in internal financial control and financial accountability ($r = .406$). The relationship between financial accountability and fraud detection was also found to be high ($r = .417$).

4.10 Summary

In conclusion, it appears that the internal financial control systems at the NDC are effective and efficient as perceived by the 70 participants who returned questionnaires with usable responses for analysis. It was noted that internal financial control in the context of the NDC is used to protect the interests of both the organisation and the employees.

The next chapter will make conclusions and recommendations based on the findings of this research.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The major aim of this study was to evaluate the effectiveness and efficiency of internal financial control within SOEs in Namibia using the NDC as a case study. A total of seventy usable questionnaires were returned in this investigative study. The participants who formed the sampling unit were based at the Head Office of the NDC, which is in Windhoek, Projects (Naute and Kavango Cattle Ranch) and Regional Offices.

5.2 Summary of Key findings

The results from the study revealed that, the SOEs in Namibia, using the NDC as a case study are effective in relation to their internal financial control usage. This result was arrived at after investigating the participants to make comments on the independence of the internal audit that takes place at the organisation. It was therefore found out that, the audit function at the NDC is relatively independent and does not get influenced by the decisions of top management or politicians.

The results that were obtained in this study revealed that, there is a significant positive relationship that exists between internal financial control and financial accountability within the context of the NDC. The study found out that internal financial control systems at the NDC were effective in giving the organisation a

proper accountability in their management function. In addition to this, it was also discovered that the NDC through its internal financial control systems ensures there is high accountability at the NDC for the funds that they generate and receive from various stakeholders.

According to this study, there is a strong internal financial control system at the NDC that prevents errors and irregularities. This is done through detecting them using financial information and good reporting practices that are usually done in a timely manner. This was found to be helpful to the NDC in terms of promoting reliable accounting records as a public sector organisation.

5.3 Conclusions of the study

This section discusses the conclusions that were drawn based on the findings of the study:

Conclusions with regards to objective 1

The NDC uses the internal audit function as a tool for enhancing its internal financial control systems. The study established that there is independence in the way the audit committee conducts its business and this enhances internal financial control as it reduces the chances of committing fraud and creative accounting practices that could weaken the effectiveness and efficiency of the organisation. The study also concludes that, the use of the financial audit committees also helps the organisation in improving its financial accountability with its stakeholders.

Conclusions with regards to objective 2

There is a relatively medium to high level of compliance with financial management regulations within the NDC. This is explained by the presence of an independent internal audit department that is charged with auditing the financial matters of the organisation. It is required at law that public organisations have an internal audit function and this signifies compliance on part of the NDC. The stakeholders expects the NDC to be accountable and this study concludes that, the organisation is accountable to its stakeholders by means of how it reports financial and other investment related matters to them.

Conclusions with regards to objective 3

According to the results of this study, there is a significant positive relationship between internal financial control and fraud detection, prevention of errors as well as financial accountability on the part of the NDC as an organisation that is owned by the state. Therefore, it was concluded that for SOEs, with effective internal financial controls, they can realise better financial accountability to their stakeholders.

It was also established from the study that there was a significant positive relationship between internal financial control and protection of the interests of both the organisation and the employees. Thus, an improvement in internal financial control helps SOEs to improve service delivery and avoid a lot of misappropriation of funds and in relation to employees, it reduces the degree to which they may be accused of irregularities.

5.4 Recommendations

Based on the findings and the relationships between the study variables, the researcher came up with the following recommendations:

5.4.1 Internal control and Financial Accountability

The results of this study revealed that there was a significant positive relationship between internal control and financial accountability. Kakuru (2001) argued that if internal control systems are not well implemented, it would negatively affect performance and productivity of a firm. It is from this perspective that the study recommends that the NDC must:

- Promote effective internal control systems that facilitate financial accountability in an attempt to increase the financial value of the organisation;
- Continuously monitor the internal financial control systems of the organisations in a bid to generate a higher level of financial accountability;
- Set goals and those in authority like Managing Directors must ensure that they adhere to financial goals so that the performance of the organisation is not compromised;
- Perform routine monitoring and evaluation of performance so that errors and misappropriations are reduced or eliminated;
- Equip employees and leaders of state owned enterprises with skills and knowledge for effective financial management of public resources and businesses;
- Review the current internal financial control and strengthen them through policy implementation;

- Put in place clear internal control systems to monitor compliance on internal financial controls; and
- Put in place an ethical code of conduct for employees so as to promote SOEs as ones that are ethical in the management of public resources.

5.5 Suggested Areas for Further Research

This study was of a preliminary descriptive-exploratory research design, to establish the effectiveness and efficiency of internal financial control systems in SOEs in Namibia using the NDC as a case study. Thus, it is impractical to generalise the findings in other SOEs across the country because Namibia has got 14 regions, hence the need for further research in other areas of the country.

In addition to this, little research has been done in Namibia, especially using quantitative research methodologies to solicit opinions of respondents on the effectiveness and efficiency of internal financial control systems. Therefore, more quantitative research and testing of models is suggested as a future area for research.

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Cengage Learning.

APPENDICES

Appendix 1: Questionnaire

The researcher, Petrus Ashipembe is a student with the University of Namibia studying for Master of Business Administration Degree (Finance). The research focuses on **“AN EVALUATION OF EFFECTIVENESS OF INTERNAL FINANCIAL CONTROLS IN STATE OWNED ENTERPRISES IN NAMIBIA”**. Your response to the following questions is greatly appreciated and will be treated with much confidence. Indicate your response in the space provided.

Demographic Information

1. Choose your gender (tick your response)

| Gender | Male | Female |
|----------|------|--------|
| Response | | |

2. Indicate your position

| Position in the organisation | Response (tick) |
|------------------------------|-----------------|
| Senior Management | |
| Project Manager | |
| Manager, e.g. Marketing etc. | |
| Employee | |

3. Indicate if your income range

| | |
|----------------------|--|
| N\$100000 - \$175000 | |
| N\$175000 – \$250000 | |
| N\$250000 – \$300000 | |
| Over N\$500 000 | |

4. Indicate your age

| | |
|----------------|--|
| 24 -30 years | |
| 31 -35 years | |
| 36 -40 years | |
| 41 -50 years | |
| 51 -60 years | |
| Above 60 years | |

5. Indicate your marital status

| | |
|-----------------|--|
| Married | |
| Single | |
| Divorced | |
| Widow | |
| Other (Specify) | |

6. Indicate your level of education

| | |
|----------------------|--|
| Diploma in Education | |
| Bachelors' Degree | |
| Masters' Degree | |
| PhD | |
| Other (specify) | |

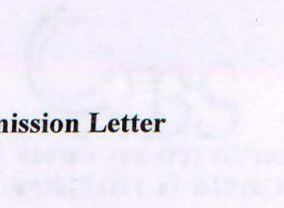
Section B

For each of the following Statements, place a tick in the box that closely corresponds to how you feel:

- 1 Strongly Agree
- 2 Agree
- 3 Neutral
- 4 Disagree
- 5 Strongly Disagree

| | | | | | | |
|-----|---|---|---|---|---|---|
| 1. | Internal auditor works independently | 1 | 2 | 3 | 4 | 5 |
| 2. | The organisation is frequently audited | 1 | 2 | 3 | 4 | 5 |
| 3. | All payments procedures are followed for all transactions at NDC | 1 | 2 | 3 | 4 | 5 |
| 4. | All financial transactions are recorded in vouchers for future references | 1 | 2 | 3 | 4 | 5 |
| 5. | All payments are authorized by responsible office before payment | 1 | 2 | 3 | 4 | 5 |
| 6. | Accounts are reconciled on a monthly basis to detect errors and fraud | 1 | 2 | 3 | 4 | 5 |
| 7. | Employees of the NDC are aware of the penalties for breaking internal financial control procedures | 1 | 2 | 3 | 4 | 5 |
| 8. | All NDC departments have clear levels of authority | 1 | 2 | 3 | 4 | 5 |
| 9. | NDC has controls in place for approving decisions regarding financial alternatives and accounting principles, practices and methods | 1 | 2 | 3 | 4 | 5 |
| 10. | NDC prepares financial statements on budget versus actual and comparative basis to achieve financial accountability | 1 | 2 | 3 | 4 | 5 |
| 11. | NDC's internal financial controls conform to accepted standards | 1 | 2 | 3 | 4 | 5 |

Appendix 2: Research Permission Letter



23 September 2016

TO WHOM IT MAY CONCERN

Mr. **Petera A. Njamba** of Student Number: 9506226 is registered for a Master in Business Administration – Finance at the University of Namibia through the Namibia Business School.

This letter serves to inform you that his research proposal was reviewed and successfully met the University of Namibia requirements.

The student has been granted permission to carry out postgraduate studies research. The University of Namibia has approved the research to be carried out by the student for purposes of fulfilling the requirements of the degree being pursued.

If you have any queries please do not hesitate to contact the Business School at the University of Namibia.

Thank you so much in advance and many regards

Yours sincerely



Albert Isaacs, PhD
Associate Dean
Namibia Business School
University of Namibia
Tel: +264 61 413 200
Fax: +264 61 413 517
Email: albert.isaacs@unam.na

23 September 2016

TO WHOM IT MAY CONCERN

Mr Petrus Ashipembe of Student Number: 9506926 is registered for a Master in Business Administration – Finance at the University of Namibia through the Namibia Business School.

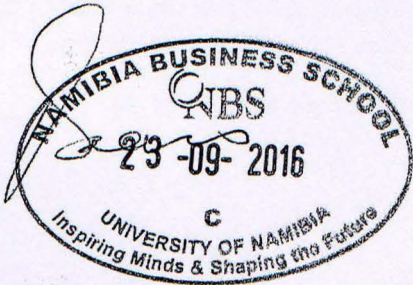
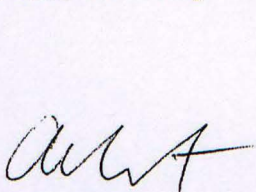
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Thank you so much in advance and many regards.

Yours sincerely



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The Rev. Dr. Greenfield Mwakipesile

ThD, MBA, HBS | mwakipg@outlook.com

CONTACT

PO Box 40529,
Ausspannplatz,
Windhoek,
Namibia

LANGUAGE & COPY-EDITING CERTIFICATE

29th March 2018

RE: LANGUAGE, COPYEDITING AND PROOFREADING OF PETRUS NUUKUSHU ASHIPEMBE'S THESIS FOR THE MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE UNIVERSITY OF NAMIBIA

This letter serves to confirm that I copyedited and proofread **PETRUS NUUKUSHU ASHIPEMBE'S** Thesis for the degree of **MASTER OF BUSINESS ADMINISTRATION** entitled: **AN EVALUATION OF THE EFFECTIVENESS AND EFFICIENCY OF INTERNAL FINANCIAL CONTROLS IN STATE-OWNED ENTERPRISES IN NAMIBIA: A CASE STUDY OF THE NAMIBIA DEVELOPMENT CORPORATION HEAD OFFICE PROJECTS (KAVANGO CATTLE RANCH AND NAUTE) AND REGIONAL OFFICES**

I declare that I professionally copyedited and proofread the thesis and removed mistakes and errors in spelling, grammar and punctuation. In some cases, I improved sentence construction without changing the content provided by the student. I also removed some typographical errors from the thesis and formatted the thesis so that it complies with UNAM's guidelines.

I am a trained language and copy editor and have edited many Postgraduate Diploma, Masters' Thesis, Dissertations and Doctoral Dissertations for students studying with universities in Namibia, Zimbabwe, Swaziland and South Africa. I have also copy-edited company documents for companies in the region and abroad.

Please feel free to contact me should the need arise.

Yours Sincerely,

The Rev. Dr. Greenfield Mwakipesile



greenfield.mwakipesile



[@mwakipg](https://twitter.com/mwakipg)



+264813901701



Dr. Greenfield Mwakipesile

ORGANISATION CONSENT



I, Wessel Nanyuseb

of Namibia Development Corporation

Understand that----(your name) Petrus Ashipembe (9506926)

is a student at the University of Namibia.

I further understand that the student has to complete a research project as part of the student's studies with the University of Namibia and that the student wishes to base the research project on my organisation named below:

Name of organisation:

Namibia Development Corporation

My consent is subject to the following conditions, which I insert in my own

handwriting: ONDC to receive an unedited version of the Outcome of the Survey.

② Information obtained not be divulged to third parties except for academic purposes

I hereby my consent to the student basing her research project on my organisation

and confirm that I am authorised to grant this consent on behalf of the organisation.

The information collected must be kept strictly confidential and only viewed by the student, the project examiners and essential University of Namibia staff, except where I have otherwise granted consent in writing.

Respondent's Signature: [Signature]

Respondent's job title: Senior Manager Corporate Services

Date of consent: August 02, 2016