INVESTIGATING THE IMPACT OF INTERNAL CONTROL ON FINANCIAL PERFORMAMCE AT THE NAMIBIA STUDENT FINANCIAL ASSISTANCE FUND

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ABSTRACT

The aim of this research was to investigate the impact of internal controls on financial performance at the Namibia Student Financial Assistant Fund. The regulation and institutional framework have improved significantly over the years and define internal control as all the policies and procedures adopted by the management of an entity to assist in achieving management objectives of ensuring as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies that should be adhered to, yet still NSFAF, in particular is faced with lots of challenges. It is against this background that this study was conducted. The objective of the study include: to identify the factors that will affect the choice of the internal control measures at NSFAF; examine the impact of internal control on monitoring the student funds records at NSFAF; to examine the impact of internal control on the achievement of operational goals at NSFAF; to establish the relationship between internal control and financial performance of NSFAF. Related literature was reviewed. The study adopted the pragmatism research philosophy with the purpose of improving the researcher`s knowledge on the approaches and that was also in line with the research topic as the approach was the most appropriate to improve the reliability and validity of the research findings. The study sought to get an in-depth understanding of the impact of internal controls on financial performance at NSFAF using a mixed method approach which achieved by using a cross sectional survey design through a survey and conducting of interviews. The study population was 70 staff of NSFAF Windhoek. The census technique was adopted for the quantitative part of the study. Data obtained from the survey was analysed using the Statistical Package for the Social Sciences (SPSS) software. The data was presented using statistical tools such graphs, pie charts, and tables. In analysing and presenting the results, descriptive statistics tools were used in order to give the researcher a quick and clear impression of the location of the data. The finding revealed that from the start of NSFAF, the internal controls were considered ineffective and unsatisfactory due to the ineffectiveness in the administration of the fund, lack of proper mechanisms for loan recovery and low recovery and high default rates by students. It is recommended NSFAF to adopt COSO framework, organisation to contact regular system review and the Government of Namibia as policy

maker and the funder of NSFAF, should revise the policy on which NSFAF is governed, as effective implementation is lacking.

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LIST OF ABBREVIATIONS

AAI	Africa-America Institute
COSO	Committee of Sponsoring Organisations of the Treadway Commission
GRN	Government of the republic of Namibia
HE	Higher Education
HESLB	Higher Education Student Loans Board
HRD	Human Resource Development
IUM	International University of Management
MoE	Ministry of Education
NANSO	Namibia National Student Organisation
NBS	Namibia Business School
NGSTP	Namibian Government Scholarship and Training Program
NSFAF	Namibia Student Financial Assistant Fund
NSFAF	National Student Financial Assistance Fund
NSFAS	National Student Financial Assistance Scheme
NUST	University of Science and Technology
SFSS	Student Financial Support Schemes

SOEs	State Owned Enterprises
SPSS	Statistical Package for the Social Sciences
UNAM	University of Namibia

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DEDICATION

This research is dedicated to my family especially my mother for her moral support, love and encouragement and to my daughter Charmaine as a motivation for her to study hard so that she can obtain her degree at the University of Namibia.

DECLARATION

I Prisca Ukarapo Tjombe, declare that this study is my own and is true reflection of my research, and that this work, or any part thereof has not been submitted for any degree at any institution.

Prisca U Tjombe	…….	April 2023
Name of Student	Signature	Date

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

The aim of this Research was to investigate the impact of internal control on the financial performance at NSFAF. The study discussed the problem and its setting; outline the research objectives, spells out the significance of the study, and limitations of the research, critically analysed selected literature relevant to the problem being investigated; and discussed methods and approaches that were used in carrying out the study.

1.2 BACKGROUND OF THE STUDY

Financial resources are considered important to many institutions and establishments, which means that effectively and efficiently management is needed to bring change and results from the activity for which the funds have been made available (Watt, 2014). According to The World Public Sector Report (2015) public sector organisations deal with large amounts of public funds and operate in a largely political environment, thereby necessitating a need for a high degree of confidence in the way in which their financial affairs are being conducted.

Furthermore, all other aspects of financial management in the public sector should be managed prudently. According to Rosen and Gayer (2010) these feelings towards government are inextricably bound up with its taxing and spending activities.

Student Financial Support Schemes (SFSS) have become increasingly important in providing financial assistance for students pursuing higher education, in both developed

and developing countries. SFSSs were first established in the 1950s. The years that followed saw an increase and steady expansion of student loan programs, through the introduction of student loans in more countries and expansion in the number of loans available in relation to their size and new expanded approach. The trend was in response to expansion in higher education, combined with increasing financial toughness and concern for equity. At the same time, there was a flow of interest in student loans in the late 1980s and 1990s.

The need for financial assistance has been in order to enable students from low-income families to meet direct and indirect costs of higher education and to ensure equality of opportunity, equity, and social justice. Australia is a developed country and is considered as one of those countries that have implemented the most workable SFSSs in the world. According to Woodhall the scheme is well managed and has reached high levels of sustainability, with a well-functioning recovery system and institutionalised collection methods. Many countries in the world look upon Australia as an exemplary case on which many other countries have benchmarked their SFSSs (Woodhall, 2007:16).

Botswana as a neighbour of Namibia, displays similar developmental, social and economic characteristics to those of Namibia. Botswana has implemented national development plans and long-term visions with the aim of becoming a high-income country accompanied by a high level of industrialisation, which can only be achieved through concerted efforts in human resource development. The country has put a great deal of emphasis on HRD. The Botswana Student Placement and Welfare Fund has similar characteristics to those of Namibia and both are being administered by the MoE (Pillay,

2010:31). Botswana is a member country of the Southern African Development Community.

In view of these factors, Namibia could learn from Botswana regarding the administration of their scheme and how to overcome impediments (SADC: Regional Indicative Strategic Development Plan, 2001:4). Their case is almost similar to Namibia, where, as of 2009, only P20 million had been collected out of more than P4 billion loaned by the ministry over the years. The scheme is scheduled for review because of minimal collection and other problems (World Bank, 2010:90).

Over the years, Namibia and South Africa have established close ties due to South Africa's colonial occupation of Namibia for many years. Many Namibians pursue their higher education in South Africa. South Africa continues to train more Namibians than any other country. South Africa is a member country of the Southern Africa Development Community (SADC) and one of the main objectives of SADC is the promotion and advancement of regional and economic integration (SADC: Regional Indicative Strategic Development Plan, 2001:4).

The NSFAF (1997) and NSFAS (1999) were implemented at more or less the same time and the aim was to redress inequity, enhance democracy and address social justice to the advantage of previously disadvantaged groups. Historically, in Namibia, as in South Africa, the population was subjected to many years of apartheid, during which a minority of the population received first-world education while the greater part of the population, namely, the black population, received a limited level of education aimed at restricting choice and opportunity (Naanda, 2005:1)

NSFAS had been in existence for years. During the decade since the inception of NSFAS in terms of the NSFAS Act in 1999, the scheme's operations and procedures have remained largely unchanged from those incorporated into NSFAS from its predecessor-in-title, the Tertiary Education Fund of South Africa (Tefsa). In that period, the funds managed by NSFAS increased substantially, from R441 million in 1999 to R2, 375 billion in 2008, providing financial aid to 17 percent of higher education students. Despite the budget increases, the growth in funds has not kept pace with the ever-increasing demand. Even a fivefold increase in the years has left NSFAS with a massive funding shortfall. It would probably need to triple its budget to meet even current demand (Wangenge-Ouma, 2013).

Internal control over the years has seen a tremendous increase in interest from both academia and the world of business. The importance of internal control cannot be underestimated. Since the institutionalization of socio-economic development in the form of goals guiding business developments, the avoidance of waste and losses has proven difficult.

The COSO (1992; 2011; 2013.2019) defines internal control as "a process, affected by an entity's board of directors, management and other personnel". This process is designed to provide reasonable assurance regarding the achievement of objectives in the following categories: Effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. Therefore, every organisation, business or government establishment, notwithstanding size, must have effective and efficient internal control systems so as to protect it from possible losses of organisational resources.

Adepoju (2011) posits that internal control systems should be measurable in order to be effective on the high level. According to Kola (2007) any form of control is imperative for an organisation to succeed. Adequate internal control should encompass proper accountability for assets, from the organisation of finance transactions to reporting and proper documentation of all tasks and procedures (COSO, 2011). According to the International Standard on Auditing 315 (2013) the term internal control system means that all the policies and procedures adopted by the management of an entity to assist in achieving management objectives of ensuring as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies. It can be summarised from these definitions that the internal control system extends beyond those matters which relate directly to the function of the accounting system. Therefore, internal control systems provide assurances to the management of the dependability of accounting data used in making decisions (COSO, 2020).

NSFAF has strived to maintain and improve its financial and operational system of internal controls, in compliance with the highest standard of generally accepted business principles. The company wanted to provide reasonable assurance regarding the achievement of its objectives in the effectiveness and efficiency of operations, reliability of financial reporting, as well as compliance with the applicable laws and regulations.

Despite the NSFAF's strategic objective to implement an effective and efficient internal

Control system for the company, the audit report issued by the Auditor General in 2008 revealed the following administrative shortcomings:

1. Application process: Closing dates

- The closing date for applications during 2007 for the 2008 academic year, was not adhered to, therefore, causing a delay in the processing and scanning of application forms.

The application process is a very lengthy procedure and if there are delays in a certain part of the whole process, further delays can occur.

- The auditor further found that some application forms were distributed late to the regions - on the 30th of November 2007, the date the applications closed.

2. Record management and file security

Section 14(2) of the Namibian Student Financial Assistance Fund Act, 2000 (Act 26 of 2000) States that "the board shall keep or cause to kept such accounts and records as are necessary.

To reflect accurately the state of affairs and business of the fund should at all times give a true a true reflection of all financial and other transactions and the financial position of the fund.

For the financial years 2007 to 2011 the auditors found that the fund had no records, management, filing and security system in place. There were also no registers in place of how many files are kept within a certain office. Each student has a file, which is a hard copy, and these files are to be kept in staff offices, but some files are on the floor and not kept in a safe environment. Staff members record files on an Excel sheet to make their work easier but there is no back-up for the information. Others send this Excel sheet to their personal email accounts such as Yahoo as a back-up. The findings of the Auditor General suggest failure to address the shortcomings.

The above, could negatively affect the operations and financial performance of NSFAF due to possible litigation against the company. The COSO (2012, 2019) frame work explained that the responsibility for identifying and assessing internal control deficiencies rests with the organisation's personnel in the normal course of performing their on-going functions. It is with this background that the researcher embarked on this study to assess the effectiveness of internal control practices at NSFAF focusing on administration of the student fund.

1.3 ORIENTATION OF THE PROPOSED STUDY

The NSFAF is a loan/grant scheme which was designed to replace the Public Service bursary scheme whose purpose was to train people to work solely in the Civil Service. Soon after independence, the demand for new recruits in the Civil Service was significantly decreased following the integration of the various ethnic-based administrations into one national Government. Hence the Public Service bursary scheme lost its relevance. In the meantime, the demand for financial assistance by students was ever on the increase. Cabinet therefore decided to replace the bursary scheme with the NSFAF, which would allow the Government to continue addressing the human resources needs of the country in general beyond the needs and requirements of the Public Service. This NSFAF was approved in 1996 and rolled out from January 1997. Ultimately, the Namibia Student Financial Assistance Fund (NSFAF) Act 2000 (Act No.26 of 2000) came into being and is operational. Given the size and amount that government spends, it is important that leaders in SOEs must recognise that this function of student funding is a management function that is central to operations. Therefore, it should be treated at a

senior management level and proper controls must be put in place to achieve the mandate of the Government of Namibia.

1.4 STATEMENT OF THE PROBLEM

It has been established that the public sector organisation formed an important part of the economy (Snyder, 2007). Research indicates that problems in governance can be attributed to the poor operational and financial performance of SOEs in general (Sheehama, 2022) , forcing the SOEs not achieving targeted objectives. The students and the general public have lost trust in the administration of NSFAF. The public experienced ineffectiveness of the administration of the fund which might be due to the absence of a National Human Resources Plan to the development of enrolment planning with emphasis on 'priority skills' for the HE sectors. It seems the absence of a Human Resource Plan derailed proper human resource planning and the effective utilisation of resources, since it was not clear whether what has been allocated was in line with the developmental priorities of the country. An HR plan would have given effect to the most appropriate policies and strategies for HRD. Some critical issues identified with respect to the role of the MoE in HE include inadequate staffing, inappropriate structures in relation to functions and the absence of an HE Information System. All this hampered effective planning.

A lack of proper mechanisms for loan recovery, low recovery and high default rates by students have also been issues. Comparing the recovery rates for 2008/09 and 2009/10, the amount allocated in 2008/09 was N$ 112 935 935 and recovered N$ 5 742 926 with the recovery rate of 5.1. For 2009/10, the amount allocated was N$ 225 734 770 and the amount recovered was N$ 172 559 with a recovery rate of 2.7. The students themselves

were unhappy with the inadequate funding provided by NSFAF, which was unable to cater for their individual needs and was limited in scope and coverage, leading to many students dropping out of their studies (Insight Namibia, 2008:29).

The budget for 2021/22 was N$ 1.4 billion and the students who benefitted were 16 000. The 2020/21 budget was N$ 1.2 billion and the students who benefited were 22 000. Due to the population that has been growing, the funds have been inadequate to cater for all individual needs. Late payment of loan funds to the HEIs has been a major concern for the past years to both students and parents. This situation has resulted in delays in submitting the required documentation when applying for loans. The delay in the transferring of funds was attributed to the inadequate information provided by students with regards to their loan application and the subsequent delays in the granting of loans.

The absence of adequate internal control measures have exposed the financial management of the public sector to certain threats such as incorrect financial statement and loss of government assets, stealing and mismanagement of vital government documents which might have been an action by employees to have undue advantage, incorrect and reliable financial records which might lead to loss of government integrity, non-implementation of accounting policies inconsistent with the applicable legislation. This prompted the researcher to conduct a research and analyse the impact of internal controls on the management of the Namibia Student Financial Assistance Fund.

1.5 RESEARCH OBJECTIVES

The main objective was to establish the relationship between the internal control and financial performance of NSFAF. Listed are specific research objectives which the researcher aspired to achieve:

- To identify the factors that will affect the choice of the internal control measures at NSFAF
- To examine the impact of internal control on monitoring the student funds records at NSFAF
- To examine the impact of internal control on the achievement of operational goals at NSFAF
- Investigate the impact of internal controls on financial performance at NSFAF

1.6 HYPOTHESES OF THE STUDY

H_{1a}: Internal control has a significant impact on financial management practices at NSFAF

H_{2a}: Effective internal controls would lead to overall management improvement at NSFAF

1.7 SIGNIFICANCE OF THE STUDY

Internal control systems promote efficiency, help ensure the monitoring of the financial records and the achievement of operational goals. This study brought awareness to the need for effective internal control systems in the SOE's in general. This hopefully would enhance the Body's achievements in attaining its business plan targets in terms of business sustainability, translateting into meeting The Government of Namibia's mandate and this will positively contribute to the Namibian economic development as part of Vision 2030. The study is benefiting the academics, researchers, and students who are interesting in

finding out how effective the internal control are functioning and how funds are managed at NSFAF. The study therefore provided informative reference material as well as adding knowledge to the existing body of literature. The findings of this is study aimed at improving the internal controls system in the SOE'S and management to implement sound and adequate controls in place.

1.8 LIMITATION OF THE STUDY

The study was conducted among the employees drawn from SOEs. The researcher met several challenges such as reluctance by the respondents in giving information, fearing that the information sought would be used to intimidate them or paint a negative image of their institutions. To counter this, the researcher carried a pilot study to establish the possible cause of noncompliance in filling the questionnaires and adjusted the questionnaire accordingly. Also, the researcher encouraged the respondents to participate without holding back the information they might be having as the research instruments would not bear their names.

1.9 ORGANISATION OF THE STUDY

The study is organised into five chapters, Chapter one dealt with the introduction, background of the study, the problem statement, research objectives, significance and scope of the study.

Chapter two deals with the review of related literature on internal controls and financial management.

Chapter three considers the methodology used while chapter four deals with the analysis of the data, and finally chapter five presents the findings, conclusions and recommendations.

1.9 CHAPTER SUMMARY

In this chapter, researcher introduced the study highlighting the background of the study. In addition, the chapter provided the problem statement, objectives of the study, limitations and delimitation of the study, and highlighted its significance in terms of providing recommendations

CHAPTER TWO

LITERATURE REVIEW

2.1. INTRODUCTION

This chapter reviews the extent of literature on the concept of internal control and the role it plays in financial management of government funded institutions. The chapter therefore provides abroad discussion and review of internal control theories and evidence by prior researches, authors and authorities.

2. 2 HISTORICAL DEVELOPMENT OF INTERNAL CONTROL

Since about 1900 accounting and business writers have made internal control very popular especially in relation to the work of an auditor. The purpose of this session of this study is to show some summaries of extract from previous research works so as to provide some insight into the development of internal controls. According to Stone (2009), the early signs of internal control, particularly internal audit can be found in the records of early Mesopotamian civilization, the summaries around 3600 to 2200 BC. He quotes Kenneth as saying; “It was customary for summaries to be prepared by scribes other than those who had provided original list of payments. Further, the document of the period revealed tiny marks, dots and codes at the sides of the figures indicating that checking had been performed. Before 1941 internal controls and internal inspection was a pastoral function for numerous associations setup and principle and also no law of conduct. Internal auditing is the oldest conception that was made as assurance engagement as a rationale for fraud discovery the reason behind public accountants and the monthly inspection report. The

turning point by the end of 1941 was pronounced significantly as events passed in the emergence of internal control systems.

It can be derived that an internal control system gives a stronger assurance on fiscal responsibility and there's a need for it to be at the van of policy tools. According to Simangunsong (2014), the public sector ensures that the services handed to the public following the plan have needed certain media, a media that's considered applicable internal control. Internal control in the public sector is a process that directs public sector associations is a process in the form of exertion in a terrain that's subject to change. About good internal control is a form of internal control which is run by the superintendent to ensure the achievement of the objects of the public sector, seeks to ameliorate the weal of society

2.3 INTERNAL CONTROL

Internal control has a different meaning to different people and this causes confusion among business people, legislators and others. The definition of Internal Control has evolved over recent years as different internal control models have been developed. According to statement of Auditing Standards (SAS, 300); There are many definitions of internal control, Lakis & Giurinas (2012) defined internal control as different goals, values and achievements that would be implemented in the organisation.

Internal Control is defined as all the policies and procedures adopted by the directors and management of an entity to assist in achieving their objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to internal policies, the safeguarding of assets, the prevention and detection of frauds and

errors, the accuracy and completeness of accounting records, and the timely preparation of reliable financial information. Hightower (2008) defined internal controls as a program of activities established to catch and monitor a potential exposure that could result in a significant error, omission, misstatement or a fraud. Chambers and Rand (2010) define internal control as an internal control system which encompasses the policies, processes, tasks, behaviours and other aspects of a company. Internal control facilitates the achievement of the objectives of the organisation effectively and efficient operation by enabling it to respond appropriately to significant business, operational, financial, and compliance threats to achieving the company's objectives. This includes the safeguarding of assets from inappropriate use which may lead to loss and fraud and ensuring that liabilities are identified and managed (Chambers & Rand 2010).

According to the Committee of Sponsoring Organisations (2020) defines internal control as a "process, affected by an entity's board of directors' management and other personnel." This process is designed to provide reasonable assurance regarding the achievement of objectives in the following categories: Effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations (COSO, 1992; 2013). The Committee of Sponsoring Organisations approach to internal control is recommended in its Internal Control Integrated Framework as it is widely used all over the world and the researcher adopted the definition of this framework to describe what we generally mean by internal control.

Similarly, the Basel IV (2021) committee on banking supervision defined internal 8 controls "as a process affected by board of directors', senior management and all levels of personnel. It is not solely a procedure or policy that is performed at a certain point in time,

but rather it is continually operating at all levels within the bank" (Basel, 1998). Furthermore, the United States General Accounting Office (2018) defines internal control as an integral component of an organisation's management that provides reasonable assurance and states that internal control is a major part of managing an organisation and it has plans, methods, and procedures used to meet missions, goals, and objectives and, in doing so, supports performance-based management.

All the above definitions of internal control systems have identified the main objectives of internal controls to be the assurance that organisational resources will be put to economic, efficient and effective use in order to achieve the objectives for which the organisation was set up.

2.4 IMPORTANCE OF INTERNAL CONTROL

Adu-Gyamfi (2007), points out the following as the reasons why enterprises need internal controls: to stops things such as assets, documents and records from going missing and benefitting individuals either within or outside an organisation, makes sense of how the business is doing, prevents or at least minimises business risk, improves the efficiency and effectiveness of managers of the enterprise, ensures assets are protected and safeguarded and ensures discipline in the transactions entered into by an enterprise. Adu-Gyamfi in his book published 2007 also talks about the importance of Internal Control but what is internal control.

2.5. PURPOSE OF INTERNAL CONTROL

According to Hevesi (2005), while the overall purpose of internal control is to help an organisation achieve its mission, internal control also helps an organisation to:

i. Promote orderly, economical, efficient and effective operations, and produce quality products and services consistent with the organisation' mission.
ii. Safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud.
iii. Promote adherence to laws, regulations, contracts and management directives.
iv. Develop and maintain reliable financial and management data, and accurately present that data in timely reports.

2.6 CLASSIFICATION OF INTERNAL CONTROLS

According to Hohler (2005) Internal controls are classified mainly into control environment and control procedures or activities, Statement of Auditing Standards (SAS, 30). However, Larry. et al 2007 have stated five components of COCO's control framework as;

i. Control Environment;
ii. Control Activities
iii. Risk Assessment;
iv. Information and Communication
v. Monitoring

The components could be viewed as both the fundamental principles and aid planning evaluating and updating controls in any organisation (Larry et al., 2007)

2.6.1 Control environment

The control environment is the overall control consciousness of an organisation effected by management through policies, procedures, ethical standards, and monitoring processes (Hevesi, 2005). Rokeya & Muhammad (2011) stated that every organisation, regardless of size, should devise a strong internal control environment. The control environment includes management philosophy seen in its vision and mission for the organisation. The elements of the control environment also encompass the organisational structures which specify responsibility in the performance of financial and non-financial duties, management operating style, attitude, ethical values, the integrity, skill and competence of personnel. The control environment includes awareness values, decisions, attitude and actions regarding control. Hevesi (2005), considered the control environment to be the attitude toward internal control and control consciousness established and maintained by the management and employee of an organisation. These activities are implemented by management to ensure accomplishment of organisational objectives and the mitigation of risks (Walker, 2007). Internal controls are classified mainly into control environment and procedures or activities, which includes control environment, risk assessment, control activities, monitoring and information and communication. These components could be viewed as both the fundamental principles and aid planning evaluating and updating controls in any organisation (Hohler, 2005).

2.6.2 Control procedures

The control procedures are the policies and procedures that help ensure that management directives are carried correctly and in a timely fashion. These includes control activities

such as performance reviews, information processing, physical controls and segregation of duties, these activities are implemented by management to ensure accomplishment of organisational objectives and the mitigations of risk. (Lannoye, 2005). According to Walker (2004) control activities occur at all levels and functions of the entity. They include a wide range of activities such as approvals, authorizations, verifications, reconciliation, performing reviews, maintenance of security and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. Walker provided control activities as follows;

i. Reviews by management of the functional or activity level,
ii. Management of human capital,
iii. Controls over information processing,
iv. Physical control over vulnerable assets,
v. Establishment and review of performance measures and indicators,
vi. Segregation of duties,
vii. Proper execution of transaction and events,
viii. Accurate and timely recording of transactions and events,
ix. Access restriction to and accountability for resources and records and
x. x. Appropriate documentation of transactions.

2.6.3 Risk Assessment

Risk assessment is the process or procedures the organisation goes through to identify and analyse the relevant risks which may affect the organisation's ability to achieve its major objectives. Risk assessment involves using professional judgement carefully in

identifying and evaluating factors which can affect the organisation adversely and result in possible losses both financially and non-financially (Lannoye, 2005).

2.6.4 Information and Communication

This is one of the internal control systems that involve the procedure of identifying, capturing and exchanging information on a timely basis to enable the organisation to accomplish its stated objectives. The information system, including the accounting enables the organisation to make appropriate decisions in managing and controlling the activities. Lannoye (2005) for the control system to be effective and efficient, there should be relevant and reliable information which should be recorded and communicated to management and other personnel within the organisation. To carry out the internal control and operational duties and responsibilities, the information should be timely and should go to those who need it and in the right form. All personnel do understand their roles in the control system, how their roles relate to others and their accountability through the information and communication systems.

2.6.5 Monitoring

This is the process that assesses the quality of internal controls over time. It involves assessment by appropriate personnel of the design and operations of controls on a timely basis and taking necessary actions. Simmons (2010) Monitoring can be done through on-going activities or separate evaluations. Ongoing monitoring procedures are built into normal recurring activities of an organisation. The monitoring is intended to ensure that the internal control design is adequate, effective and appropriately executed. If all the five internal control elements, control environment, control procedures, risk assessment,

information and communication are present and functioning properly then one can say that the internal control is adequately designed and effectively executed.

2.7 EFFECTIVENESS OF INTERNAL CONTROL

The extent to which the components are present and operating effectively will serve as a base to judge whether the internal control is effective. Effective functioning of all the components provides reasonable assurance as to achievement of one or more of the three categories of objectives. Internal control may be judged effective for each of the three categories of internal control objectives if the board of directors and management have reasonable assurance that: i. they understand the extent to which the entity's operations objectives are being achieved. ii. Published financial statements are being prepared reliably, iii. Applicable laws and regulations are being complied with. Effectiveness of internal control depends on the presence of all the components of internal control working together, two entities are likely to have the same internal control system (Public Company Accounting Oversight Board, 2015).

2.8 TYPES OF INTERNAL CONTROL SYSTEMS

There are different types of internal controls grouped into preventive, detective and corrective control. However, different writers have come out with different types of Internal Control Systems. Millichamp (2010) indicates that the types of Internal Controls are safeguarding of assets, separation of duties, supervision, verification, approval and authorization, documentation and reporting. Other authors such as Loustea (2012), the State University of New York and DiNapoli (2007) have agreed that the types of internal

controls include directive controls, preventive controls, compensating controls, detective controls, and corrective actions. These types of internal controls are explained below.

2.8.1 Preventive Controls

Locatelli (2011) Preventive controls are measures put in place by management to deter and prevent noncompliance with directives, policies and procedures. These preventive controls are intended to prevent risk of error, frauds and irregularities from occurring in transactions and prevention of loss. These preventive controls are in the form of segregation of duties, proper authorization and approval, establishment of organisational chart to allocate jobs to responsible officers, adequate documentation, physical control over assets and constant training of staff.

2.8.2 Detective Controls

These are controls which are aimed at detecting and uncovering problems such as fraud, irregularities and errors after they have been committed. Although, detection is necessary prevention is more desirable. These controls are in the form of post-audits, exception reports and validation. They provide evidence that a loss has occurred but do not prevent a loss from occurring. Examples of detective controls are reviews, analyses, variance analyses, reconciliation, physical inventories and audits. However, detective controls play critical role in providing evidence that the preventive controls are functioning and preventing losses(Wells, 2006).

2.8.3 Corrective Controls

According to Simmons (2010) the corrective controls are put in place to address anything which is foreign and every problem that has occurred in the system. Examples of corrective control are system re-design, follow-ups, post audits and application of punishments by management for wrong doing.

2.8.4 Directive Controls

Directive Controls are policies and procedures put in place by top management to promote compliance with independence rules. The policies and procedures from management that are important must pervade the organisation and must be clear and consistent in order to ensure compliance. (Rittenberg et al., 2007).

2.8.5 Compensating Controls

Compensating controls are put in place for lack of controls elsewhere in the system. For example, firms with an electronic database could maintain a hard copy of the client list in the office library. Such a list would compensate for downtime in electronic systems and difficulties in locating client names in an electronic system.

2.9 LIMITATION OF INTERNAL CONTROLS

Internal control systems cannot guarantee that an organisation will meet its objectives. Instead, internal control can only be expected to provide reasonable assurance that a company's objectives will be met. (Hughes 2007). The effectiveness of internal controls depends on the competency and dependability of the organisation's people. Limitations of

internal control include faulty human judgment, misunderstanding of instructions, errors, management override of controls, and collusion. (Loustea, 2012); Further, because of cost-benefit considerations, not all possible controls would be implemented. Because of these inherent limitations, internal controls cannot guarantee that an organisation will meet its objectives.

2.10 COST-BENEFIT ANALYSIS

The design of the internal control system is a function of the functions of the resources available, meaning there must be a cost-benefit analysis in the design of the system. The cost of internal control must not exceed benefits to be obtained, (Lannoye, 2009) as this will lead to a company loss. The precise measurement of cost is generally not possible. Even though the relationship between cost and benefit is a basic criterion to be considered in designing internal control system. The challenge is to find a balance between excessive control which is costly and counterproductive and too little control which exposes the organisation to increased and unnecessary risk. Management is responsible for maintaining effective internal control and has the final decision regarding the cost versus benefits on internal control (Lannoye, 2009).

2.11 FINANCIAL MANAGEMENT

According to Padilla et al (2012) in their study on financial sustainability for non-profit organisation, effective financial management practices is essential enhancing transparency, efficiency and accuracy accountability which enable an organisation to achieve its objectives. As pointed out by Hendrickse (2008), financial management should include keeping an accurate record of all financial transactions, linking the budget to the

firm's strategic and operational plans. Financial management further demands that the management accounts ought to be produced in order for managers to compare their organisation's progress against the budget and then make decisions about the future.

2.12 EFFECT OF FINANCIAL MANAGEMENT PRACTICES ON BUSINESS PERFORMANCE

Financial management is at the heart of running a successful business. According to Stone (2003), financial management affects all aspects of the business, from managing cash flow and tracking business performance to developing plans that ensures that business owners can make the most of opportunities. Water and Petty (2001) defined financial management as process that is concerned with the acquisition, financing and management of assets with some overall goal in mind. However, according to Meredith (2006) he defined financial management as a practice concerned with all areas of management, which involve finance not only the sources, and uses of finance in the enterprises but also the financial implications of investment, production, marketing or personnel decisions and the total performance of the enterprise. The success of any business enterprise depends on the strategic choices which are made and how the business funds are employed. Correia, Flynn, Juliana, & Wormald, (2007) argued that the objectives of financial management are to maximize profit, maximize the value of the firm, shareholder growth or business growth.

Profit maximisation is concerned as the goal of financial management, therefore in this approach, actions that increase profits should be undertaken and the actions that decrease the profits are avoided (Amoako, 2013). However, Anderson (1997) contrasted that

financial management is not only concerned with profit maximisation, but also concerned with wealth maximisation. Approaches of financial management, by wealth maximisation Mazzarol (2014) meant the accumulation and creation of wealth, property and assets over a period of time thus if profit maximisation is aimed. Wealth maximisation in real sense is a long-term concept based on the cash flows rather than profits (Anderson, 1997). The ultimate aim of the business concern is earning profit; hence it considers all the possible ways to increase the profitability of the concern (Davidson & Dutia, 2001).

According Jen (2003) the business functions mainly for the purpose of earning a profit. Profit is the parameter of measuring the efficiency of the business and shows the entire position of the business concern (Stone, 2003). The financial management in big enterprises is performed by a financial manager, while in a small and medium enterprise is performed by the owner/manager as alluded to in the small business uniqueness and theory of financial management. In smaller enterprises or sole proprietorships financial management is performed by a single person whereas in large organisations a whole department may carry out only one function. Barrow (1991) contend that the effect of financial management includes analysing the business current and budgeted information, namely profitability and risk, evaluating pricing policies, and their effect on the firm's sales and profits, analysing the effect on profits of raising funds and taking certain investment decisions, and analysing possible takeovers, amalgamations or reconstructions.

Fujita (1998) believes that the effect of financial management practices will allow the business to succeed and grow, therefore the manager need to adopt to change, raise funds, invest in assets, and manage wisely. This study harmonised with the previous researchers

that performance is one of the most important objectives of good financial management because one goal of financial management is to maximize the owner's wealth. Thus, performance is very crucial in determining the success or failure of the business. Jen (2003) found performance to be a significant determinant of a small firm's credit risk. Walker and Petty (2001) stressed that the aim of a business is not only the generation of sales, but also the generation of profits. Profit is especially important because it is necessary for the survival of a business. Low performance contributes to undercapitalization problems because it leads to retained earnings and therefore to a reliance external capital (Davidson & Dutia, 2001).

Good financial management skills require forecasting and planning. McMahon (1995) argues that SOEs that do not see the need for financial management practices are more likely to suffer the problematic consequences of growth and underperforming. (Jindrichovska, 2013) noted that the effect of poor financial management or lack of financial management altogether is the main cause underlying the problems in SOE's financial management. Nguyen (1999) concurred with McMahon (1995) views that lack of knowledge of financial management and poor management combined with the uncertainty of the business environment often lead SOEs to serious problems regarding financial performances. However, Mazzarol (2014) stated that poor financial management practice and skills is patchy financial planning, chaotic bookkeeping, overinvestment and lacking any reserves.

The consequences of poor financial management practice can lead to more debts and close down of business. Regardless whether owner-manager or hired-manager, if the financial decisions are poor, profitability of the company will be adversely affected. Meredith

(2006) narrated that generally the poor financial management of owner managers is the main cause underlying the problems of SOEs. This type of poor practice in financial management is typically due to owner-managers having insufficient skills and knowledge of financial accounting controls to know what to do (Uwonda, Okello, & Okello, 2013). This typically results in these SOEs experiencing cash flow and liquidity problems with high levels of bad and doubtful debts (Abanis, Sunday, Burani, & Eliabu, 2013). In many developing economies it is not mandatory for SEOEs to keep financial records and as a result the owner-managers fail to do so, often avoiding the need to pay taxes at the same time (Amoako, 2013).

In most advanced economies the requirement for SOEs to keep good financial records, and the obligation to do so for taxation compliance establishes their relationship with professional accountants and bookkeepers (Uwonda *et al.,* 2013). As the size and complexity of the business grows so too does the level of formality and sophistication in the financial management practices (Abanis *et al.*, 2013). Where owner-managers have greater skills and knowledge of the accounting and financial management processes they are more likely to generate financial reports and use them to make informed decisions (Van Der Walt & Van Rensburg, 2006).

2.13 FINANCIAL MANAGEMENT PRACTICES

Financial management practices are defined as the practices performed by the accounting officer, the chief financial officer and other managers in the areas of budgeting, supply chain management, asset management and control (Gitman, 2011). The most common financial management practices used are Accounting Information Systems, Financial

Reporting and Analysis, Working Capital Management, Fixed Asset Management and Capital Structure Management (Nguyeni, 2001). All these practices are crucial for an efficient financial management in organisations.

Meredith (2016) listed six components of financial management namely; financial planning and control, financial accounting, financial analysis, management accounting, capital budgeting, and working capital management. Each component has different techniques containing specific tools and aims of their own. This research will use most common financial management practices identified by Pandey (2004) which are: accounting information systems, financial reporting and analysis, financial planning and control, working capital management, and investment management. Every components of financial management have a different technique that contains specific tools and aims of their own. Pandey (2014) criticised that most of the researchers only focus on examining and describing financial management practices and financial characteristics but do not focus on examining the impact of financial management practices on SOE profitability.

Fatoki (2012) identified that limited financial knowledge and management skills results in poor financial management decisions taken by small business owners, which in turn impacts on small business growth. Rajaram (2008) indicated that many small businesses are managed by their owners because such businesses usually do not have the resources to employ managers. As a result, the owner-managers of small businesses are required to multitask and perform all the management functions themselves, especially financial management. Furthermore, Schwarz (2008) recommended that in order to survive, SOE's should first acquire financial management skills that assist in short-term decision making.

2.13.1 Accounting Information System

As an entrepreneur it is essential that you have a good grasp of business accounting. While it is not essential to be an accountant or to have formal accounting qualifications, it is imperative to understand the figures and be aware of your current financial position (Barrow, 1991).

Nguyen (1999) revealed that in the developed economies such as the USA, Canada, the UK and Australia, accounting system practices in SOEs have long attracted the considerations of many researchers. However, Meredith (2006) argued that information systems are a base for financial management including financial management records and reports. Although Maseko & Mayan (2011) believed that, accounting systems provide a source of information to owners and managers of small businesses operating in any industry for use in the measurement of financial performance. Poor accounting system and poor cash-flow becomes a more prevalent financial problem if not well managed. Although most SOEs are not registered as companies, it is important to assess the small business financial statements. Business decisions need to be supported by good quality financial information, which needs to be relevant, user-friendly and available in a timely manner (Nguyeni, 2001).

2.13.2 Financial reporting and analysis

Sowden-Service (2007) contends that financial statements are prepared by the business owners in order to provide information that is useful to a wide range of users and compromise of: (1) the income statement (2) the statement of changes in equity (3) the balance sheet (4) the cash flow statement. In order for the financial statements to be useful

to the SOE, the financial statements need to be understandable, relevant, and reliable and timely.

Analysis of financial statements includes the evaluation and interpretation of financial statements (Taylor, 2003). The analysis of financial statements provides a quick means of assessing the financial health of a business and can also assist to determine the ability of the business to satisfy both its short-term and long-term obligations (Nieman *et al.,* 2006). Peterson & Fabozzi (2002) argued that a significant element in the failure of many businesses are inefficient or absence of accounting records. In addition, Nguyen (1999) also found out that efficiency in accounting information system, financial reporting and analysis enhanced profitability. However, McMahon (1995) critical emphasis that the relationship between financial reporting practices, business growth and performance is difficult to identify, describe and explain. Gitman (2010) stated that the analysis of financial statements is of interest to shareholders, creditors and the business own management who are interested in the firm's current and future level of risk and returns which affect the business value.

It has been an observation that many small business owners fail to realise the importance of the accounting function and as a result cause the failure of the business (Stone, 2003).

2.13.3 Financial Planning and Control

Every business must have a financial plan, although planning can be approached differently depending on the size of the business. The basic planning includes cash flow projections, income and expense forecasting. Small business frequently suffers from particular financial problems such as of lack of planning and control. Spence & Rutherford

(2000) argues that SOE owner should sit with their managers to prepare an annual budget which should be broken down to monthly budgets and do a monthly joint review of actual achievements with the budgeted or target figures in order to take corrective action immediately. However, Gitman (2010) debates that the key aspects of short-term financial planning are profit planning and cash planning.

Profit planning is done by compiling the pro forma financial statements such as income statements and balance sheets. Cash planning is done by generating a cash budget. Rajaram (2008) maintains that in order to compile a business plan, small business owners should be able to prepare and analyse financial statements, prepare cash budgets and perform a breakeven analysis. A break-even analysis examines the relationship between volume, sales revenue and costs to determine sales revenue and volumes required in the short-term to cover costs and to achieve target profits (Phenya, 2011). Gitman (2010) argues that small business owners should be able to do record keeping and prepare financial statements for monitoring business performance, regardless of tax compliance requirements.

2.13.4 Working capital management Working capital is a part of a firm's current assets

Monitoring cash flow is a key aspect of working capital management in order to manage short-term assets and short-term liabilities for example creditors (Nieman *et al.*, 2006). Taylor (2003) highlighted that, working capital can be referred to a firm's investment in short-term assets, cash, short term securities, accounts receivables and inventories. SOE managers need to enhance their business profitability through more efficient management

of accounts receivable and accounts payable, plus the addition of monitoring inventory. Mazzarol (2014) found out that many SOE managers are poor at managing their working capital, hence that cash flow cycle and working capital management the most important areas of financial management in SOEs. Gitman (2010) identified the following critical financial practices that should be in place in micro-businesses to manage working capital effectively, keeping a cash book, keeping record of accounts receivable and inventory and managing debtors effectively. Stone (2003) concurs with Gitman (2010) that proper management of working capital should have a desired impact in profitability, liquidity and risk.

Although the efficiency of working capital is critical to businesses of all sizes, it is the small businesses that should address this issue more seriously (Pandey, 2004). On the other hand, McMahon (2011) contrast with Pandey that, without cash or the liquid assets that are necessary to operate on a daily basis, the company risks becoming insolvent and failing. However, research by Mazzarol (2014) concluded that businesses are not very good at managing the working capital. As a result, most of them fail because of poor financial management, especially working capital. However, Nieman *et al.* (2006) argue that access to finance is not the solution to the problem as priority should be given to financial management training and particularly to cash flow management.

2.13.5 Investment management

Investment management is one of the most important business decisions when it comes to decision of value creation. Investment decision refers to the process of planning and managing a firm's long-term investments (Fatoki, 2012). Jindrichovska (2013) posits that

many times decisions regarding the investment into fixed assets, like factory building, plant and machinery are taken without doing any scientific analysis. She further highlighting that, these decisions has long term effects on the business and should be taken only after a detailed analysis of the market scope, competition and by applying discounted cash flow techniques like Internal Rate of Return (IRR). Major investments to drive improvements need careful evaluation to ensure that you understand the potential financial and business aspects (Burns, 2011).

2.14 EFFECTS OF POOR INTERNAL CONTROL ON FINANCIAL MANAGEMENT IN THE NAMIBIAN SOES

Poor financial management is one of the major factors that contribute to the failure of many Namibian SOEs. According to Brigham & Houston (2012), financial management is a very broad term and entails planning, organizing, activating and controlling and it is an important division of the SOEs. For SOEs, the two critical areas are the financial needs and control of such funding as well as accountability to the stakeholders. It is widely held that the SOEs within the social welfare context can increase their chances of obtaining more funding if they maintain their accountability status. Therefore, accurate record keeping is one of the most important tasks under the financial function ((Begg *et al.*, 2013), which can assist in avoiding the failure of SOEs as SOEs with poor financial management often fail to achieve their objective of profitability.

2.15 EMPIRICAL STUDIES AND THE INTERNAL CONTROL SYSTEM IN NAMIBIAN SOEs

Azu (2013) carried out a quantitative correlational and comparative study to examine the extent to which internal control effectiveness (ICE) is related to financial performance in the Nigerian banking sector and the results showed a significant, positive relationship between ICE and financial performance before and after Central Bank of Nigeria (CBN) intervention and a decline in the values of both variables after the intervention. The results of the study may help identify industry best practices for supporting banking operations to avoid failure.

Magu (2016) research topic on the "Influence of Internal Control System on Financial Performance of Kenya Farmers' Association Limited" established the influence of internal control system on financial performance and the result showed that there was a positive relationship between internal control system and financial performance of KFA Ltd. The control environment and control activities contributed 61.3% of the variation in financial performance, meaning the internal control systems are well established.

Aramide & Bashir (2015) investigated a deep understanding of effective internal control system for good financial accountability at the local government council level in Nigeria. The results of the findings showed that internal control system is positively significant for the good financial accountability in the local government area council in Nigeria. The study further recommended that local government authority should increase an effort to ensure that a proper and highly effective internal controls system is put in place within local government to enhance their financial accountability.

Ejoh (2014) carried out a study to establish the relationship between internal control activities and financial performance of the Tertiary Institutions in Nigeria. The study

results further showed that there is no significant relationship between internal control activities and financial performance of Cross River State College of Education and the study also recommended that management of the institution should organise regular training for staff on control mechanisms.

According to a research by Qaisar (2012) it was found that a well-established and successfully implemented control system assists in proper utilization of resources and produces reliable financial reporting which is helpful to the stakeholders in making excellent decisions. This paper established the importance that internal control system has in helping organisations reduce their operational risk and improve the reliability of financial reporting to build the confidence of shareholders.

Mahdi, Mahmoud, Shiri & Fatemeh (2011) investigated the effectiveness of internal control in the Iranian banking sector with special reference to Bank Mellat. The study used questions that needed to be answered in the study are: (1) Does an internal control system in Bank Mellat has proper power in preventing fraud and error? (2) Is there a significant relationship between the weakness of internal control system components (control environment, risk assessment, information and communication, control activities and monitoring) and the occurrence of error and fraud? To test the validity of the questions, hypotheses were postulated relating frequency of fraud reported as failure of internal control with the questionnaire answered on the relationship between the fraud and components of internal control.

The paper evaluated the effect of control environment, control activities, risk assessment, information and communication and continuous monitoring on failure of internal control

quantified as reported errors and fraud. The empirical evaluation found out that all the elements of the internal control have significant effect on occurrence of errors and fraud, though the magnitudes are different. Accordingly, weakness of control environment, control activities, risk assessment, information and communication and monitoring as a component of internal control system in an incident of error and fraud is effective. Therefore, the more the increase in the weakness of a control environment, control activities, risk assessment, information and communication and monitoring in Bank Mellat, the more is the incident of error and fraud. However, statistically control environment is found to have the highest effect for the failure of internal control.

On Ofori (2011) research it was revealed by the study that management was seen as being solely responsible for setting up internal control and that no one particular person was in control of decisions or activities. Furthermore, respondents indicated that there was no internal audit unit in existence. Majority of the respondents indicated that management oversight responsibility for internal control was the measure to enhance compliance, and that it was the responsibility of management to ensure that control policies and procedures are adhered to. Most of the respondents saw the management as the one responsible for monitoring internal control policy compliance.

Shipanga & Strompen (2010) found that most SOEs lacked sound financial performance despite the government's financial injections. Further, Shipanga & Strompen (2010) argued that SOE's faced difficulties to fill key positions with qualified staff and these weaknesses were a result of the lack of timeous reporting, 35 monitoring, and inconsistent enforcement of the basic corporate governance principles from the State-Owned Enterprise Governance Council (SOEGC). In Namibia, allegations of misappropriation of

public resources are reported on several occasions where large amounts of money are involved (see Shipanga & Strompen, 2010, Auditor General Report 2011-2014). To date there are numerous cases that are still before the courts regarding misuse of public resources especially those of the SOEs. According to Shipanga & Strompen (2010), in order to maintain good performance and internal controls, performance contracts are usually written agreements between the State-Owned Enterprise (SOE's) management and the government.

Maurihungirire (2016) carried out a study to analysis the financial performance of State-Owned Enterprises. This research study shows that the decline in financial performance of SOE is due to multiple factors. The most important factors identified by the research include out-dated equipment and machinery, and poor financial management practices. Since every management decision and policy has financial consequences, all these factors have contributed to the poor financial performance of the organisation. While there are quite a significant number of organisations operating in the public sector as SOEs in Namibia, in recent times, their financial performance has not been up to government requirements (Economist Sheehama). The findings of this study also showed that inadequate oversight by the government and other stakeholders, and lack of accountability may have contributed to the lack of financial performance at the organisation.

2.16 CHAPTER SUMMARY

In this chapter, the theoretical framework of the study was discussed. Further emphasis was on literature review on internal controls and effectiveness; and understanding its

importance. An overview on NSFAF literature was done in this chapter whereby it was found to be relatively little research on the impact of internal controls at NSFAF.

The literature on the effect of financial management was reviewed and the financial management areas where discussed. This chapter presented the five financial management areas, namely, Accounting Information System, Financial reporting and analysis, Financial Planning and Control, Working capital management, Investment management.

CHAPTER THREE

RESEARCH METHODS

3.1 INTRODUCTION

This chapter outlines the methodology which was used in gathering and analysing the data and reporting the results. It begins with the research design, population, and sampling and research instruments, procedures and data analysis

3.2. RESEARCH PHILOSOPHY

A research philosophy is a belief about the way in which data regarding a phenomenon should be gathered, analysed and used. According to Hudson & Ozanne (2018) research philosophy is closely linked to the following two terms: Epistemology, which is the relationship between the researcher and the reality or what is known to be true and Ontology which is the nature of reality or what is believed to be true.

3.2.1 The two major philosophical doctrines or paradigms in the social science

The two paradigms are positivism and interpretive philosophical paradigms. According to Hudson & Ozanne (2018) "positivism ontology asserts that there is a single, external and objective reality to any research question regardless of the researcher's belief. Thus, the positivist researchers take a controlled and structured approach in conducting research by initially identifying a research topic, constructing appropriate research questions and hypotheses and by adopting a suitable methodology. As positivists, researchers seek objectivity and use consistently rational and logical approaches to research. Further,

statistical and mathematical techniques are central in the research methods adopted by positivist researchers and they adhere to specifically structured research techniques to uncover single and objective realities.

The goal of positivist research is to make generalisations because human actions can be explained as a result of real causes that precede their behaviour. An interpretive researcher enters the field with some sort of prior insight regarding the research topic but assumes that it is insufficient in developing a fixed research design due to complex, multiple and unpredictable nature of what is perceived as reality. During the data collection stage, the researcher and his informants are interdependent and mutually interactive with each other. The goal of interpretive research is to understand and interpret human behaviour rather than to generalise and predict causes and effects (Hopkins, 2000). The researcher incorporated the pragmatism research philosophy which is a mixture of qualitative and quantitative descriptive research methods in this study and that was done with the purpose of improving the researcher`s knowledge on the approaches and that was also in line with the research topic. Thus, the approach was the most appropriate to improve the reliability and validity of the research findings.

3.2.2 Research paradigm

The researcher used mixed methods which relate to pragmatism that employs both qualitative and quantitative research data in a research study. In general, qualitative data is open-ended without any predetermined responses while quantitative data is more inclined to closed-ended responses for example those found in psychological instruments and questionnaires (Creswell & Creswell, 2018). The researcher used the convergent

parallel research design to collect data by collecting both qualitative and quantitative data at the same time. This ensured that the information collected was combined at the interpretation of the overall results obtained. This design was chosen in order to have a comprehensive analysis of the research problem

3.3 RESEARCH DESIGN

A research design constitutes decisions regarding what, when, how much, and by what means a research study would be carried out (Howell, 2013). The research design is a framework specifying the study's variables and it starts with a plan for selecting the sources and types of information used to answer the research question (Saunders, Lewis & Thornhill, 2012). The design is valuable for detailed analysis and the case study often provides focused and valuable insight to phenomena that may be vaguely known and less understood (Mawathe, 2008). The study undertook an in-depth understanding of the impact of internal control on financial management practices at Namibia Student Financial Assistant Fund using a mixed method approach. This was done using a cross sectional survey through distribution of questionnaires in a survey and interviews in order to obtain data from the targeted population to quantify the problem by way of generating numerical data or data that has been transformed into usable statistics. Also, to gain an understanding of underlying reasons, opinions, and motivations. The advantage of using it is in that it is less costly.

According to George (2021) mixed methods is defined as the "the approach that combines elements of quantitative research and qualitative research in order to answer your research

question". Mixed methods can help gain a more complete picture than a standalone quantitative or qualitative study, as it integrates benefits of both methods and would improve the quality of the research conclusion. The descriptive research design was used to analyse the findings and come up with conclusions and recommendations to implement affective internal controls in the financial management of NSFAF. For identifying the impact of internal control in NSFAF and establish the relationship between internal control and financial performance, the realism pragmatic philosophy was pursued to concentrate on reality and beliefs that already exist in the fund. It establishes procedures that allow the researcher to test hypotheses and systematically and scientifically study contributing relationships among variables.

3.4 POPULATION

The aggregate of individuals sharing similar characteristics describes the target population (Kothari, 2019). The target population further refers to the group to which the study findings are generalised. It also refers to the entire group of people, events or things of interest that the researcher wishes to investigate. This study targeted a total population of 70 employees from different departments of the NSFAF, including the Chief Executive Officer, middle management and specialised/skilled/senior supervisors.

3.5 SAMPLING

The population of 70, having been considered and respondents having been selected were categorised as follows: Member of the board, CEO, middle management and specialised skilled/senior supervisory by using simple random sampling for every employee to have an equal chance of being included in the sample. Since the size of the population of

NSFAF was only 70, and all the employees were considered, the research did not sample the population but instead used the census method. The sample size of 20, for the qualitative part of the study was drawn from the target population.

3.6 RESEARCH INSTRUMENTS

The study used questionnaires and an interview guide, as the main data collection instruments. A qualitative approach is described as a systematic subjective approach used to describe life experiences and situations to come up with meaning, with the aim of explaining how and why people behave in a certain way, thus examining beliefs, perceptions, motivations, attitudes and opinions (Burns & Grove, 2003)

3.6.1 Questionnaires

A questionnaire is a written list of questions which are recorded by respondents and is administered without the presence of the researcher (Kumar 2011:145). Kothari (2010) recommends this method because of its ability to collect data from large samples and its findings are dependable and reliable as it offers great anonymity. The questionnaires with Likert scale closed ended questions were distributed to the respondents selected with a request to answer the questions and return the questionnaire. It consists of a number of questions printed in a definite order or set of forms, comprised of various parts focused on the personal background information with structured questions. Sub-titles were provided to ensure that there was no confusion.

The researcher used structured questions to collect data's on the internal controls used in the respective State-Owned-Enterprise. This method was selected because it was cost-

effective and saved time by collecting data from a large sample once (i.e., a short period of time that is required to fill the questionnaire, and it is free from bias). The study used questionnaire to collect primary data. This method is mostly used to ensure checks and balances as they complement one another. The use of questionnaires was meant to ensure validity and reliability of the collected data.). The researcher administered a drop and pick method for respondents in various departments of the NSFAF and the structured questions were administered. The questionnaires were distributed to the NSFAF staff in different departments.

3.6.2 Interview guide

Interviews were conducted through an interview guide, and this allowed the researcher to ascertain the attitude of the targeted group by collecting data from the respondents through one-on-one interaction. The interview is an essential qualitative data collection method which involves word of mouth conversations between the researcher and the responder.

3.7 PROCEDURE

The questionnaires were distributed to employees in different departments of NSFAF where the researcher incorporated all the research objectives formulated in the study. The structured questions provided more structured responses. Data was also collected using a semi-structured interview guide and respondents from the NSFAF who were at the management level were interviewed. De Vos (2011: p351) stated that “researchers use semi-structured interviews in order to gain a detailed picture of a participant’s beliefs about, or perceptions or accounts of, a particular topic”.

The secondary data sources were also used to supplement the data received from the questionnaires. The secondary data were obtained using a questionnaire which was completed by the staff members of the NSFAF.

3.8 TYPES AND SOURCES OF DATA

Both primary data and secondary data were used in this study.

3.8.1 Primary Data

Primary data refers to information or first-hand data that has not been published or documented in the book or any publications. Some of the examples are individuals, focus groups and panels of respondents whose opinions may be sought on specific issues (Sekaran, 2003). Primary data can be qualitative data or quantitative data, the quantitative data can be descriptive data or casual data but for this study the research it was mainly quantitative data as most respondents came from the questionnaire. Questionnaires were preferred due to it being able to provide first-hand information that has not been altered, at the shortest time possible while still maintaining the anonymity of the respondents.

3.8.2 Secondary Data

Secondary data refers to information gathered from existing sources (Sekaran, 2003). Secondary data are data collected before by another researcher (Kothari, 2004). In other words, these are data which are already collected, analysed and stored for public use including reports, journals, research papers and other relevant data relating to the subject at hand. In this study, secondary data is obtained by examining records such as

government publications, NSFAF web sites, newspaper articles and related research papers.

3.9 RELIABILITY, VALIDITY, CREDIBILITY, TRANSFERABILITY, CONFIRMABILITY AND TRUSTWORTHINESS OF THE STUDY

3.9.1 Validity

Validity always relates to the extent to which the research data as well as the methods for finding the data are accurate, honest and on target (Denscombe, 2017). Relevant information requires careful planning to ensure that the information is clearly related to research objectives, and was collected from the individuals best suited to providing the information. Obtaining information that is complete and accurate requires well planned information collection instruments and survey administration procedures. Validity was tested by using the construct validity method. Construct validity concerns the extent to which your test or measure accurately assesses what it's supposed to. In research, it's important to operationalize constructs into concrete and measurable characteristics based on your idea of the construct and its dimensions. This ensured that data collection instruments enabled comprehensive determination of the phenomenon that exists.

3.9.2 Reliability

Reliability refers to the statement used to measure the consistency of the research findings. According to Sekaran & Bougie (2010), reliability of measurement is established by examining the stability and consistency of the data. In order to ensure the reliability of the research findings, the researcher designed the questionnaires in a simple short

format, to avoid respondents' confusion. Test-retest method and Cronbach's alpha were used to determine the reliability of the questionnaires.

3.9.3 Credibility

Nowell *et al.* (2017) claimed that the credibility of a study is determined when core searchers or readers are confronted with the experience, they can recognize it. Credibility addresses the "fit" between respondents' views and the researcher's representation of them (Nowell *et al.,* 2017). Nowell *et al.* (2017) suggested several techniques to address credibility including activities such as prolonged engagement, persistent observation, data collection triangulation, and researcher triangulation. They also recommended peer debriefing to provide an external check on the research process, which may therefore increase credibility, as well as examining referential adequacy to check preliminary findings and interpretations against the raw data. Credibility can also be operationalized through the process of member checking to test the findings and interpretations with the participants (Nowell *et al.,* 2017). The researcher therefore did peer debriefing to provide an external check on the research process.

3.9.4 Transferability

Transferability refers to the generalisability of inquiry. In qualitative research, this concerns only to case-to-case transfer (Nowell *et al.,* 2017). The researcher cannot know the sites that may wish to transfer the findings; however, the researcher is responsible for providing thick descriptions, so that those who seek to transfer the findings to their own site can judge transferability (Nowell *et al.,* 2017).

3.9.5 Confirmability

Confirmability is concerned with establishing that the researcher's interpretations and findings are clearly derived from the data, requiring the researcher to demonstrate how conclusions and interpretations have been reached (Nowell *et al.,* 2017). According to Nowell *et al.* (2017), confirmability is established when credibility, transferability, and dependability are all achieved. Nowell *et al.* (2017) recommended researchers include markers such as the reasons for theoretical, methodological, and analytical choices throughout the entire study, so that others can understand how and why decisions were made.

3.9.6 Trustworthiness

Trustworthiness is one of the ways researchers can persuade themselves and readers that their research findings are worthy of attention (Lincoln & Guba, 2013). Lincoln and Guba (2013) refined the concept of trustworthiness by introducing the criteria of credibility, transferability, dependability, and confirmability to parallel the conventional quantitative assessment criteria of validity and reliability. The procedures for fulfilling the trustworthiness criteria are familiar to many, even those who have differences in epistemology and ontology, as they rely on methodological arguments and techniques (Green, 2000). While others have more recently presented expansive and flexible markers of quality in qualitative research (Tracy, 2010), we have chosen to use the original, widely accepted, and easily recognized criteria introduced by Lincoln and Guba to demonstrate trustworthiness in our study. We argue these trustworthiness criteria are pragmatic choices for researchers concerned about the acceptability and usefulness of their research for a

variety of stakeholders. These trustworthiness criteria will be briefly defined and then interwoven throughout a description of how we attempted to conduct a trustworthy thematic analysis.

3.10 DATA ANALYSIS

According to Mugenda (2003), data analysis is the way toward giving meaning and order to data gathered. This is why data presentation and analysis is of utmost importance when undertaking a research study to answer the research questions or objective and to help determine the trends and relationships among the variables. The data collected from the questionnaires was edited for accuracy, consistency and completeness. It was then coded to enable the researcher to group it in various categories. Content analysis was used to analyse the respondents' views regarding the impact of internal control on financial performance at NSFAF, whereas descriptive analysis was used mainly to summarise the data collected and to give the researcher a quick and clear impression of the location of the data, in order to ensure that nothing is left to chance, the data was categorized according to the main areas of focus in the questionnaire from which this data was derived thereby making sure all research objectives were being achieved . Analysis of data for this study involved a comprehensive interpretation, summary of the results of the study, listing the main conclusions from the research with emphasis on how the NSFAF could improve on the internal controls on financial performance. Data obtained was analysed after grouping the data in particular analytical categories, for example, level of education, age and much more data was analysed. The statistical package for social science (SPSS) was used to analyse the quantitative data and qualitative data was analysed using content analysis. The results were presented using statistical tools such graphs, pie charts, and

tables. Thematic analysis was used to analyse data. Thematic analysis helps researchers understand those aspects of a phenomenon that participants talk about frequently or in depth, and the ways in which those aspects of a phenomenon may be connected

3.10.1 Thematic analysis

Thematic analysis is an apt qualitative method that can be used when working in research teams and analysing large qualitative data sets. Researchers who are relatively unfamiliar with qualitative methods may find that thematic analysis is easily grasped and can be relatively quick to learn, as there are few prescriptions and procedures. Trustworthiness is one way researchers can persuade themselves and readers that their research findings are worthy of attention (Nowell *et al.*, 2017). Nowell *et al.* (2017) refined the concept of trustworthiness by introducing the criteria of credibility, transferability, dependability, and confirmability to parallel the conventional quantitative assessment criteria of validity and reliability.

3.11 RESEARCH ETHICS

An ethical clearance certificate was acquired, in line with the policy of the University of Namibia. For purposes of minimising the fears and also to have access to the sectors, consent was sought from these organisations. Letters of permission from the University of Namibia's research department were sent to all these authorities. In the preamble to the questionnaire, respondents were made to understand that the study was meant for academic purposes only and not for fault finding and or victimisation. The study also proposed solutions and recommendations to improve upon the existing practice for effective and efficient use of the scarce resources, especially of the state. The respondents

were again informed that names of the respondents of the questionnaire would not be disclosed. They, therefore, were urged to be frank in the responses to the questionnaire.

Information collected during the study is being kept safe until after a period of five years. The electronic information is kept in the researcher's hard-drive under a security coded folder. Hard materials such as completed questionnaires are kept in the safe box which can be opened with an access code known only by the researcher. The researcher is keeping the data collected through-out the study for a period of five years after approval. .Electronic data will be permanently deleted from the folder, while hard materials such as questionnaires will be destroyed using a shredding machine after five years.

3.12 CHAPTER SUMMARY

The methodology and research design used in this study was discussed in this chapter. A mixed research design methodology was used in this study. The population and the sample of the study were discussed, together with the data collection instruments, data analysis and how the research satisfied the requirements of validity, reliability, credibility, transferability, confirmability and trustworthiness issues and ethical considerations.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1 INTRODUCTION

This chapter presents the data on the impact of internal controls on financial performance at NSFAF. The chapter would present data based on research objectives of the study namely: Identify the factors that would affect the choice of the internal control measures at NSFAF; Examine the impact of internal control on monitoring the student funds records at NSFAF. Examine the impact of internal control on the achievement of operational goals at NSFAF. Establish the relationship between internal control and financial performance of NSFAF.

Finally, conclusions are drawn from the results to summarise the outcome of the impact of internal controls on the financial management practices at NSFAF.

4.2 RESPONSE RATE

The study targeted employees of NSFAF. Seventy questionnaires were sent out to NSFAF, only 50 returned giving response rate of 71%. The percentage is high enough to allow results to be analysed. John (2022) states that a response rate of 50% is adequate supported by Mika (2020) who say 55% is adequate enough to allow credible results. However, 10 questionnaires are not accounted for analysis purpose and were disqualified because of incompleteness, and represent 14% of the total rates.

4.3 PRESENTATION OF THE QUESTIONNAIRES RESULTS

4.3.1 Gender of respondents

Figure 4.1 below depicts results on gender of the participants in this study

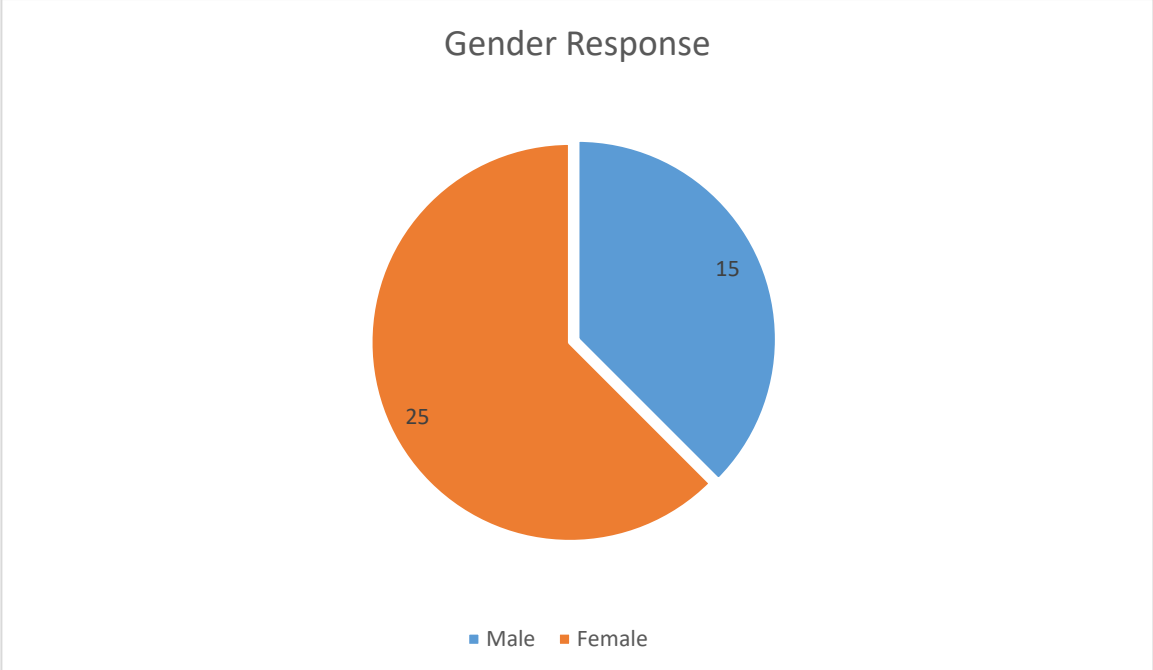

Figure 4.1: Gender of respondents

Source: Primary data collected through questionnaires

Figure 4.1 depicts results on the gender of the participants in the study. The study was comprised of 63% females and 37% males. Finding from gender and age analysis indicated that the females dominated the study compared to male. Results of figure 4.2 shows that the majority females were in the age group 26-35 with 28% follows by 15% in age 41-51, 9% in age of 20-25, 7% in age of 36-40 and 13% age 52 and above. This means that females are younger in the study representing 28% of the respondent's rate.

4.3.2 Age group

Figure 4.2 below shows the various age group of the participants in the study

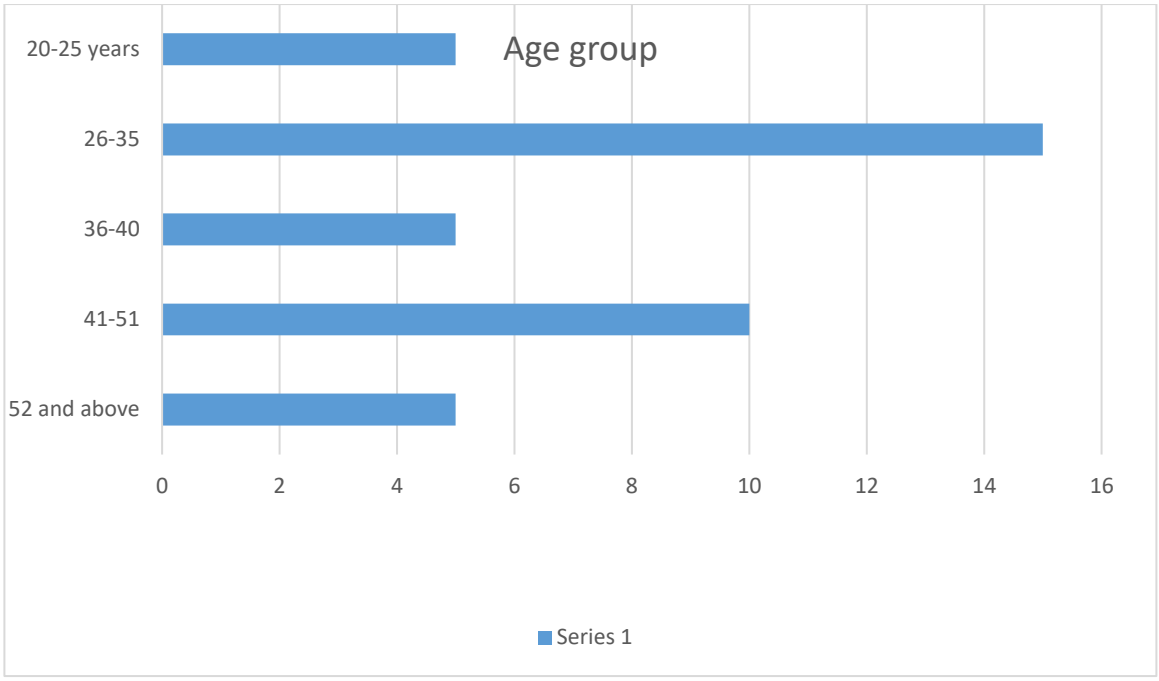

Figure 4.2: Age group

Thirty-Eight per cent of the participants were age between 26 and 35 followed by age between 41 and 51 twenty-five, and thirteen per cent of age between 20 and 25, 36 and 40, 52 and above respectively. The age distribution showed that the respondents are matured; only 13% are the younger. The implication of the data presented in figure 2 is that, majority of the respondents are mature enough to work in the institution. This means that, the responses given by the respondents are reliable.

4.3.3 Level of qualification

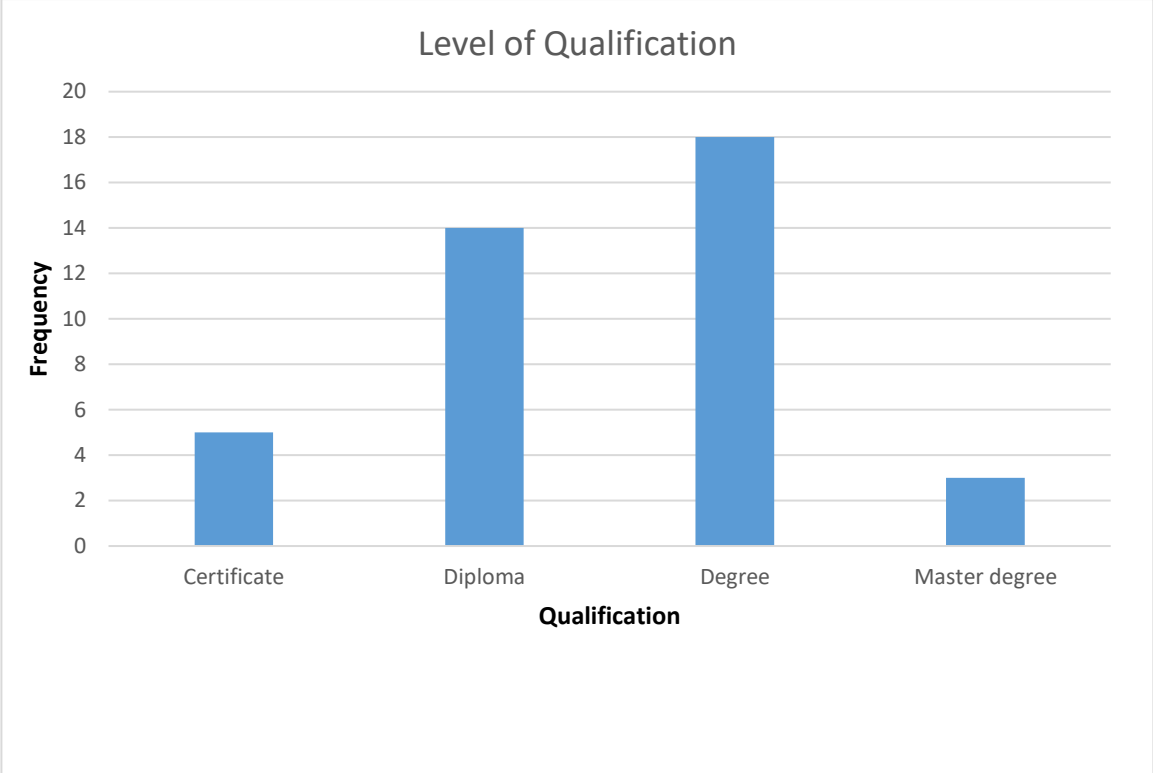

Figure 4.3: Level of Qualification

Figure 4.3 above shows that forty-five per cent of the respondents hold a bachelor degree, followed by Diploma holders with thirty-five per cent. Among the 40 respondents, none of them had the qualifications below diploma or certificate. This means all the respondents had acquired some qualification for them to understand the importance of internal control within the organisation and what the risk is for not complying with the controls put in place.

4.3.4 Years of experience of the respondents

In terms of experience, figure 4.4 below shows that more than 80% of the respondents had work experience of more than six years. 25% have 16-20 years' experience followed by those who had operated between 11-15 years at 12.5%, 6-10 years at 47.5% finally 1-5 at

15%. The study note that the respondents have experience and expecting the information provided to be reasonably trustworthy.

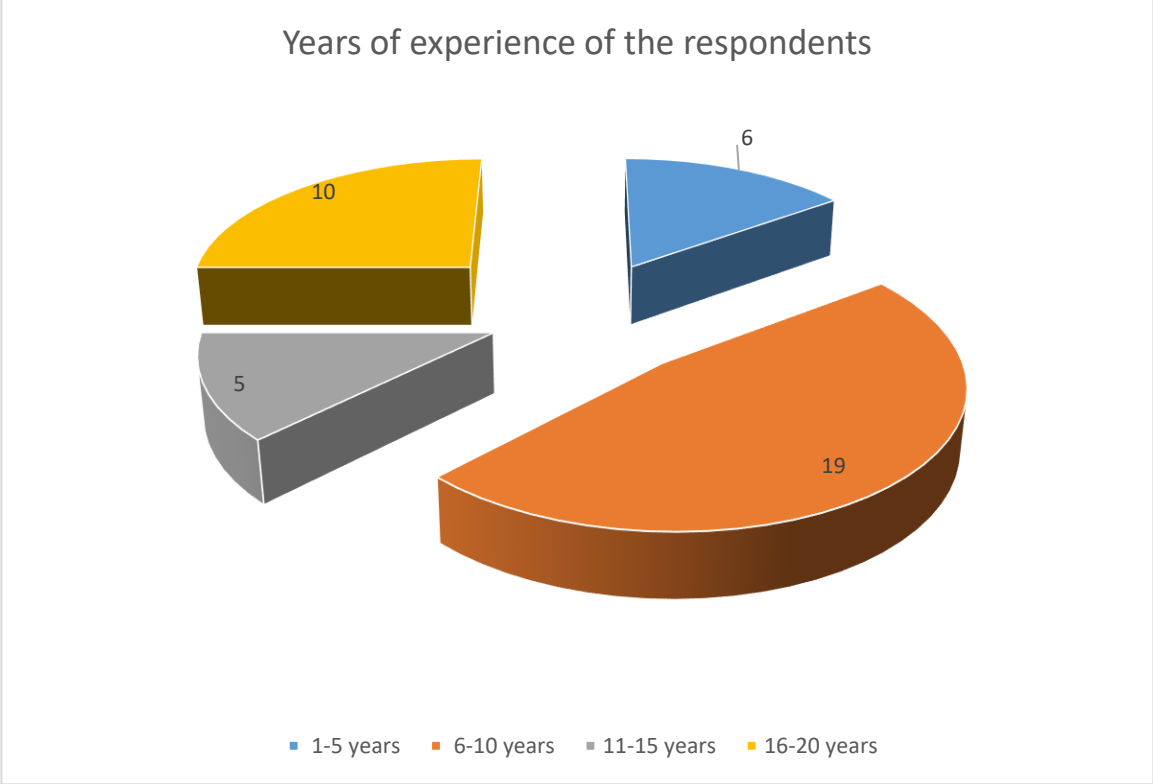

Figure 4.4: Years of experience

4.3.5 Position of Respondents

This demographic variable was analysed to reveal the positions held by the respondents' in the various schemes.

Table 4.1 Current job types

Position	Frequency	Percent

Administration duties	25	62.5
Accounting duties	8	20
Auditing task	0	0
Management duties	5	12.5
Executive duties	2	5

This variable seeks to identify the type of job performed by participants. In terms of duties performed, majority of the respondents (62.5%) perform administration duties, 20% accounting duties and none performs auditing duties. The figure showed above implies that among the respondents, the administration personnel constitute the largest and there for would able to give accurate responses regarding the effectiveness of internal controls within NSFAF.

4.3.6 Code of conduct and ethics policies exist in NSFAF

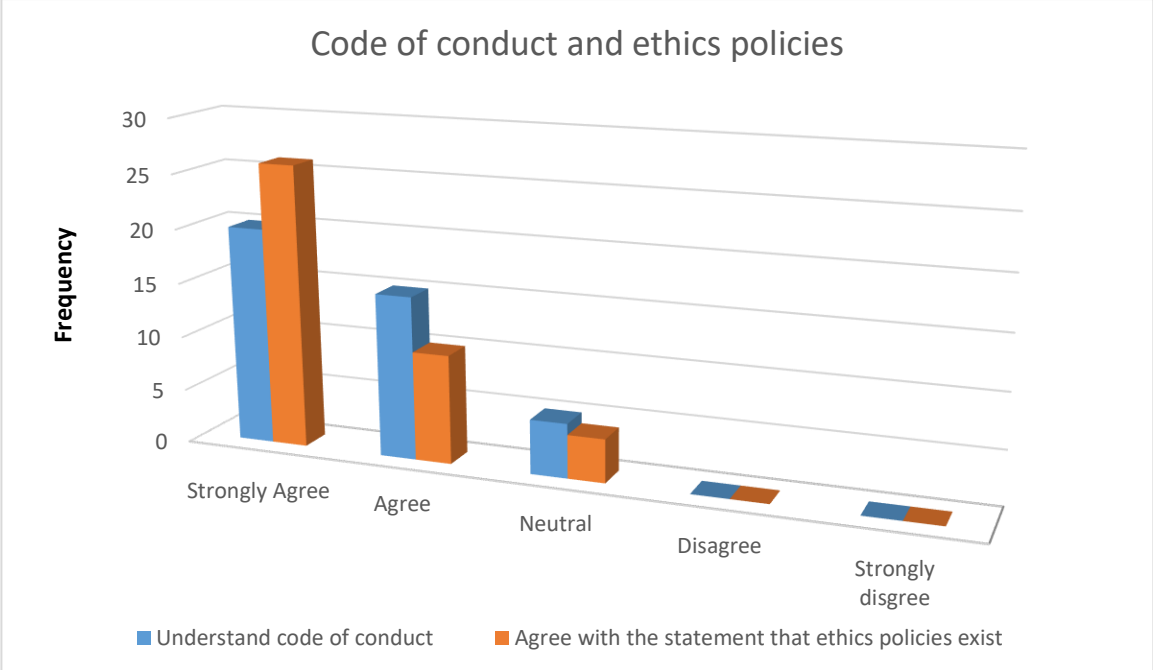

Figure 4.5 Code and ethics

The study aimed to establish the extent to which the respondents agree with the statement that employees of NSFAF understand the code of conduct and the existence of ethics policies. 50 % of the respondents strongly agree that NSFAF clearly revealed the code, while 38% agree which brings the total to 88% agreeing to understand the code of conduct. Only 12% were neutral. The results show that the company's code of conduct is very effective and most of the employees of the company understand the code and only few are not sure. The management did play their role to communicate the code with in NSFAF.

65 % of the respondents strongly agreed with the statement that the ethics policies exist in NSFAF, while 25 % agree and bringing the total of agreed to 90% and only 10% of the respondents are neutral. Majority agreed with the existence human resources policy and performance reward system and that they are very effective. Management therefore have

ensured that there are clear rewards (incentives) for doing the right things and consequences (disincentives) for doing the wrong things.

4.4 EXISTENCE OF INTERNAL CONTROL SYSTEM

This variable was to test the respondents' knowledge of the existence of internal control systems at the Namibia Student Financial Assistant Fund. All 40 respondents to the questionnaire representing100% acknowledged that there were internal control systems. This implies that information about the existence of internal control have been communicated well by management.

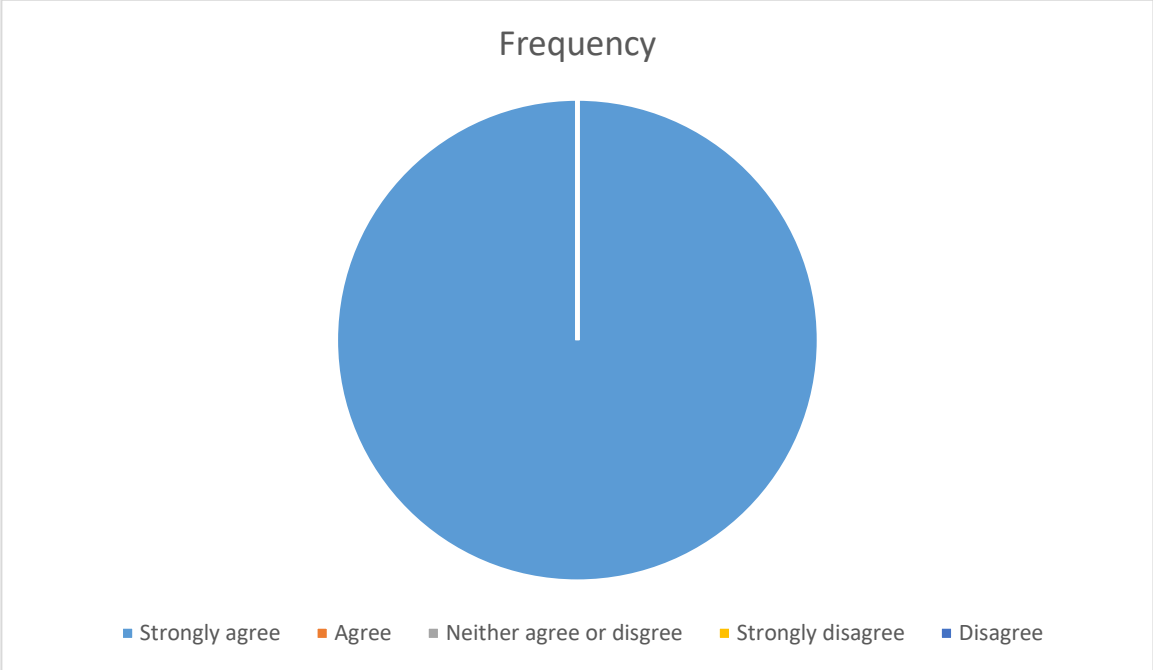

Figure 4.6 Existence of internal control system

4.5 TYPE OF INTERNAL CONTROLS

With the analysis of the questionnaire, it came out that majority of respondents representing 55% identified preventive controls as the type of internal control that exists

in Namibia Student Financial Assistance Fund, 35% of respondents identified directive controls and 10% said there were detective controls. Preventive control was the most dominant type of internal control. Internal control system existence is to prevent and as well detect. Preventive controls attempt to deter or prevent undesirable events from occurring. In NSFAF preventive controls are dominant, therefor it's effective, proactive is better than reactive the results showed that in NSFAF, detective controls seems to be weak and the weakness might have been caused by poor implementation or performance of the controls with in NSFAF and manager's needs to put more effort for detective control to be effective.

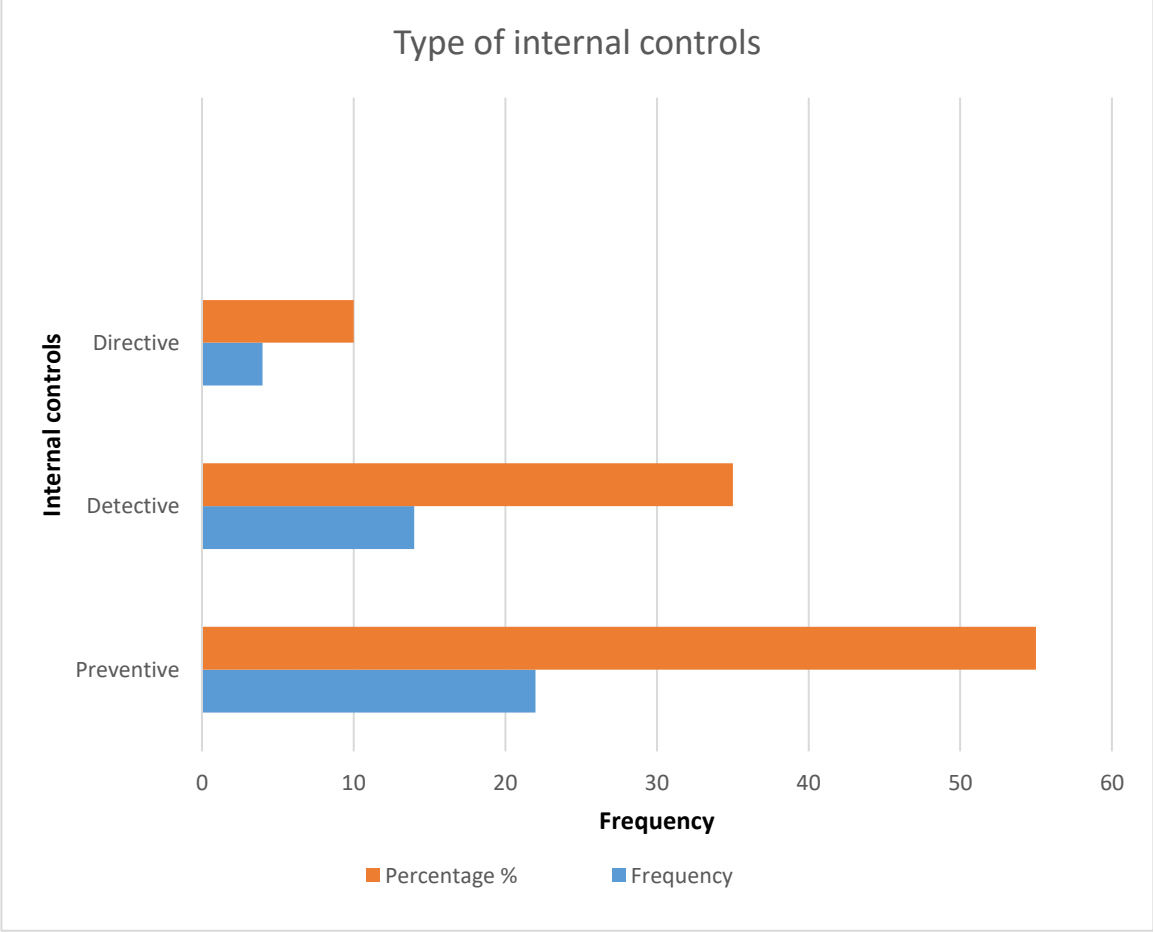

Figure 4.7 Type of internal control

4.6 INFLUENCES OVER INTERNAL CONTROL MEASURES

The variable was to investigate if any factors affecting the choice of the internal control measures. Out of the respondents, 63% said no factors affect the internal control measures and only 37% said there are factors affecting the choice of internal control measures. For an internal control to be effective, the control policies and procedures must not be under the influence of one person. When such happens, that individual can easily override the controls. The objective of this research was to identify the factors that will affect the choice of the internal control measures. Majority of 63% showing that there are no factors that are affecting the choice of the internal control measures at Namibia Student Financial Assistance Fund. The study shows that the 63% agreed that no factors affect the internal control measures set by management, the result means that the there is no factors influencing the internal controls. NSFAF was established through an Act of Parliament, namely the Namibia Students Financial Assistance Act, Act No. 26 of 2000 (GoN, 2000). The act as a guidance specified clearly the mandate of NSFAF and NSFAF operate according to the specification of the act in order to achieve their objectives and therefore no factors can affect the internal control measures set by management**.**

Table 4.2 Influence over internal control measures

Category	**Frequency**	**Percentage %**
Yes	15	37

No	25	63
Total	40	100%

4.7 IMPACT OF INTERNAL CONTROL ON MONITORING THE RECORDS (LOAN HOLDER'S RECORDS) AND ACHIEVEMENT OF OPERATIONAL GOALS

The desire of the study is to find out how the respondents would rate the effectiveness of internal control on monitoring the loan holder records or asset of NSFAF. Fifty per cent of the respondents agreed that the internal control effectiveness was satisfactory, 30% of the respondents either agreed or disagreed and 20% disagreed that the impact of internal control on the monitoring of student records was satisfactory.

This revealed that the internal control on monitoring of loan holders records and assets at NSFAF might exist but are not 100% effective, as 50% agreed that it is effective and other 50% disagreed. According to Kaulinge (2011) manual filing system are used by the MoE as a way of storing student records. The current filling system is considered outdated and risky as records are been filled manually, since student records are easily lost and even misplaced.

The results supported by earlier findings by Lannoya (2019) who said internal control provides reasonable assurance not absolute assurance. Therefore, regardless of how well

the internal control designed, it cannot provide absolute assurance that all objectives will be met.

From interviewing the respondents, the researcher desired to know how the recovery rate of loan holders was, and majority was not happy about the recovery rate and descripted it a very slow loan recovery rate.

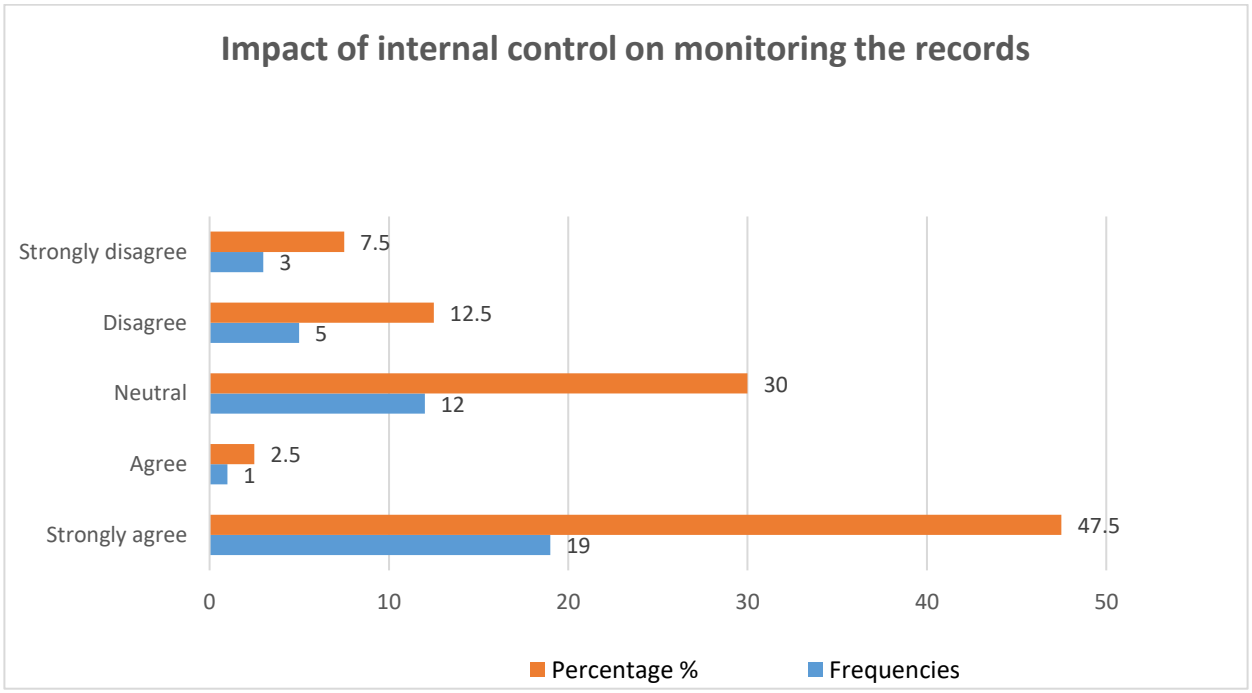

Figure: 4.8 Influence of internal control on monitoring the records (Loan holders records) and achievement of operational goals

4.7 Effectiveness of Internal Controls

This variable was investigate to see how respondents would rate the effectiveness of the Internal Controls of the Ghana Post Company Limited, 75% of the respondents said the internal control effectiveness was satisfactory, and 25% of the respondents rated the internal controls as being strong as indicated in table 4.10 below. The presentation of

findings revealed that the internal control systems in Ghana Post Company Limited were satisfactorily effective. This is true because according to Lannoye (2009) an internal control provides reasonable assurance not absolute assurance. Therefore, regardless of how well designed and operated an internal control system is, it cannot provide absolute assurance that all objectives will be met.

4.8 RELATIONSHIP BETWEEN INTERNAL CONTROL AND FINANCIAL PERFORMANCE

This section answered the objective four of the study. According to figure 4.8 and table 4.3 below table shows positive relationship between internal control and financial performance of the organisation (NSFAF). Through face-to-face interview, thirty respondents, equivalent to 75% showed that there is relation between internal controls on financial performance, while 25% indicated that there is no relationship. This means that majority of the respondents believe that there is indeed relationship between and financial performance' this implies that if more efforts are put towards a stronger internal control system, there will be better performance of the company (Ayneshet 2020)

Table 4.3: Relationship between internal control and financial performance

Variables	**Frequency**	**Percentage**
Agree	30	75
Disagree	10	25
Total	40	100%

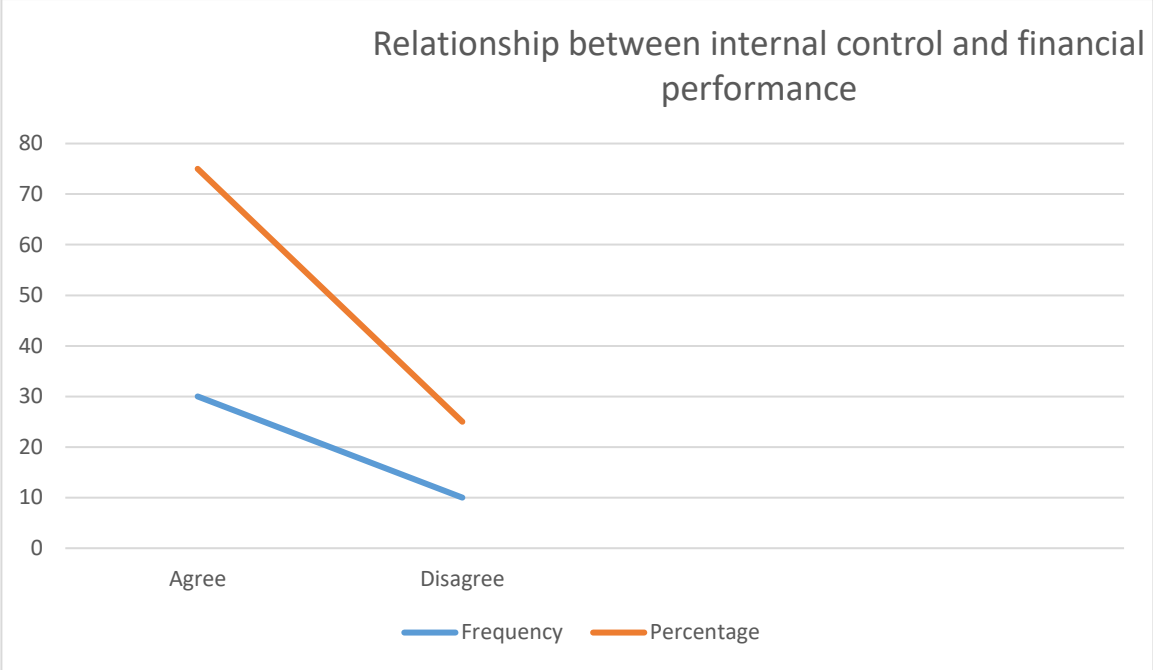

Figure 4.9: Relationship between internal control and financial performance

4.9. MECHANISM OF THE COSO

Table 4.4 Five mechanisms of the COSO (Committee of Sponsoring Organisations **of the Tread Way Commission)**

	Control environment	Risk assessment	Control activity	Monitoring
Strongly disagree	0	2	2	10
Disagree	0	5	3	10
Neither agree nor disagree	0	3	5	0
Agree	30	10	5	10
Strongly agree	10	20	25	10

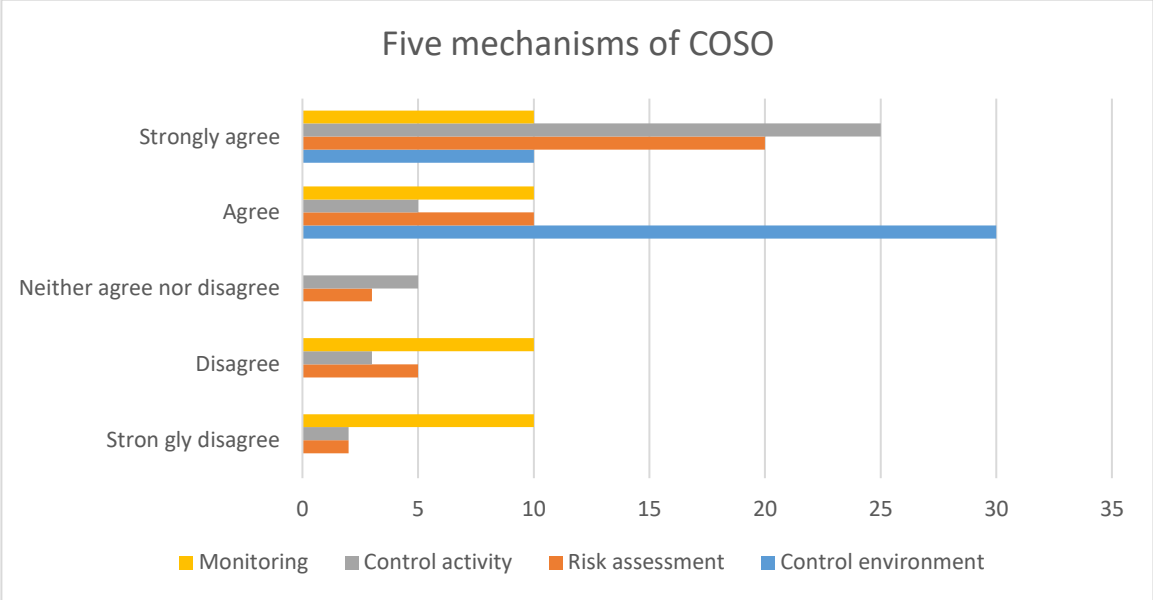

Figure 4.10 Five mechanisms of the COSO (Committee of Sponsoring Organisations **of the Tread Way Commission)**

Based on the data collected and the responses received, the results of the analysis been presented and discussed below:

The respondents have been asked whether the internal control secures the assets and the employees of NSFAF and 75% of the respondents agreed while 17% disagreed and 8% neither agreed nor disagreed. Majority agreed which means they believe that the internal control secures asset of the company. On whether the internal controls contribute to the

optimization of the company's effectiveness 75% agreed, 12,5% disagreed and 12.5% neither agreed or disagreed. Twenty of the respondents who represent 50% are of the opinion that internal control contributes to the understanding and confronting of any danger found through the checking and 50% disagreed. The table above shows that with in NSFAF, there is organised plan for every sectors and department, which is reformed which represent 100% of the respondents. The set of standards, processes, and structures that provide the basis for carrying out internal control across the organisation in NSFAF is well established and all employees understands the standards, processes and structures as this is based on the Act No 26 of 2000 and policy implemented by the Government of Namibia and employees are mandated to know and act accordingly. COSO 2013 strengthens Control Environment as the set of standards, processes, and structures that provide the basis for carrying out internal control across the organisation.

	Strongly agree	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
1. The internal control secures the assets and employee of enterprise in which you work	20	10	3	5	2
2. The Internal Control contributes to the optimization of the company's effectiveness	25	5	5	3	2
3. Internal Control contributes to the understanding and confronting of any danger found through the checking	10	10	0	10	10
4. There is an organized plan for every sector and	30	10	0	0	0

4.2 ORAL INTERVIEWS FOR MANAGEMENT

4.2.1 The researcher sought to find out from the respondents if there is clear guideline of the rules and regulations for everyone to follow.

According to the respondents, a clear defines guideline authorized by the policy makers are available for each and every one.

4.2.2 **The respondents were also requested to provide information on whether there is a precise management policy on risk management**.

According to the respondents there was no precise management policy on risk management, but there were guidelines in place on how to mitigate and reduce the risk to occur within the different departments and that the only guide public document which is available for government institutions in the State Finance Act and the treasury instruction.

4.10 CHAPTER SUMMARY AND INTERPRETATIONS OF THE FINDINGS

The study looked at the impact of internal controls on financial performance at NSFAF. The chapter presented the results and analysis of the findings of the study. The data was collected using the questionnaires and an interview guide as the research instruments. The questionnaires were in line with the research objectives of the study. Seventy questionnaires were administered to the respondents at their offices using the drop and pick method and links which were forwarded to the respondents. 40 questionnaires were returned. This was analysed to give the findings in this report. This constituted 71% response rate and majority were woman and respondents aged between 26 and 35 years. Some respondents refused to fill in the questionnaires and respond to the face to face interviews. Most of the respondents were too busy throughout and had to continuously be reminded and even persuaded to provide the required information.

Analysis of the respondents revealed that majority 47.5% of the respondents had been in operation for between 6-10 years followed by those who had operated for between 11-15 years at 12.5% and finally 0-5 years at 15%. The study note that the respondents have experience and expecting the information provided to be reasonably trustworthy.

The study sought to establish the area of operation for the respondents. 62.5 of the respondents were administrators, 20% were involved in accountancy, and 12.5% were engaged in management duties and 5% executives.

Through face-to-face interview, thirty respondents, equivalent to 75% showed that there is relation between internal controls on financial performance, while 25% indicated that there is no relationship. This means that most believe that there is indeed relationship between and financial performance' this implies that if more efforts are put towards a stronger internal control system, there will be better performance of the company (Ayneshet 2020).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5. INTRODUCTION

This chapter presents a summary as per the study objectives, sets out the relevant conclusions based on the findings and makes recommendations which are based on both the study findings and other relevant literature considered necessary. The purpose of this study was to investigate the impact of internal controls on financial performance at NSFAF. The aim of the study was achieved by addressing the following objectives:

- To identify the factors that affect the choice of the internal control measures at NSFAF
- To examine the impact of internal control on monitoring the student funds records at NSFAF
- To examine the impact of internal control on the achievement of operational goals at NSFAF
- To establish the relationship between internal control and the financial performance of NSFA

5.1 SUMMARY OF FINDINGS

The study revealed that the majority of participants were females, the age group of 26-35 years and most had acquired tertiary education. Among the population covered by the research, administration was the dominant profession and therefore administrative staff

were the majority. Most of the respondents had been with the company for more than 6 years.

In terms of understanding of the codes of conduct, most of the respondents agreed that they understood the codes. The respondents indicated that there are internal controls that seems to be ineffective and need to be strengthen.

The management was seen as being responsible for setting up internal controls and not one particular person was in control of decisions or activities as revealed by the study. According to the International Standard on Auditing 315 (2013) the management are responsible for implementation of effective internal controls and the majority of the respondents indicated that management oversaw the responsibility of internal controls. Internal controls were the measure to enhance compliance and that it was the responsibility of management to ensure that internal controls such as policies and procedures are adhered to. Strong internal controls allow for three main objectives: accurate and reliable financial reporting, compliance with laws and regulations, and effectiveness and efficiency of the organizations operations According Cerini & associates 2022), strengthening control systems can be achieved through the use of five components of internal control namely: the risk assessment, control environment, control activities, information and communication and monitoring which are considered necessary for achievement of the NSFAF objectives.

The Government of Namibia as policy maker and the funder of NSFAF, should revise the policy on which NSFAF is governed on a regular basis as they might be outdated and not be effective, as effective implementation is lacking. In other words, it is appropriate that, when a policy is implemented, an accompanying implementation plan and strategy should

be formulated. Furthermore, there should be a monitoring and evaluation system in place to assess the progress of the policy or programmers during the implementation, and to rectify unintended deviations during policy implementation as soon as they may occur.

5.3 CONCLUSIONS

The general purpose of this study was to investigate the impact of internal controls on financial performance practices at the Namibia Student Financial Assistance Fund. In order to achieve this purpose, literature relating to the subject area was reviewed and data from the Namibia Student Financial Assistance Fund was collected and analysed. After the analysis and discussion of the data, it was found that even though internal controls are in existence within NSFAF, management needs to strengthen internal controls to be effective in enabling the organisation to meet it objectives. With literature reviewed, inabilities of the control system to detect loan holder (loan beneficiaries) that do not comply with the repayment policy to repay their loan and slow loan recovery rates have been found. Therefore, NSFAF needs to revisit its internal controls (policy) and make amendments where it is necessary to meet the current situation. Notwithstanding the negative effects of the system, the control system has led to positive financial and non-financial performance at NSFAF.

5.4 RECOMMENDATIONS

Based on the findings of this study, the following recommendations are made:

It is recommended that the NSFAF ensures that the fund serves the purpose for which it was established for and therefore should adopt the COSO framework to strengthen the internal controls as it is very broad and applicable to the effectiveness and efficiency of

both operational and financial reporting controls. The COSO framework is easy to understand and is adaptable to both start-up and mature business operations and it is applicable to more complex businesses that suffer due to its broadness.

The organisation should conduct regular control system reviews. This can be done at least twice a year. Conducting regular control system review should enable the organisation to determine if the control systems are working effectively and efficiently. The organisation can learn from the outcome and improve on the policies.

The organisation should investigate all control failures to determine the cause(s) of the failure for proper explanation to staff.

The Government of Namibia as policy maker and the funder of NSFAF, should revise the policy on which NSFAF is governed, as effective implementation is lacking. In other words, it is appropriate that, when a policy is implemented, an accompanying implementation plan and strategy should be formulated. Furthermore, there should be a monitoring and evaluation system in place to assess the progress of the policy or programmers during the implementation, and to rectify unintended deviations during policy implementation as soon as they occur.

5.5 AREAS FOR FUTURE STUDY

The researcher recommends for another study that could investigate whether performance could be enhanced is NSFAF adopted the COSO framework for effective control. This, since the current study shows the five mechanisms of the COSO which have been effective elsewhere. Also, the monitoring activities are not 100% effective and need to be

strengthened. Due to time constraints the researcher was unable to collect more information that could enrich the findings.

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APPENDIX A

Research Questionnaire

This questionnaire aims to collect data on investigating the internal controls on financial management practices at Namibia Student Financial Assistant Fund and you are requested to respond to the questions below. The data will be used for academic purposes only and it will be treated with the confidentiality that it deserves. The employees are highly encouraged and persuaded to respond to the statements in this questionnaire in the most truthful and objective way.

Instructions: Please kindly tick the box that clearly expenses your view about a question.

PART A: GENERAL INFORMATION

1. Gender
    a. Male
    b. Female
2. What is your age group?
    a. 20-25 years
    b. 26-35
    c. 36-40
    d. 41-51
    e. 52 and above
3. What level of qualification do you have?
    a. No qualification
    b. Secondary education certificate

c. Certificate

d. Diploma

e. Degree

4. How long have you worked for NSFAF?

   a. 1-5 years

   b. 6-10 years

   c. 11-15 years

   d. 16-20

   e. 21 years and above

5. What type of the work are you doing in your current position?

   a. Administration duties [ ]

   b. Accounting duties [ ]

   c. Auditing task [ ]

   d. Management duties [ ]

   e. Executive duties [ ]

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
6. To what extent do you agree with the statement that the employees of the NSFAF understand the					

code of conduct of government?					
7. To what extent do you agree with the statement that ethics policies exist in the NSFAF					

PART B: KNOWLEDGE AND AWARENESS OF INTERNAL CONTROLS IN NASFAF

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
8. Internal control is one of the major components of job satisfaction at NSFAF					
9. Everyone in NSFAF					

are aware of internal control procedures in NSFAF					
10. The internal control procedures established by NSFAF are effective					
11. I have breached the internal control procedure in NSFAF					

12. Do you understand and fully comprehend the internal control procedures at NSFAF?

a) Very well [ ]

b) Well [ ]

c) Vaguely [ ]

PART C INTERNAL CONTROL PRACTICES IN NSFAF

Using a scale of 1 – 5, with 5 being the highest and 1 the lowest in the ranking complete the applicable questions by circling the appropriate scale.

	1	2	3	4	5
13. NSFAF conducts extensive training programs for its Employees with regards to internal control implementation					
14. Employees in each job category normally go through training Programs (on yearly basis.					
15. Training needs NSFAF employees are identified through a formal performance appraisal mechanism.					
16. Formal training programs to teach new employees the internal controls they need to observe for the effective performance of their jobs					

17. Training needs identified are realistic, useful and based on the business strategy of the NSFAF					
18. Internal control functioning (performance) is measured on the basis of objective quantifiable results					
19. Internal control systems in NSFAF are growth and development oriented.					
20. Employees are provided with internal control performance-based feedback and counselling					
21. Every employee is aware of his/her career path in the organisation.					
22. NSFAF Employees are allowed to contribute to decisions relating to the instituting of internal controls as well as cost and quality.					
23. Employees are provided opportunity to suggest improvements in the way things are done. (regarding internal control implementation)					
254. The duties of every job are clearly defined in the scheme of service of NSFAF.					

25. An up-to-date job description is designed for each job in the Assembly.					
26. Internal controls pertaining to each job contains all the duties to be performed by individual employee.					
27. In our organisation, compensation is decided on the basis of competence or ability of the employee.					
28. Selection procedures followed by NSFAF are highly scientific and rigorous.					
29. In NSFAF, selection is done by HR managers and line managers.					
30. Standardized tests are used when required in the selection process					
31. Selection in NSFAF considers only those who have the desired knowledge, skills and attitudes					
32. Internal control take place not only in regular but also in irregular instances.					

33. The control system prevent and secure any illegal transactions?					
34. Internal control reassure the correct operation of the computing system and if there is full protection of the data.					

PART C: This is related with the five mechanisms of the COSO (Committee of Sponsoring Organisations of the Tread way Commission) framework. It is a well-known and accepted framework for internal audit function and it evaluates the internal controls and measures the effectiveness of internal control systems.

The questions of the questionnaire derived from a five-point Likert scale analysis measuring either positive or negative response to a statement where is classified as follows:

Scale: Rating

1. Strongly disagree

2. Disagree

3. Neither agree nor disagree

4. Agree

5. Strongly agree

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
35. The internal control secures the assets and employee of enterprise in which you work					
36. The Internal Control contributes to the optimization of the company's effectiveness					
37. Internal Control contributes to the understanding and confronting of any danger found through the checking					
38. There is an organised plan for every sector and department which is reformed according to current developments and demands.					

39. Please explain in details if there is clear guideline of the rules and regulations for everyone to follow?

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……

40. Please explain in details whether there is a precise management policy on risk management?

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APPENDIX C: ETHICAL CLEARANCE CERTIFIACTE

UNAM
UNIVERSITY OF NAMIBIA

ETHICAL CLEARANCE CERTIFICATE

Ethical Clearance Reference Number: DEC FOC/22/02 Date: 10/02/2022

This Ethical Clearance Certificate is issued by the University of Namibia Ethics Committee (REC) in accordance with the University of Namibia's Research Ethics Policy and Guidelines. Ethical approval is given in respect of undertakings contained in the Research Project outlined below. This Certificate is issued on the recommendations of the ethical evaluation done by the ethics committee.

TITLE OF PROJECT: INVESTIGATING THE IMPACT OF INTERNAL CONTROL ON FINANCIAL MANAGEMENT PRACTICES AT NAMIBIA STUDENT FINANCIAL ASSISTANT FUND

Student: PRISCA. U. TJOMBE

Student Number: 201203839

Supervisor(s): DR. EDSON GWANGWANA

Centre for Research Services

Take note of the following:

1. Any significant changes in the conditions or undertakings outlined in the approved Proposal must be communicated to the ethics committee. An application to make amendments may be necessary.
2. Any breaches of ethical undertakings or practices that have an impact on ethical conduct of the research must be reported to the ethics committee
3. The Principal Researcher must report issues of ethical compliance to the ethics committee (through the Chairperson) at the end of the Project or as may be requested by the ethics committee
4. The ethics committee retains the right to:

i) Withdraw or amend this Ethical Clearance if any unethical practices (as outlined in the Research Ethics Policy) have been detected or suspected,

ii) Request for an ethical compliance report at any point during the course of the research.

The ethics committee wishes you the best in your research.

Precious Mushendami (Chairperson Ethics Committee)

Prof. Davis Mumbengegwi (Head, Multidisciplinary Research)

APPENDIX C: ETHICAL CLEARANCE CERTIFIACTE

NSFAF
Namibia Students Financial Assistance Fund

Tel: +264 61-434-6000
Fax: +264 61-233940
Enquiries: martin.mwaetako@nsfaf.na

PO Box 23053
WINDHOEK
Namibia

22 August 2022

Ms. Prisca Ukarapo Tjombe
accountant@indongotoyota.com.na
Masters of Science in Accounting and Finance
University of Namibia
NAMIBIA

Dear Ms. Tjombe,

RE: PERMISSION TO CONDUCT RESEARCH AT NSFAF

I am pleased to inform you that permission has been granted for you to conduct your research **"Investigating the Impact of Internal Control on Financial Management Practices at Namibia Students Financial Assistance Fund"**.

You are advised that all data to be collected through your research must be solely used for study purposes and must be treated confidential. Upon completion of your research you are urged to share recommendations which might benefit NSFAF.

I wish you all the best in your academic journey.

Yours sincerely,

2022-08-23

Kennedy Kandume
ACTING CHIEF EXECUTIVE OFFICER

APPENDIX D: LANGUAGE EDITING CERTIFICAT

Dr.GM

The Rev. Dr. Greenfield Mwakipesile
ThD, MBA, HBS | mwakipg@outlook.com

CONTACT

PO Box 99539,
UNAM,
Namibia

LANGUAGE & COPY-EDITING CERTIFICATE

28th October 2022

RE: LANGUAGE, COPYEDITING AND PROOFREADING OF PRISCA U TJOMBE's THESIS FOR THE MASTER OF SCIENCE IN ACCOUNTING AND FINANCE DEGREE OF THE NAMIBIA BUSINESS SCHOOL OF THE UNIVERSITY OF NAMIBIA

This certificate serves to confirm that I copyedited and proofread **PRISCA U TJOMBE's** Thesis for the **MASTER OF SCIENCE IN ACCOUNTING AND FINANCE DEGREE** entitled: **INVESTIGATING THE IMPACT OF INTERNAL CONTROL ON FINANCIAL MANAGEMENT PRACTICES AT THE NAMIBIA STUDENT FINANCIAL ASSISTANCE FUND**

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 the University of Namibia'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, Eswatini, South Africa and abroad. 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

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Dr. Greenfield Mwakipesile