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ANALYSIS OF INTERNAL CONTROL FACTORS THAT INFLUENCE IMPREST
MANAGEMENT IN NGOs IN LUSAKA

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ABSTRACT

The study examined the relationship between internal controls (control environment, risk assessment and monitoring activities) and imprest management in Non-Governmental Organisations (NGOs) in Lusaka. If many NGOs have internal controls, why do we have cases of unretired imprest? From the literature reviewed, most of the studies suggested the relationship between internal controls and financial performance and effective operations of NGOs. However, none specifically considered the internal controls and its influence on imprest management in NGOs in Lusaka, hence discovering a Literature gap to research on.

Hundred and fifty (150) questionnaires were used for data collection. Descriptive, correlation and multiple linear regression statistical analysis were performed using SPSS version 20 software.

The sampling frame for this study was 150 participants from 33 NGOs who were randomly selected within Lusaka. The rationale upon which the study population and sample size were based: The study chose organizations that had financial manuals that speak to internal controls regarding imprest management, which had been audited consistently for the previous three years were targeted. Willingness from management of the organisation to allow their employees to participate in the survey was another criterion for selection.

Most of the respondents agreed that organisations had internal control systems in place, yet they still had cases of unretired imprest. Therefore, the internal control components (combined) were tested for correlation with imprest management.

The results showed both positive correlation and significant relationship between control environment, risk assessment, monitoring activities and imprest management.

The value of R-Squared indicates that comparison of the three independent variables collectively showed significant predictions in the outcome. Furthermore, an examination of the t-values indicated that both control environment and monitoring components contributed more to the prediction of the outcome of Imprest Management. This entailed that the three independent variables considered under this study do contribute to imprest management in NGOs in Lusaka.

There is a positive relationship between adequate and effective internal controls and imprest management in Non-Governmental Organisations based in Lusaka.

Keywords: internal controls, imprest management, factors, influence, top management.

I. INTRODUCTION

Chapter 1 provides the background and an overview of the study. This includes the statement of the problem, objectives, research questions and the justification of the study.

Background of the Study

Internal controls enable organisations to ensure reliable reporting systems, to comply with relevant laws and standards, and to ensure there is efficiency and effectiveness of business processes (Hunziker,2017). Internal controls are instituted to ensure that the entity enhances the effectiveness and efficiency of its daily operations in order to have a qualitative and reliable reporting system in place, hence making the organisation to have a higher degree of compliance with laws and regulations (ACCA Internal Controls, June 2017).

Internal control systems have been highly summarised into the two components of accounting and administrative controls. Accounting controls are responsible for safeguarding of assets, accuracy and reliability of accounting data while administrative controls deal with enhancing operational efficiency and encouraging adherence to both financial and managerial manuals (Basilico, 2008 cited in Kereri, 2019).

Accounting controls include but not limited to authorisation, approvals, segregation of duties, accurate record keeping, maintenance of assets and the function of internal auditing (ACCA Internal Controls Technical Article, 2017). In recording transactions and subsequent preparation of financial statements, internal control systems play a critical role. The internal control systems on the one hand are the processes through which complete authorizations and approvals of transactions and decision making are done (Childs, 2007 cited in Kereri, 2019)).

Administrative controls on the other hand deal with policies and adherence to organisational policies which promote operational efficiency in the organisation (ACCA Internal Controls Technical Article, 2017). It deals with achievement of organisational objectives and compliance-related issues. Internal controls therefore influence or impact human behaviour within the organisation, so that it assists the process of achieving the mission objectives of the entity (Kereri, 2019). COSO (2013) stated that “internal control is broadly defined as a process, effected by an entity's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives, operations, and reporting and compliance” (p.3)

All Non-Governmental Organisations (NGOs) are expected to fully adhere to the laid down rules and regulations, especially in the focus area of this study which is internal controls and Imprest management in NGOs. The effective management of Imprest could be achieved through full adherence to internal controls within a particular organisation as suggested by various reports (COSO, 2013).

According to the Turnbull Report 1999 (as cited in ACCA Internal Control Article, June 2017) there is no such thing as having a perfect internal control system. This is because all organisations operate in a dynamic environment. Therefore, the purpose of any internal control system should be to provide reasonable assurance that the organisation can meet its objectives (Mathew, 2008). In this paper, I am not going to touch on the need to have absolute assurance from internal controls. Even if demand for absolute assurance sounds better, the biggest question is how it can be attained in this dynamic business environment. Why should we have internal controls in place which only give reasonable assurance? This is the question we all wish would be answered one day.

Furthermore, proper management record keeping is vital for the entity's effective internal control system. This review showed that the processes to enhance accountability are often in place. However, they are not strictly followed, especially in the public sector. This is due to lack of knowledge and poor record keeping systems (Barata, Cain and Thurston, 1999 cited in Kirinya, 2018). This erodes the stem of robust internal controls leading to financial losses. Therefore, a good management record keeping system will lead to having quality accounting information systems which will result in enhanced transparency and accountability for most of these institutions in the management of their resources.

An organization without effective controls is more likely to experience many irregularities, thus being prone to fraudulent activities and subsequently it would not attain its objectives (Ndungu, 2013 cited in Oppong, Owiredo, Abedana and Asante, 2016). Arguably, most organizations are unable to meet objectives efficiently due to weaknesses and inherent limitations of internal control systems as already mentioned. Oftentimes, procedures are not followed and therefore the credibility of the controls is doubtful (Yang & Chun-Li, 2009 cited in Oppong et al., 2016).

Oppong et al., (2016) stated that:

Recent operational and financial scandals involving some African-based NGOs are causing uneasiness among financiers of faith-based NGOs in sub-Saharan Africa. Managements of such NGOs fear that they must strive to avoid operational inefficiencies in their efforts to achieve intended objectives. Many believe internal control holds the key to achieving such desires (p.110).

Inadequate internal controls usually lead to ineffective operations, poor quality reporting systems and non-compliance with policies in an institution (Ayagre *et al.*, 2014 cited in Perengo, 2016). This results in poor decision making, which can be detrimental to future conditions in meeting objectives. Therefore, this paper focused on the extent to which internal controls can have impact on imprest management in NGOs in Lusaka.

Imprest Management

Imprest management system is the prudent way of managing financial resources of an institution. It ensures that funds are spent on what they were intended for. It is the method by which funds are applied to project activities in an NGO set-up.

The Accounting and Financial Procedures Manual (2010) stated that:

The imprest system is commonly used for petty cash in most organisations. Most NGOs use imprest system for two items namely petty cash and travel imprest. Travel imprest poses a challenge in most NGOs. Programme officers and other staff do not always retire their travel imprest within the stipulated days at the end of an activity (p.47).

The problem of late retirement of imprest and subsequent non-retirement have the following effects on financial reports: certain lines of expenses would not be reported, hence, understating the total expenses for that particular year. It also gives a picture to the funders that certain activities were not carried out when in actual fact the concerned activities were executed. This in return could affect the relationship with the donor partners and ruin the reputation of the organisation. Financial resource is considered as a critical resource in many institutions and organisations (Allis, *et al.*, 200 cited in Wakiriba, Ngahu and Wagoki, 2017), hence the need to properly account for the funds of the organisation.

In most organisations, there are laid down rules regarding the management of imprest. For instance, under Caritas Zambia, according to their financial manual, (2017) “an employee must retire or account for his/her travel within three (3) working days upon return. All unretired travel imprest after the stipulated period shall be recovered from the respective staff’s salary”, (p.9). However, the current reviews have revealed that the problem of non-retirement of imprest is beyond a single institution in Zambia.

The magnitude of this problem can be seen by how many African developing countries have been found wanting on prudent management of imprest (Inyanga, 2016). The study by Inyanga (2016) showed that three countries namely Tanzania, Nigeria and Zambia have since reported a great deal on this kind of problem including failure to account for public funds. Even though Inyanga’s study focused on the public sector, the scenario is not very different from Non-governmental organisations. Another study by Woode (2000) stated that not all public financial business is conducted with honesty and due care. In all the three countries he considered, (Kenya, Uganda and Zambia) he discovered that fraud, abuse and waste of resources take place under similar circumstances.

Imprest System-Zambian Context

The Imprest management system in the Zambian context, for the purpose of this study, the Auditor General Report (2016) was considered as the point of reference. The report showed a quick picture regarding the situation of imprest management from a Zambian perspective. This was because it was difficult to obtain financial reports for the participating NGOs in this study. Nevertheless, the results from the survey undertaken suggest that cases of late and non-retirement of imprest exist among NGOs in Zambia. The Auditor General’s Report helped to highlight the extent to which late retirement and subsequent non-retirement of imprest is perpetuated in Zambia.

The Auditor General’s Report (2016) showed the extent to which the unretired funds situation has been persistent and prevalent in Zambia. Table 1.1 below shows related items regarding late and non-retirement of imprest. This includes unretired accountable imprest which is imprest not accounted for, unvouched for expenditures- this is unretired imprest accounts because of lack of supporting vouchers.

Late retirement and subsequent non-retirement of imprest is not only a problem for NGOs but also a big problem in the public sector. This has been a serious challenge facing most public sector institutions in Zambia as well.

Indicators from Table 1.1 below show that even if the problem of unaccounted funds seems to have reduced from 2014 to 2016 by about 53%, the core problem of unretired accountable imprest has increased by 6% (taken as a percentage of the totals), while unvouched for expenditure has maintained a status quo of an average of 90% of the total considered unaccountable funds. (See the illustration in Table 1.1 below)

Zambia has been reported as one of the developing countries with this kind of problem. Inyanga (2016) stated that with no apparent reasons, unretired imprest of funds has been widely reported in Zambia.

Furthermore, in her study, Chikale (2013) stressed the point of communicating the irregularities and malpractices which include unretired imprest. This problem is often reported in the Auditor General's Reports. This gives an idea that this problem is found in almost all public-sector offices, although there is need to study why and to what extent this problem could be rampant in our public offices.

Table 1.1 Auditor General's Report 2014 - 2016

ACCOUNTABLE FUNDS	2016	2015	2014
	ZMW	ZMW	ZMW
Unretired imprest	17,559,399	12,659,892	12,585,194
Unvouched expenditure	170,554,478	349,306,160	389,905,333
TOTAL	188,113,877	361,966,052	402,490,527
Unretired Accountable Imprest	9%	3%	3%
Unvouched Expenditure	91%	97%	97%

Imprest system is defined as a financial system whereby a fixed amount of money is given or kept for incidental petty expenses. The total amount of expenses incurred will then be replenished to bring the balance to the initial fixed amount. In this manner, the float is maintained (Luapula Foundation Financial Manual, 2010). The imprest system is commonly used for petty cash in most organisations, though cash and travel imprest are also managed on the imprest system.

Caritas Zambia Finance Manual (2014-2017):

A pre-determined amount of cash as agreed by management shall be kept at the office for small value items. Using the imprest system, the cashier is advanced with imprest cash for a fixed amount which is subsequently replenished when the petty cash amount reaches a certain level or balance. Then the cash in hand plus the paid expense petty vouchers due for reimbursement should always be equal to the amount of the imprest (p.8).

The other financial item considered under imprest system is the money given to staff to carry out an activity on behalf of the institution. Travel imprest includes the standard daily rate of subsistence allowances (per diem) which is calculated to cover complete periods of 24 hours whilst an employee is out of the official station or office. This applies to both local and foreign travels. The per diem covers accommodation costs while subsistence allowance covers breakfast, two main meals; transport, communication and all other incidental and sundry expenses (Caritas Zambia Financial Manual, 2017). Imprest incurred on meals for instance, breakfast and lunch, is not expected to be retired or accounted for. All other expenses are to be accounted for in full. Although this varies from one NGO to another, the principle remains the same.

The Accounting and Financial Procedures Manual (2010) stated that:

After the activity is completed, the imprest holder is expected to retire or account for the money he/she was given. If the imprest is not retired in full or not retired at all, the balance or the whole amount remains on that particular staff's account and subsequent disciplinary action is to be taken against such an officer (p.48).

Travel imprest is one such imprest which poses a challenge in most organisations (NGOs), and as such it is the focus of this study. Oftentimes, programme officers (staff in charge of carrying out/implementing the institution's

programme activities) do not always retire their travel imprest within the stipulated days after completion of an activity.

Problem Statement

Most of the Non-Governmental Organisations in Zambia (NGOs), if not all, have internal control systems in place. The systems in most cases are deemed to be effective and adequate yet there still remains cases of non-retirement of imprest in most NGOs in Lusaka. It is ironical to have internal controls and still experience late and subsequent non-retirement of imprest. In the quest to find out why this scenario exists, an examination of the relationship between internal controls and imprest management in NGOs in Lusaka was carried out. Some related studies to this topic revealed the following situations:

A number of studies have shown identical focus on internal controls and their influence or effect on profitability, organisational operations, financial performance, ethical environment and vice versa (Ayene, Kumar and Asefa, 2014; Rennox, 2017; Ayom 2013; Wakiriba et al., 2014; Ayagre and Aidiso-Buameu, 2017). The paucity of studies specifically on internal controls in NGOs and imprest management is what motivated this study.

Aim of the study

Arising from the background literature and the statement of the problem, the aim of the research was to investigate internal control factors that influence imprest management in NGOs. This is broken down into the following specific objectives:

Specific Research Objectives

- i. To examine whether the control environment component of internal control has any influence on imprest management
- ii. To examine whether risk assessment component of internal control has any influence on imprest management
- iii. To examine whether monitoring activities component of internet control has any influence on imprest management

Assumptions of the Study

The researcher assumed a positive relationship between internal controls and imprest management in Non-Governmental Organisations (NGOs) in Lusaka.

Hypotheses of the Study

“Hypothesis is a statement that describes an unknown but tentatively reasonable outcome for the existing phenomenon. It is a likely solution to a problem being studied which is advanced before the actual research is undertaken” (Kombo and Tromp, 2014, p.42). The study attempts to test the following hypotheses:

Control Environment and Imprest Management

The control environment is greatly influenced by the extent to which employees recognize that they will be requested to account for every resource under their custody. Control environment encompasses integrity, ethical values, culture and belief of an organisation. It involves the commitment of the Board of Directors, Executive Directors, and senior and middle managers of the organization in executing good corporate governance (CG) standards.

To ensure that the rules and procedures of safeguarding the organisation’s resources are strictly adhered to, the top management need to set out the tone of strict adherence to controls regarding imprest management system. This will then lead to effective and prudent imprest management systems in the NGOs (MFI Internal Audit and Controls Trainer’s Manual, 2007).

Control environment is an independent variable. It includes the integrity, ethical values, organisational structures and actions of management towards entity's internal control and its importance in the organisation. Therefore, it has been hypothesized as:

H₁: Control environment has a positive relationship with imprest management in NGOs in Lusaka.

Risk Assessment and Imprest Management

The risk assessment component of internal controls has the notion of assessing what can go wrong with controls in place. It includes identification and evaluation of the level of risks involved with activities within the organisation. Therefore, if the risks of error, fraud, late retirement and non-retirement of imprest are not identified and eliminated or minimized, the organisation may fail to achieve its objectives. Every organization therefore has to have a huge risk minimization appetite in managing risks prudently.

Risk assessment is also an independent variable. It is a process of identifying and responding to business risks and provision of interventions in order to meet set objectives. The hypothesis advanced therefore is:

H₂: Risk assessment has a positive relationship with imprest management in NGOs in Lusaka

Monitoring and Imprest Management

Monitoring activities may be proactive, regular, and irregular observations of the whole set of internal controls within the organisation. These activities are carried out to ensure that the whole system is operating as intended (ACCA Technical Internal Control Article, 2017). Non-Governmental Organizations must ensure that policies regarding imprest management are effective, robust, and adequate at all times in order to achieve effective and prudent imprest management system within the organisation.

Monitoring is an independent variable. This ensures that a sustainable, adequate and effective internal control system is in place. Internal controls must be seen to perform as intended. Since both human beings and business environments are consistently subjected to change, it is apparent to continuously monitor the effectiveness and adequacy of the internal controls in an organisation. The established hypothesis therefore is:

H₃: Monitoring activities have a positive relationship with imprest management in NGOs in Lusaka.

II. OVERVIEW OF INTERNAL CONTROLS

Definition of Internal Controls

Various scholars have defined the term internal control in different ways. For instance, internal controls are procedures within organisations that form an important component, by which management is expected to adhere to in order to safeguard the assets of an organisation (Kereri, 2019). The Committee on Auditing Procedure of the American Institute of Certified Public Accountants also defined internal control as the laid down plan of the coordinated systems and measures implemented within an organisation in order to safeguard its resources (Bower & Schlosser, 2016 cited in Kereri, 2019). As defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013), internal control is a process which is effected by an entity's board of directors, top management, and general personnel. It is designed to provide reasonable assurance regarding the achievement of company's objectives though the bottom line is that an internal control system is often referred to as internal policies and procedures of an organisation, with the sole purpose of safeguarding the resources of an institution (Salin, Zakaria and Nawawi, 2017). Jones (2008) stated that in most organisations where there are adequate and effective internal control systems, it entails that the system comprises administrative controls in the form of ensuring effective personnel policies, operational rules, and regulatory procedures.

Internal controls are policies, processes, tasks, behaviours and other aspects of an organisation taken together (ACCA Technical Articles Internal Controls, 2017). It further describes internal controls as facilitation of effective operations by enabling an organisation to respond in an appropriate manner to significant business, operational, financial, and compliance and other risk factors to achieve its objectives. This includes safeguarding of assets and ensuring that liabilities are identified and managed.

Definition of Imprest Management

Imprest management is a form of financial accounting system used to manage finance in an organisation. The basic characteristic of imprest management is that a fixed amount is maintained, which after a certain period of time when money is spent, is replenished (Accounting and Financial Procedures Manual, 2010). Based on this understanding, this imprest management system has been discussed in this study. When cash is advanced to an employee in order to carry out a certain activity on behalf of the organisation, that employee cannot be advanced with another imprest before he/she retires the earlier amount. Therefore, imprest management is part of financial management in most organisations. It focuses on the adequate use of funds of the institution through prudent financial systems and prevents misappropriation of resources by those in charge (Rosen & Gayer, 2010 cited in Wakiriba et al., 2017).

Theoretical Literature Review

This section highlights the theoretical literature review related to the topic under this study.

Objectives of Internal Controls

According to the Turnbull Report (1999) cited in ACCA-Internal Controls Article, June 2017) internal controls objectives are as follows:

Enhancement of Efficiency in Operations

Enhancement of operational efficiency relates to ensuring that the organisation attains its goals and safeguards resources. The internal controls in place should ensure that processes or operations flow without disruption. This guards against the risk of inefficiencies which could hinder value addition by the organisation if left unchecked. According to Leitch (2008), the more we open our minds to new control techniques, and the harder we push ourselves to design better controls, the greater value will be added. This means that an internal control system should be revised in order to keep it effective and adequate in response to the changing environment.

ACP Australia, (2011) stated that effective and adequate internal control systems should ensure that policies and procedures are in place, thus providing guidance for the daily operations of the institution. Another objective for controls is ensuring that the organisation's resources are secured against theft. Every management is under a fiduciary duty to safeguard the resources of the organisation. Since management is in charge of the use of the resources in an institution, they must ensure tight safety for the resources (ACCA-Internal Controls Article, 2017). The presence of internal control systems must provide safeguards against wastage, fraud and unauthorised use of resources (Blair, 2016 cited in Yao, Yusheng and Baah, 2017). This leads to ensuring that chances of any type of fraud is identified and prevented from recurring.

The organisation's management, with the help of the internal audit or accountants, must be able to put up laws that are alert to the changing environment. There is no safety in maintaining policies that are out-dated and which no longer contribute to the effectiveness of the controls. When fraud is well prevented, it results in complete and accurate reporting, as there would be no need for window dressing accounting to try and cover up the mess.

Completeness and Accuracy of Financial Transactions

There is a relationship between internal controls system and quality financial reporting system. Systems should be adequate and effective in recording transactions so that every activity of the business that is transacted is properly captured and reflected in the financial records.

The literature which has been reviewed has shown that indeed there is a relationship between the quality of accounting information and the financial performance of every organisation (Bukonya, 2014). However, quality information cannot be obtained without a robust internal control system. This did not come out in the study done by Bukonya (2014).

In another review, it was also stated that a poor internal control system will lead to financial loss. Dmitriera (2014) stressed the point that every organisation must have adequate and effective internal controls. This will help eliminate financial loss. Financial loss encompasses failure to account for imprest, for instance, petty cash or travel imprest.

This means that management should be strict and ensure that every imprest given out is fully accounted for by all staff and this should be done within the stipulated timeframe.

Compliance with Financial Standards

Compliance relates to the adherence to laws and other regulations to which the organisation is subject. The internal control system will ensure that the institution remains in compliance with statutory obligations and internal policies (ACCA-Internal Controls Article, June 2017)

Failure to adhere to the laws can hinder the realisation of the organisation's objectives. In the same vein, if internal policies are not adhered to, the organisation's resources might be misused, resulting in unrealised goals (Dmitriera, 2014).

In order to fully appreciate internal controls, the discussion has been divided into five components. These are control environment, risk assessment, information system, control activities, and monitoring activities. Any effective and adequate internal control system consists of these five elements. However, for the purpose of this study, only four components have been considered under the literature review.

The Control Environment

The control environment is concerned with the actions, policies, and procedures that reflect the overall attitude of the entity's top management, directors, and owners of an entity regarding internal control and its importance (Munyambonera, 2013 cited in Perengo, 2013). Control environment is the fabric of life of the whole internal control system in every setting. It involves creation of a conducive environment for the effective and adequate operation of the internal controls in an organisation (ACP Australia, 2011).

According to Ayagre and Buameh, (2017) the control environment is the bedrock of the internal control system. They further stated that if the control environment is not effectively created in the work environment, it might result in having weaker internal controls. Top management's commitment is critical in having effective internal controls in an organisation (Simha & Cullen, 2012 cited in Ayagre and Buameh, 2017). It is also found that the quality of an organisation's internal control system is as a result of the quality of the processes, integrity, and ethical values of its managers (Ayagre & Victor, 2015 cited in Ayagre and Buameh, 2017)

Wakida, (2015) stated that existence of internal controls in an organisation is vital as it ensures efficiency and effectiveness of operations and provision of services. She further, stated that having an accurate reliable financial report and compliance with regulatory requirements helps manage risk exposure by the entity.

The control environment also includes aspects of corporate governance and management functions, attitudes, awareness and corrective actions by management regarding internal controls (Gluer, 2012 cited in Wakida, 2015).

The control environment should provide or promote operational etiquette within which the internal controls should run, starting with top management involvement to the lowest level employee involvement.

Internal controls for small business (2008) states that:

The holistic composition of the control system must have its control environment component evidently seen to promote effective communication and enforcement of integrity and ethical values, commitment to development of relevant competence and full participation by those charged with governance in checking management decisions, assignment of authority and responsibility in fostering adherence to prudent policies and practices in resource management of the organisation (p.6).

The control environment as earlier alluded to forms the background of internal controls upon which the internal controls are established. The study by Kereri (2019) highlighted how internal control procedures in organisations form part of an integral internal control framework for management to safeguard the assets of an organization, ensure accuracy and reliable financial reports. He also stated that management is expected to lead by example in adhering to the guidelines. The findings in Kereri's study were that the auditors have the mandate to test the adequacy and effectiveness of the internal controls by conducting various continuous review tests. The audits have

indicated that the incidence of management overriding internal controls has been seen to be on the increase (Kereri, 2019).

Therefore, there is need for management and Board of Directors to address this challenge by conducting continuous training of management in order to improve the level of understanding and appreciation of the need to strengthen internal controls.

If top management is to be seen to lead by example as Kereri (2019) mentioned in his study, NGOs must conduct thorough orientation for new management staff and also strengthen the audit and finance oversight sub-committees of the board to be able to curb this problem of management overriding internal controls. Only when the control environment is strengthened would there be prudent management of imprest in these NGOs.

With all these observations, it can be realised that the control environment has a positive influence on the imprest management system in terms of achieving its objectives.

The Risk Assessment Process

The risk assessment process forms the basis on how management determines the risks to be managed (ISA 315). These are processes or systems that are put in place by NGOs to identify and analyse factors that can prevent the organisation from meeting its objectives (Popoola, Ahmad, & Samsudin, 2014). Factors that prevent NGOs from preparing quality financial reports for their stakeholders are many. Risk assessment is one of the components of internal controls which if well managed, could have a positive influence on imprest management in NGOs in Lusaka. Various scholars have placed much emphasis on the benefits of having effective risk assessment processes. Management of any organisation must be fully aware of, and anticipate risks which may be both internal and external (Wakida, 2015). This confirms the assertion that poor imprest management may be one of the many internal risks that may prevent the NGOs from meeting their objectives. This is because imprest management is the common method by which most NGOs use to apply funds to activities such as projects. When imprest is not well managed in an organisation, it weakens the internal control system and it could lead to the organisation's objectives not being met.

Risk assessment is a process of identifying and evaluating factors that could prevent an organisation from achieving its goals (COSO, 2013). These factors can even be external in nature. For instance, economic and regulatory changes within a country could pose many risks. Risk is any event that can hinder the organisation from achieving its set out objectives (COSO, 2013). Some of the risks the NGOs must be aware of are: Strategic risks;- these overall affect the organisation in its quest to achieve its objectives at strategic level due to market forces; Financial risks- these can cause a negative financial impact on the organisation due to loss of resources resulting from poor financial planning; finally Operational risks-these hinder organisations from having efficient and effective operations due to bottlenecks in the supply chain (Wakida, 2015).

An effective risk assessment framework can lead the organisation in having complete and accurate financial reporting system, which in turn could enable the institution to attract more financiers for their projects (Oppong, Owiredu, Abedana & Asante, 2016). According to Brown, (2016 cited in Yao, et al., 2017) risk could arise from financial mis-statements and omissions. This could lead to distorted accuracy in financial reporting. The consequences of inaccurate financial reporting are devastating to the organisation's future funding and they can compromise stakeholder's confidence. For NGOs which critically depend on donor funding, they would do well to develop effective risk assessment processes.

Management must set out risk management policies and effectively communicate them to all employees within the organisation. Every NGO must ensure that risk assessment processes are embedded in the day- to- day activities.

Control Activities

The control activities include all policies and procedures designed to ensure that management directives are carried out throughout the organisation. These are practical rules and regulations to guide the daily operations or activities

of the institution. They are considered as operational guidance for the organisation to easily attain its goals (Accounting and Financial Procedures Manual, 2010). Furthermore, control activities are measures to ensure there is practical adherence to internal controls in order to manage risks effectively. To ensure that internal controls remain appropriate and consistently functioning throughout the year, the Board of Directors should ensure its oversight functions are proactive (Wakida, 2015).

According to Klein, (2013 cited in Wakida, 2015) control activities are preventative and detective in principle. Preventative controls focus on administrative policies and procedures regarding requisitions, approvals and authorisation of activities within the organisation. Detective controls on the other hand involve activities that quickly detect any slight signal of weakness in internal controls. These include; bank reconciliation, imprest holder account reconciliation, and verification of authentic supporting documentations, among many others.

According to ACCA (2017) control activities are viewed as laid down policies that serve as a guide and reference point to management and the entire organisation. They provide guidance on authorisation, performance review, information processing, physical controls of both assets and human resource and segregation of duties within the organisation. The control procedures mainly attempt to reduce and prevent risky events that may have a devastating effect on the organisation's long term sustainability objective (Ciak, 2017 cited in Yao, et al., 2017). This component of internal control if well managed can also result in a positive influence on imprest management in an NGO.

Monitoring of Controls

Finally, every NGO needs a monitoring mechanism to see to it that controls are adequate and effective within the organisation as it meets its main objectives. It must be a management's ongoing and periodic assessment of the quality of internal control performance to determine whether controls are operating as intended and modified when the need arises (ACCA Internal Controls Article, 2017). According to Wakida (2015) monitoring must be able to cover each internal control component in order to help management act against any irregular trend, inadequate and ineffective internal control component. This means that all identified loopholes are promptly sealed by management in order to safeguard its resources from abuse and theft.

Several scholars in finance literature have concluded that monitoring is a form of evaluation or review of the effectiveness of the whole internal control system and procedures (Weerakkody, Omar, El-Haddadeh, & Al-Busaidy, 2015 cited in Yao, et al., 2017). Furthermore, external evaluation is usually conducted by external auditors who provide management with recommendations for dealing with any weaknesses in the internal controls (Wakida, 2015).

The entire internal control system must be monitored to ensure it is continuously operating as intended, strengthening areas where there are weaknesses, and speedily taking corrective actions (University of Delaware, 2012 cited by Wakida, 2015). This suggests that effective monitoring enables management to enhance effective imprest management and subsequently produce accurate and reliable financial reports to guide management in making economically sound decisions.

Monitoring is the general review of the actual practices compared to the laid down policy. It evaluates the extent to which a control system is relevant to any change in operational environment (ACCA Internal Controls Article, 2017). If any top management of any NGO developed an effective monitoring mechanism, it could indeed have a prudent imprest management system.

Theories of Internal Controls

According to Glautier and Underdown (cited in Perengo, 2016) internal control theory has been defined as a logical reasoning that forms broad principles which provide a general reference by which internal control practices can be assessed and guided by the development of new practices to obtain a better understanding of the controls. In this study, three theories on internal controls are discussed.

Compliance Theory

Why and to what extent do targeted populations behave the way policy makers expect them to? Probably this is the most prominent question regarding the issue of compliance to set out statutes. How to make people in a given setup behave as expected by the existing norms, is the debate which has been going on for quite some time now.

According to Etienne (2013) the concept of compliance is meant to deal with orientation of behavior. This school of thought also takes the view of those who govern by studying the practices of governing and how they are created rather than that of the governed (Nyborg & Telle, 2006). This entails that as people are being oriented in the practices that are used to govern, we should also consider knowing about the people who are governed, hence the issue of compliance must be looked at from both sides of the coin, those who govern and those who are governed.

In another study which was done by Becker and Stigler (cited in Etienne, 2013) it stated that compliance is to be viewed from the point of gain and least cost basis. The strategy that would enhance compliance is said to be the one that will offer monetary incentives or impose fines. Although there is a strong argument against this strategy regarding environmentally-related regulations or policies, compliance by individuals and firms tend to be based on the perceived benefits and compliance costs. If the penalty of violating rules exceeds the compliance cost, the firm will comply. If otherwise, it will not comply (Nyborg & Telle, 2006). On the other hand, Harrington (1998 cited by Nyborg & Telle 2006) stated in his study that corporation compliance with environmental regulation is higher than predicted by standard theory. This may be explained by increase in Corporate Governance practices and the desire to maintain a good public image.

Agency Theory

Etengu and Amony (2016) stated that there is a strong connection between effective internal controls and financial performance of the organisation. Most NGOs ensure that they enhance the control environment, and increase control activities of monitoring in order to improve financial performance. It was also mentioned that agency theory is key to establishing adequate and effective internal control systems in organisations.

Non-governmental organisations are such organisations that have a duty to maintain a sound relationship with their donor partners. In this case, the donor is the principal while the institution's management is an agent in the agency theory context. Jansen and Meckling 1976 (cited in Etengu et al., 2016) stressed that the agency theory is viewed as a merger of contracts of several stakeholders within the entity. Therefore, the agency theory looks at eliminating information asymmetries between management and owners of funds (Donors) by introducing the internal controls for reliable reporting concerning the use of their funds. ACP Australia, (2011) stated that management have a fiduciary duty to ensure good internal controls, effective audit which should result in quality financial reporting and ultimately prevent fraud in the organisation.

Furthermore, agency theory has been used to explain the importance of having monitoring control activities such as the audit of financial statements by existence of non-executive directors and functioning of various board committees (Popoola et al., 2014). Therefore, managements of various NGOs are expected to find agency theory more helpful in the analysis and design of effective controls for the effective accountability to its co-operating partners. The Agency theory emanated from the famous Dodge vs. Ford case in 1910 which ruled that the agent should always act by consulting the principal. This is because the principal is the business owner and financier.

Adherence Theory

Adherence refers to the act of doing what is considered to be right regarding the setup rules or regulations in an organisation. It can also be taken as conformity to the agreed upon policies stipulated in the administration policy manual. It is the cause of doing what is expected of you in a given environment. Sabatae et al., (cited in Smith, Dean, Frawley, McClurg and Dumoulin, 2015) defined adherence as agreeing what to do while compliance is being told what to do.

Smith et al., (2015) further commented on the common myths associated with adherence theory. They stated that there is no adherent personality, adherence is not all or nothing and non-adherence do not just need more education. They went on to state that adherence is an outcome as well as a process.

This means that there is need for a framework through which adherence could be attained. That framework is the internal control system within the organisation. Adherence to internal control systems has never been easy for quite some time now.

Failure by citizens to hold accountable those in power can lead to non-adherence to rules and regulations (Egbon, 2015). This suggests that for people in power or governance to be made accountable, there must be an effective control mechanism in place. Iyoha and Oyerinde (2010 cited in Egbon, 2015) argued that accountability is a mechanism for democratic control and for maintaining checks and balances. Therefore, without an effective accountability mechanism, there is room for non-adherence to stipulated policies and regulations because there is no mechanism to provide checks and balances. This seems to suggest that in order to provide checks and balances to those at the governance level, adherence needs to be measured.

Measuring adherence attained is very difficult as there is no golden standard to use. Bollen et al., (2014 cited in Smith et al., 2015) observed that in general some people are reported as being partially adherent while others are over-adherent, hence it is difficult to determine what level of adherence is required for better beneficial outcome for the institution. There are many models which are used to explain adherence though not a single one gives the full context of adherence theory.

In order to apply a theory, there is need to understand the context. The environment in which that theory is to be applied needs to be understood. To illustrate this point, Grol (2013) showed that there are stages in which change can come about regarding adherence in an institution. The organisation must be aware of the prevailing situation regarding non-adherence to laid-down rules. They need to agree to prove that change is for the good of the institution.

After coming up with strategies on how to bring about change, you should proceed to adopt some of the best practices in the industry and be determined to adhere to agreed norms in the policy manual. This is illustrated in Figure 2.1 below.

According to Dean(2015) the provision of good quality information provides an important base for enhancing adherence. A lot of information alone is not enough to foster behaviour change. What is being said here is that adherence is likely to be attained on holistically agreed norms between parties involved. This is why whenever one is joining an organisation of any kind, such a person is availed with the policies and regulations of that particular organisation before he/she is made to sign any binding contract.

Empirical Review:

This section now highlights the empirical literature review related to the study.

A number of studies have been carried out to look at internal control systems and the relationship with efficient operations, financial performance (reliable reporting) and compliance with regulations. The following studies are among several studies which have dealt with internal control systems and their influence on the NGOs.

The study done by Ayene et al., (2014) on *Assessment of financial management practices in local NGOs in Addis Ababa* revealed that some NGOs had poor financial management practices due to lack of budget approval, weaknesses in standardised financial report preparations, and delayed reporting. Among the recommendations given was the need to develop effective and adequate internal controls in NGOs.

This shows that for NGOs to achieve prudent use of financial resources, internal controls should be strengthened. Even if the study did not specifically mention imprest management as being part of the effective financial

management practices, the study showed how internal controls have critical influence on effective imprest management system within the context of financial management practices.

In another related study by Ayom (2013) entitled *Internal controls and performance in NGOs in South Sudan*; he concluded that internal controls positively affect the performance of an organisation. However, even though that study did not mention clearly on which performance it was focused, it seemed to suggest that overall efficiency operations of the NGOs are affected by having effective internal control systems in place. This study too did not specifically deal with imprest management in an NGO in relation to internal controls. By implication however, general good performance of the NGOs seems to suggest that imprest management is well managed although this study did not deal with imprest management specifically.

Opong et al., (2016) also looked at a study; *Impact of internal controls on performance of faith based NGOs in Accra*. The conclusion of the study was that internal control systems significantly enhance the performance in both economic and operational efficiency sense. The reason for this was poor risk assessment processes among NGOs. The study recommended that a holistic approach to implementing internal controls may improve the risk assessment aspect. The study did not however, provide details on the challenges of a poor risk assessment in NGOs, of which one of them could be weaker imprest management systems in NGOs.

Another study to look at internal controls and their effect was done by Inyang, (2016). The study was entitled, “*Why government institutions in developing countries cannot account for public funds*” The findings were that the reasons for un-retired imprest was due to lack of budgetary provision, fraudulent delegation of imprest retirement and improper reimbursements. The study suggested that internal controls exist but there is a poor or lack of adherence to them due to lack of staff capabilities or outright refusal to implement effective recommended controls. This seems to be a behavioural and cultural aspect which the study did not tackle in detail.

Overall, the lesson out of this review is that NGOs should focus on internal controls and their effect on the three general facets of its objectives. These are enabling the organization achieve efficient operations, having appropriate financial reporting (financial performance), and compliance with regulations. Thus far, this line of study has been conducted by various scholars. However, studies to specifically examine internal control influences on imprest management in NGOs seem to be scarce resulting in the need to describe specifically the relationship between internal controls and imprest management in Non-Governmental Organisations in Lusaka.

2.9.1 Control Environment and Imprest Management

A Control environment is an atmosphere within which staff carry out their activities and their control responsibilities. It borders on employees’ commitment to following an organization’s policies and procedures and its ethical standards (MFI Internal Audit and Controls Trainer’s Manual, 2007).

The control environment is the set of standards, procedures and structures that provide the basis for carrying out internal control throughout the organisation. The Board of Directors and senior management (top management) have the responsibility to set the tone regarding the importance of adherence to internal controls. This is because the control environment has a pervasive impact on the entire internal control system (COSO, 2013).

According to Dmitrieva (2014) the importance of internal control and cash management in any organisation cannot be neglected. She further stated that the size of the organisation does not matter, and that the organisation would only succeed if it controlled and managed its cash resources effectively. This can only be done through a well-defined adequate control environment which is supervised and supported by the top management. This means that the top management team needs to provide an environment which is conducive to foster adequate and effective internal controls (MFI Internal Audit and Controls Trainer’s Manual, 2007). Her study too did not specifically look at the aspect of imprest management in NGOs.

In another study by Kereri, (2019) entitled *Curbing incidences of management overriding internal controls* it showed that top management sometimes deliberately override the internal controls in order to take advantage of the organisation’s resources, hence the study suggested that culprits should be punished for everyone to see.

However, what the study did not bring out is how internal controls influence imprest management within the organisation. Even though Kereri (2019) mentioned that even church organisations are not exempted from the requirement of strict adherence to internal controls, it should be noted that Imprest management is a small component which is covered under accounting controls. Despite it being a small financial component, NGOs have struggled over its prudent management.

Having internal financial controls in place is one thing but having them running adequately and effectively is another. It is appropriate to focus on effectiveness of an accounting system to gain increased accountability (Abraham, 2007) which will in turn help to attain effective imprest management system within an organisation.

The review of literature confirms that it is generally agreed that a good management control system should include but not limited to: competent personnel, assignment of responsibility on the basis of segregation of duties, adequate record keeping and internal auditing, to mention but a few (Hoggett et al., 2006; Anthony & Young, 1994 cited in Abraham, 2007). This helps to create the control environment that enhances imprest management in NGOs.

Trying to enforce the controls without considering structural and cultural aspects of the institution can be a haphazard approach in fostering and enhancing the control environment. Abraham (2007) further stated that viewing the accounting information system outside its context is anomalous because an appropriate accounting information system will be influenced by the overall goals of the entity as well as the control processes. Organisational performance may not be affected only by control processes but also by factors such as the ability and personality of the managers, and cultural values.

The literature review has also shown that if the institution should have an enhanced internal control system, the following aspects of the business have to be adequately addressed. Good practices of corporate governance, qualified and skilful internal audit department or personnel for small entities and regularly reviewing budgetary control systems for institutions such as NGOs (Ayene, Kumar & Asefa, 2014). If this is consistently done such that top management is in the lead to promote adherence to internal controls, effective imprest management could be achieved among NGOs.

Risk Assessment and Imprest Management

Another component of internal controls is risk assessment. This component deals with assisting management in identifying where, and how fraud may occur, who may be the culprit and which areas are most susceptible to fraud (Buben, 2017). The primary functional duty of internal control system in an organisation is to try and prevent risk from hindering an institution from meeting its objectives. Risk assessment involves a repetitive process of identifying and analysing risk that may divert the organisation from meeting its objectives. It creates the basis for determining how risks will be managed within and outside the organisation (COSO, 2013).

Management defines specific objectives within categories relating to operations, reporting and compliance, and then analyse the risks to those objectives. Any diversions from set out objectives are considered as risks to be managed (COSO, 2013).

In this study, imprest management is the ability to account for cash advanced to staff to carry out activities on behalf of the organisation. If the cash advanced is not matched to intended activities, then there is a risk of cash misappropriation. It suggests that staff may have used the cash for their personal business and failed to provide eligible documentation as evidence to support a transaction. When the risk assessment is not performed in an organisation, it subjects the imprest fund to abuse.

Buben (2017) further stated that modes and dimensions of fraud differ from small to large companies. Even though corruption is noticeable in larger organisations, schemes like cheque altering, payroll manipulation and other cash theft are twice as much in smaller organisations than in bigger organisations where professionalism, bureaucracy and regulatory standards and adherence are high. This entails that smaller organisations tend to have inadequate controls as compared to the larger organisations.

Effective internal control systems help Not-for-Profit Organisations (NFPOs) to meet their objectives such as providing services to the community, while utilising resources efficiently and minimising the risk of fund mismanagement (CPA, 2011). Proper management of risk enables a company to achieve its desired objectives (Perengo, 2013). Therefore, a robust risk management process within the adequate internal control system would ensure proper management of imprest in most NGOs in Lusaka.

Popoola et al., (2014) also noted by Committee of Sponsoring Organisations of the Treadway Commission (COSO), stated that every management in any public sector organisation which faces both external and internal risks should put in place controls which will help respond to fraudulent transactions.

Further review revealed that the foundation for any good risk assessment framework is one with a solid prevention strategy (PWC Global Economic Crime Survey, June, 2011).

The PWC Survey also expressed the point that the most powerful way to detect fraudulent transaction is to use transaction monitoring and data analysis to identify unusual transactions that occur through error or control weaknesses. The findings stated that understanding the mechanisms of fraud schemes and ability to prevent, detect and respond to risk requires a holistic approach by adopting forensic accounting knowledge as a risk assessment system. Audit trails should be embedded into the control systems in an IT environment.

One of the recommendations made by the PWC Survey (2011) was to regularly update risk assessment processes and profiles to reflect any changes to the operations especially, with regard to newly-introduced programmes in case of NGOs.

In another literature, PCAOB (2014 cited in Wengler, 2016) concluded that auditors often fail to assess and respond to risks of material misreporting by management. This in turn allows managers of certain organisations to cover up the misapplication of funds through inadequate imprest management.

Wengler (2016) further stated that auditors can increase sensitivity to management by motivating them to actively seek to identify risk factors. If this is done regularly, it would help to enhance risk assessment, even in NGOs.

Control Activities and Imprest Management

Control activities are actions that are guided by policies and procedures that when properly carried out they would help the organisation's management to manage or reduce risks (MFI Internal Audit and Controls Trainer's Manual, 2007). When these activities are carried out consistently, effective imprest management could be attained.

Control activities consist of a range of procedures and practices (MFI Internal Audit and Controls Trainer's Manual, 2007). They include approvals and authorisations to ensure that each transaction has been fully consented to by respective supervisors throughout its stages. Verification of activities ensures that there is no spending outside the budget allocations unless prior authorisation is obtained. Reconciliations ensure that all ledgers including bank reconciliations and petty cash are done by two or more separate personnel within the department. Performance review is done monthly in order to remain focused on the mission and vision of the organisation and above all, ensuring that the organisation's assets are secured (ACCA Technical Internal Control Article, 2017).

The study on assessment of the effectiveness of internal controls of cash management in the Zimbabwe Red Cross Society Chapter by Ngwenya and Munyanyi (2015) stated that management of internal controls was weak resulting in fraud and misappropriation of cash. The results of the study showed that internal controls of cash management were significantly weak in relation to segregation of duties; among the weaknesses were poor documentation procedures. This was analysed further and it did show that sharing of tasks on processing transactions and involvement of cash custodians in initiating transactions contributed to the poor cash management. The involvement of cash custodians in initiating transactions seemed to speak to imprest management aspect although the study did not specifically deal with imprest management in NGOs.

In the study in Kenya done by Wakiriba, Ngahu and Wagoki (2014) they sought to establish the effect of control activities on financial management in Mirangine Sub-County of Nyandarua County. The study concluded that the public sector in Mirangine Sub-County had an effective internal control system which was characterized by clear separation of roles, supervision and commitment of management. The final conclusion of that study was that there is a significant positive relationship between control activities and financial management. That study seemed to suggest that since imprest management from an NGO context is part of financial management, it affirmed that indeed control activities influence imprest management. Therefore, effective control activities within an institution influence imprest management.

She also stated that control activities may be clustered into three areas of concern regarding an organisation meeting its objectives. These are: operations, financial reporting, and compliance. Therefore, putting an adequate internal control system in place would result in adequate imprest management in an NGO.

Monitoring and Imprest Management

Monitoring is the assessment of an internal control system performance throughout its existence. It is achieved by ongoing monitoring procedures which are often done through self-assessments, peer reviews, and both internal and external audits (MFI Internal Audit and Controls Trainer's Manual, 2007). The weaknesses are evaluated against set out criteria, and verified weaknesses are then communicated to top management of the organisation for action to be taken (COSO, 2013).

The adequacy and effectiveness of an internal control system in any organisation is linked to continuous monitoring, timely reporting, and adequate solutions to identified risks (COSO, 2013 cited in Perengo, 2013). The higher the level and effectiveness of continuous monitoring of activities, the lower the need for separate evaluation (Ayagre et al., 2014). This entails that if internal control is adequate, peer review and internal audit may be enough to closely monitor the effectiveness of controls in an organisation.

Another study by Inyang (2016) also revealed that delay in the release of imprest funds to spending units of public institutions was due to management's lack of confidence in the spending units, as a result of late retirement of imprest among many other reasons (Inyang, 2016). The study therefore recommended that public institutions' managements should demonstrate commensurate confidence in their units, adopt time-saving imprest procedures and place appropriate sanctions against late retirement of imprest. This suggests that organisations must closely tighten the control effectiveness through ongoing monitoring in order to see improvements in identified problem areas.

Conceptual Framework

A conceptual framework model is defined "as a set of broad ideas and principles obtained from relevant fields of enquiry and used to structure a subsequent presentation" (Reichel and Ramey, 1987 cited in Kombo and Tromp, 2014, p.49). The conceptual framework indicates the effect of the independent variable on dependent variables. Thus, any change in the independent variable will equally impact the changes in the dependent variable.

Internal Control Systems and Models

It is stated that there are various numbers of control models that have influenced the practice of internal controls globally as confirmed by Amatya, (2016) in her study on the practice of ICT for effective implementation of internal control systems and internal audit in the context of Nepalese NGOs. She adopted the COSO model which is apparently widely used and recognised (Amatya, 2016)

COSO model is used by organisations to measure the effectiveness of their internal control systems. This model is made out of five interrelated components. The first layer is control environment, which includes integrity and ethical values in relation to organisations or NGOs work environment. Risk assessment covers areas such as identification, analysis and management of identified risks in order for the organisation to achieve its objectives. After these control activities follows policies and procedures to help reduce the abuse of the organisation's resources.

Monitoring is concerned with ensuring that the entire internal control system is adequate and effective throughout the operational years of the NGOs. Finally, information and communication are needed to ensure that critical data and information needed is transferred within the NGOs.

Another model which was considered is the Fund Management Model (FMM). This model is developed to manage processes of collection and usage or processing of funds due to organisations (Edogbanya and Edogbanya, 2016). The model states that the system or process of collecting and processing of cash in an organisation will function effectively with the existence of an internal control mechanism. It further stated that since internal control is an integral component of the monitoring aspect of internal control, it is part of the mechanism that prevents incidence of errors, irregularities, and fraud (Monisola 2013; Scarbrough, Rama & Raghunandan, 1998 cited in Edogbanya & Edogbanya, 2016).

This model also proves that internal controls stand as an independent variable against fund management as a dependent variable. Internal controls as an independent variable influences fund management as a dependent variable which also includes imprest management in many organisations, even in NGOs.

In the study, internal controls in financial management do balance controls and risks. Wakida, (2015) stated that there is an interconnection between internal controls and financial management in organisations. She further observed that internal controls in financial management are very important as they help to safeguard resources of the entity. Management has a fiduciary duty to maintain accurate financial books and file complete and accurate financial reports. This can be attained by implementing effective internal controls (AICPA, 2007 cited by Wakida, 2015)

Generally, effective internal control is based on framework models with components including control environment, risk assessment, control activities, information and communication, and monitoring activities (Wakida, 2015). However, this study deliberately considered control environment, risk assessment, and monitoring activities because they speak directly to imprest management in NGOs.

The study conceptualised the internal controls and imprest management in NGOs in Lusaka, which was measured in terms of internal controls as an independent variable measured by control environment, risk assessment and monitoring activities and their effect on imprest management as dependent variable.

Most NGOs like many other organisations, have implemented internal controls to ensure that their objectives are achieved which include adequate imprest management under financial reporting category. Control environment is measured by integrity and ethical values and organisational structures as an overall framework under which adequate and effective controls are to be operationalised. Risk assessment is also measured by identification, categorisation and prioritisation of risks. Control activities are measured through policies and procedures of adherence to policies, laws and regulations, performance review, and process review. Lastly, monitoring is measured by on-going observation and performance evaluation of internal control systems in place. In order to align the conceptual framework with set out objectives of this study, only three internal control components were considered.

Summary of Gaps in Literature Review

The studies which have been reviewed showed a number of gaps. In the recent past, attention has been focused on the application of best private business practices in NGOs. Lewis, (200 cited in Etengu and Amony, 2016) stated that concerns about NGOs' accountability and performance may be the key to the survival of many NGOs around Africa. Several studies around Africa have been carried out relating to internal controls and their impact on either financial performance or other operational areas within NGOs.

From Uganda, Etengu and Amony (2016) in their study focused on the effects of the control environment, control activities and monitoring on financial performance of NGOs. The findings were that there is a significant

relationship between internal controls and performance of an NGO. What the study did not show was the influence internal controls have on imprest management which forms part of prudent financial practice in an NGO.

Furthermore, in another related study in Nairobi, the study evaluated the impact of internal controls on operational efficiency of NGOs based in Nairobi (Michino, (2011). Michino (2011) discovered that NGOs with a good cash management system in place attracted many prospective funders and donors. Again, just like in other related studies, Michino too did not consider the influence of internal controls on one of the aspects of a good cash management system which is having an effective imprest management system.

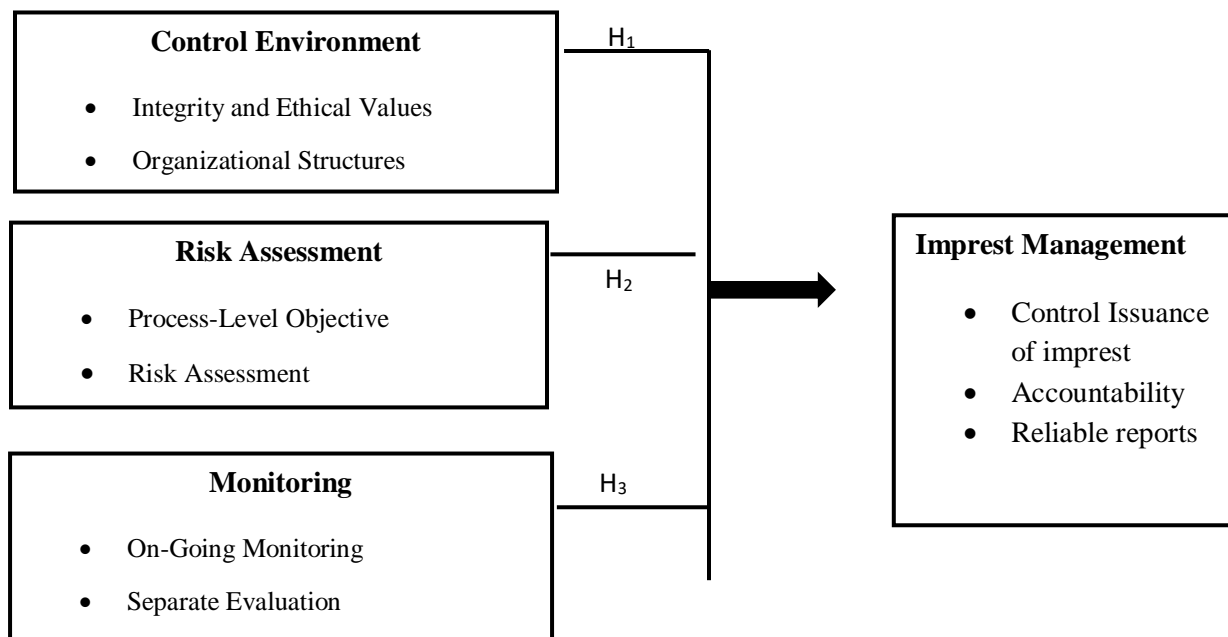
Bongani (2013) examined the extent to which NGOs in Zimbabwe apply controls in their operations. Most NGOs were found to have a sound control system in terms of control environment, control procedures and monitoring controls, except in the human resource aspect. What that study did not bring out was the effect of internal control on imprest management in the daily operations of the NGOs considered.

Therefore, with the literature reviewed, most of the studies are focused on the influence of internal controls on either financial performance or operations of NGOs. In Zambia, there is a rarity of studies to specifically deal with this area of imprest management in an NGO set up.

As such, the study was aimed at analysing the internal control factors that influence imprest management in NGOs in Lusaka.

Research Design

Both qualitative and quantitative research methods were adopted. It was partially a descriptive study and partially a non-descriptive study because the researcher's aim was to describe the current situation regarding the relationship between internal controls and imprest management in NGOs in Lusaka. The study also formulated three hypotheses to help understand the relationship between internal controls and imprest management in NGOs. This was made possible by the help of the conceptual framework which was highlighted in chapter one. (See Figure 3.2 below)



Source: Author, (2018)

This type of study enables the researcher to employ other methods like survey method which describes the status quo and correlation study which investigates the relationship between variables (Jackson, 2009). This helps the researcher to conduct research without interfering with participant's normal activities. Thus a mixed research approach or triangulation was used in the study.

Population and Sampling

This highlights the target group and sample size of the respondents for this study. The population of the study comprised legally-registered Non-Governmental Organizations (NGOs), both local and international, based in Lusaka.

Out of the 327 registered NGOs in Lusaka, 33 were randomly selected for this study from among the organisations that have financial manuals that speak to internal controls regarding imprest management and have been audited consistently for the past three years. Furthermore, they should have management which was willing to cooperate with the researcher. All respondents were employees of these institutions.

The key informants were selected using stratified sampling technique, these were managing directors, accountants, unit heads managers and programme officers. These were targeted because of their knowledge and ability to understand the topic of study.

Target Population

It is recommended that sample size of larger than 30 and less than 500 participants is appropriate (Roscoe, 1975). This is also confirmed by Delice (2010) hence the sampling frame for this study was 150 participants from 33 NGOs who were randomly selected within Lusaka.

As earlier stated, the researcher did not intend to carry out this research with every NGO operating in Zambia. Therefore, only NGOs based in Lusaka were sampled for this study.

Sample Size

A sample of 33 Non-Governmental Organizations (NGOs) was drawn from the NGOs based in Lusaka. Out of the 33 NGOs, the sample size for this study was 150 participants who were selected by stratified random sampling within Lusaka. This was in line with Roscoe's (1975) argument that the sample size of larger than 30 and less than 500 participants is appropriate. This was also confirmed by Delice, (2010). Therefore, based on these arguments, the sampled NGOs were deemed to be representative of the population.

Sampling Techniques

The researcher used random and stratified sampling techniques in this study. Random sampling technique is that from the population list, each NGO had an equal chance of being selected. This technique however, has the disadvantage of bias which could diminish the integrity of random selection but this was managed by having a population listing which involved only NGOs with relevant characteristics. NGOs that have financial manuals that speak to internal controls regarding imprest management and have been audited consistently for the past three years, coupled with the willingness from management of the organisation to participate in the study were considered. All respondents were employees of the institutions selected.

Stratified random sampling technique was applied in selection of categorisation of managing directors, accountants, unit heads of programmes and programme officers. These were included in the sample based on their knowledge of the topic.

Sampling Frame

In order to select a simple random sample from the population, it was necessary to identify all respondents from whom the selection would be made (Banerjee and Chaudhury, 2010). Therefore, the researcher used a sample size of 150 respondents from NGOs to obtain data, (See the sampling frame as illustrated in Figure 3.4 below):

Table 3.4: Sampling Frame

Sampling unit	Sample size	Data collection method
NGOs	150	Questionnaires
Total	150	Respondents

Research Instruments

Data collection method refers to the process of selecting sampled units and means or ways in which data was obtained from them. The two main types of data collected were primary and secondary data. Primary data is usually collected through surveys and interviews whilst secondary data is from published data and reports (Saunders, 2009). The researcher used questionnaires to collect data. Questionnaires were the main data collection tools used to obtain quantitative data for this study.

The Questionnaire

The primary goal of the research was to gain accurate and deeper understanding of the subject matter. Therefore the researcher used methods and techniques which enhanced that understanding. Questionnaires are highly structured and they provide a straightforward method of obtaining information (David, 2014). The questionnaire was the major instrument used in data collection; it consisted of both closed and open-ended questions. The questionnaire was developed by the researcher and pre-tested before it was approved by the supervisor and later distributed. The participants who responded ranged from key personnel such as Managing Directors, Accountants, and Unit Heads of programmes and programme officers.

Data Collection Procedures

This study used primary data collected from the questionnaires that were administered to randomly selected NGOs based in Lusaka, Zambia.

Data Analysis and Presentation

In this study, the quantitative data collected was analysed using the Statistical Package for Social Sciences (SPSS). Statistical analysis frequencies and tabulations were used. Furthermore, variable descriptive analysis with computations of means was done. Outputs were presented in tabular and textual formats for interpretation.

Issues of Validity and Reliability

The questionnaire was designed and evaluated by some academicians who reviewed and provided necessary suggestions hence the validity instrument was substantiated based on expert opinions. The test for validity and reliability of the data in this study was done. The test was performed by using Cronbach's alpha and Pearson's correlation analysis for both reliability and validity respectively (See Tables 4.6 and 4.7). The results obtained were above 0.70 for Cronbach alpha indicating a positive correlation and significant relationship between control environments, risk assessment monitoring, and imprest management in NGOs in Lusaka.

III. RESPONSE RATE

Out of the 150 questionnaires distributed, a total of one hundred and two (102) were returned representing a response rate of 68%. This response rate was a demonstration of lack of willingness by some targeted respondents. Almost all the participants who did not respond to the questionnaire cited busy work schedule, sensitivity of the information and top management unavailability at the time for authorisation to participate. The response rates for individual organisations are shown below in Table 4.1:

Table 4.1: Responses from NGOs

NGOs	Number of questionnaires per NGO	Questionnaires Received	%
Norwegian Church Aid-JCP	5	5	100
Councils of Churches in Zambia-CCZ	7	7	100
Christian Churches Monitoring Group-CCMG	1	1	100
Oxfam	5	2	40
Centre for Trade Policy Development-CTPD	5	2	40
SBH-Akrus Research	6	6	100
World Vision	5	4	80
African Vision of Hope	8	0	0
Save the Children	5	4	80
Transparency International Zambia-TIZ	5	5	100
Jesuit Centre for Theological Reflection-JCTR	5	3	60
Care Zambia	2	1	50
Children International Zambia	2	2	100
Habitat for Humanity Zambia	2	0	
Njamasi Foundation	5	3	60
Women for Change	5	3	60
Extractive Industries Transparency Alliance-EITA	2	0	0
Publish What You Pay Zambia-PWYP	5	4	80
Caritas Zambia	10	9	90
Civic forum Zambia	6	6	100
Keepers Zambia Foundation	2	0	0
Plan International	1	0	0
Red Cross Zambia	1	0	0
ZCCB	11	11	100
National Biosafety Authorities	3	3	100
Hopedays Zambia	2	2	100
Mental Health Zambia	10	10	100
Indaba Agriculture	2	2	100
African Directions	5	3	60
ROCKS	5	4	80
Zambia Agency for Person with Disabilities	5	0	0
CMMB-Zambia	5	0	0
JSI Aids free Zambia	1	0	0
Action for Empowerment	1	0	0
Total Number of Responses	150	102	68

Source: Field data, (2018)

Demographic Information

The demographic questions sought to obtain general information from the different categories of management team of the NGOs. These were; their gender, age group, level of academic qualifications, monthly income and knowledge of the study.

Review of General Respondent Information

The findings revealed that 53 (52%) respondents were male and 49 (48%) female. This meant that the males were slightly more than females in terms of the total respondents. This confirms that even NGOs are still dominated by men other than women as shown in Table 4.2 and Figure 4.1 below.

Table 4.2: Gender Distribution

Respondent Information	Details	Count	%	Cum. %
Gender distribution	Male	53	52	52
	Female	49	48	100

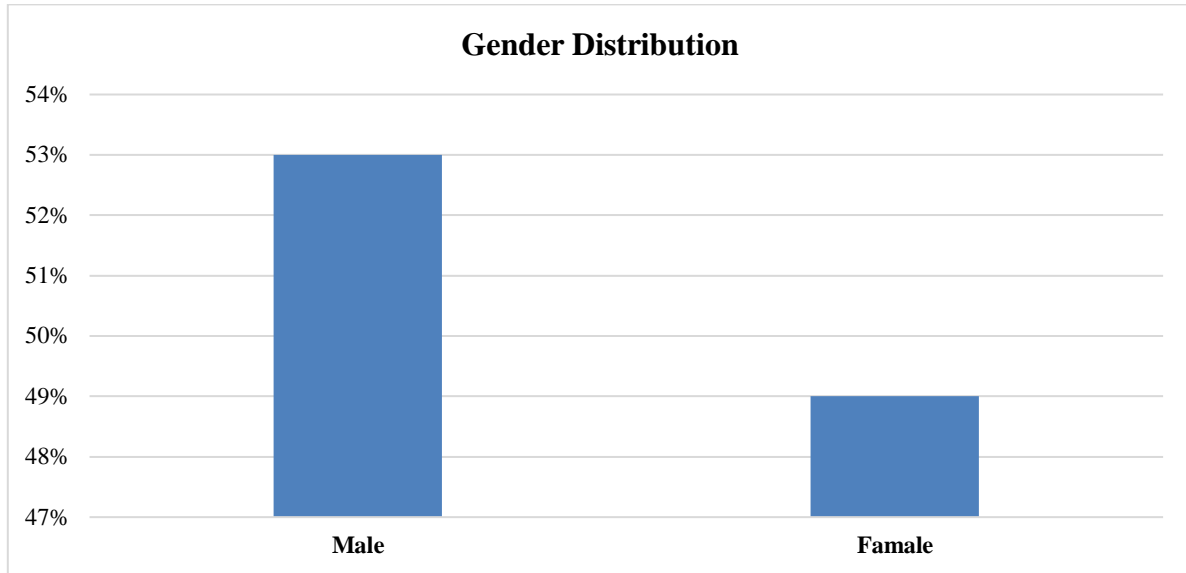


Figure 4.1: Gender Distribution

Source: Field Data, (2018)

Academic Level Distribution of Respondents

The respondents’ academic levels revealed that those with bachelor’s degrees were the most at 50(49%), followed by those with diplomas at 26(25.5%).Next to them were those with Masters Degrees who stood at 19(18.6%) and least of all were those with certificates and other qualifications who stood at 3 (2.9%) and 4 (3.9%) respectively as shown in Table 4.3 and Figure 4.2 below.

This implied that generally the group of targeted respondents were learned, meaning that they were able to understand and interpret the questionnaire correctly.

Table 4.3: Academic Level Distribution

Respondent information	Details	Count	%	Cum. %
Academic level distribution	Technical /Certificate	3	2.9	2.9
	Diploma	26	25.5	28.4
	Bachelor’s Degree	50	49	77.4
	Master’s Degree	19	18.6	96
	Other	4	3.9	100

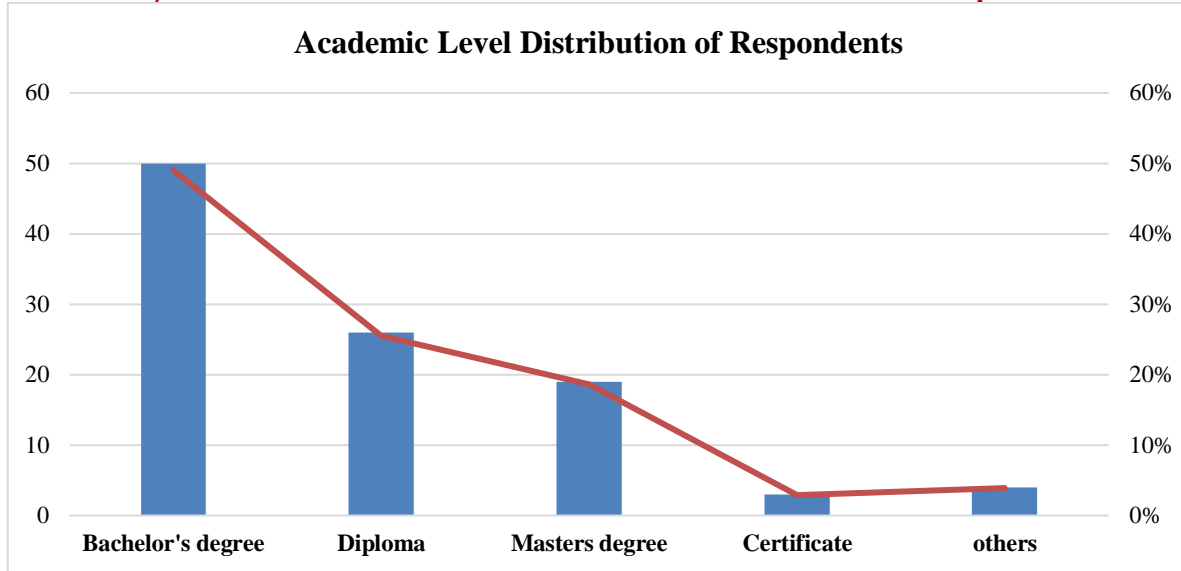


Figure 4.2: Academic Level Distribution

Source: Field Data, (2018)

Monthly Income Distribution of Respondents

The findings indicated that most of the respondents had their monthly income ranging between ZMW 5,000 and 10,000. These were 47(46.1%) followed by those with incomes between the range of ZMW10, 001 -20,000 who were 25(24.5%). Those with a monthly income of ZMW5, 000 and below were 16(15.7%) while those above the ZMW 20,001 were at 11(10.8%). Three of the total respondents representing 2.9% did not indicate which range they fell in as shown in Table 4.4 and Figure 4.3 below. By implication, this meant that targeted respondents were all above the Zambian Minimum Wage of ZMW 1,600, which eliminated the notion that un-retirement of imprest affects only those below the minimum wage.

Table 4.4: Monthly Income

Respondent Information	Details	Count	%	Cum. %
Monthly Income Distribution-range	ZMW 5,000	16	15.7	15.7
	ZMW5,000-ZMW10,000	47	46.1	61.8
	ZMW10,000-ZMW20,000	25	24.5	86.3
	Above ZMW 20,001	11	10.8	97.1
	Not applicable	0	0	97.1
	No response	3	2.9	100

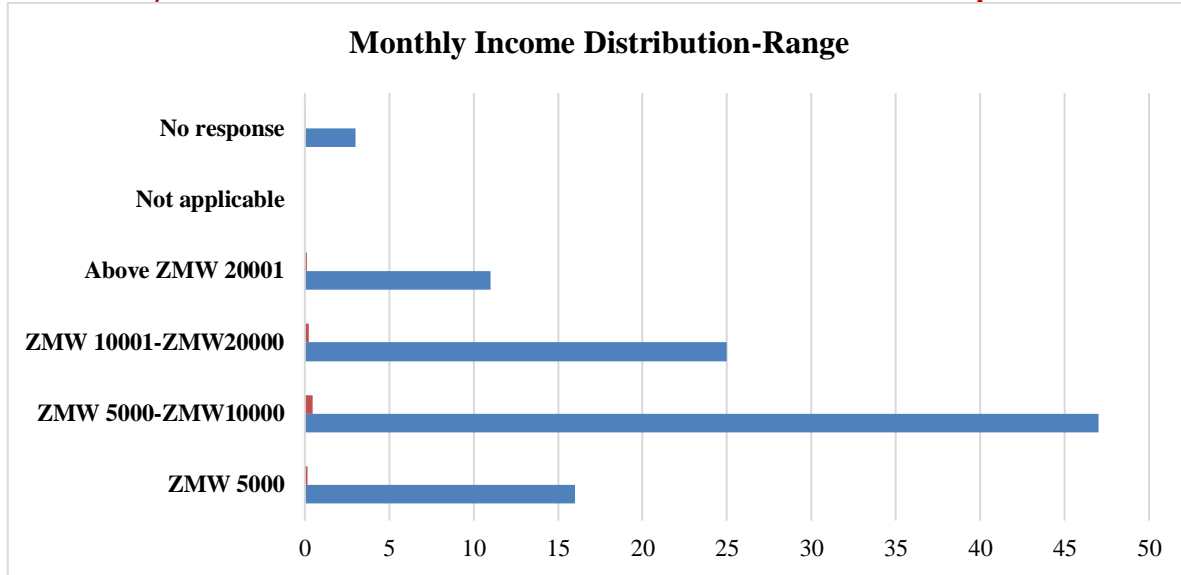


Figure 4.3: Monthly Income

Source: Field Data, (2018)

Age Distribution of Respondents

The study results revealed that there were no respondents who fell in the range of 20 years and below. Respondents between 21 and 30 years and those 41 and above both stood at 23.5% (24) each. The highest respondent’s age group for those between 31-40 years was at 52.9% (54). Since there was no one under 20 years, this meant that targeted respondents were all mature to conduct themselves in a more accountable manner especially, when handling imprest for an organisation. (See Table 4.5 and Figure 4.4 below)

Table 4.5: Age Distribution of Respondents

Respondent information	Details	Count	%	Cum. %
Age Distribution of Respondents	Below 20 years	0	0	0
	21-30 years	24	23.5	23.5
	31-40 years	54	52.9	76.4
	41 and above	24	23.5	100

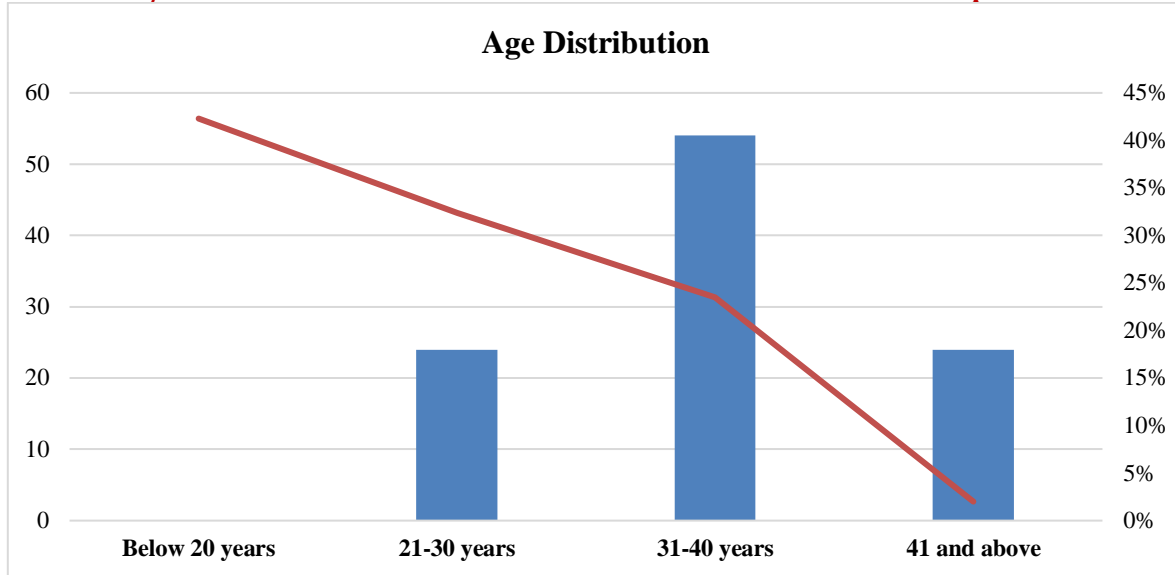


Figure 4.4: Age Distribution of Respondents

Source: Field Data, (2018)

Knowledge about Imprest Management

The results showed that all the respondents had an idea on the study topic. None of the respondents indicated that they had no idea of the study. Those who fell under Good scale were 43(42.2%), under Better scale were 33(32.4%), Excellent scale were 24(23.5%) while only 2(2%) chose not to respond at all as shown in Table 4.6 and Figure 4.5 below.

Table 4.6: Knowledge on Imprest Management

Respondent information	Details	Count	%	Cum. %
Knowledge on Imprest Management	No Idea	0	0	
	Good	43	42.3	42.3
	Better	33	32.4	74.7
	Excellent	24	23.5	98.2
	No-response	2	2	100



Figure 4.5: Knowledge on Imprest Management

Source: Field Data, (2018)

Policy on Imprest Management

Study findings revealed that all the respondents indicated that their institutions had a policy regarding impost management. 97(95.1%) said yes they had a policy in place and only 2(2%) said no, while 3(2.9%) did not respond to either yes or no. The implied interpretation is that the targeted group of NGOs had at least a policy which speaks to good financial management. (See Table 4.7 and Figure 4.6 below)

Table 4.7: Policy on Imprest Management

Respondent information	Details	Count	%	Cum. %
Policy on Imprest Management	YES	97	95.1	95.1
	NO	2	2	97.1
	No-response	3	2.9	100

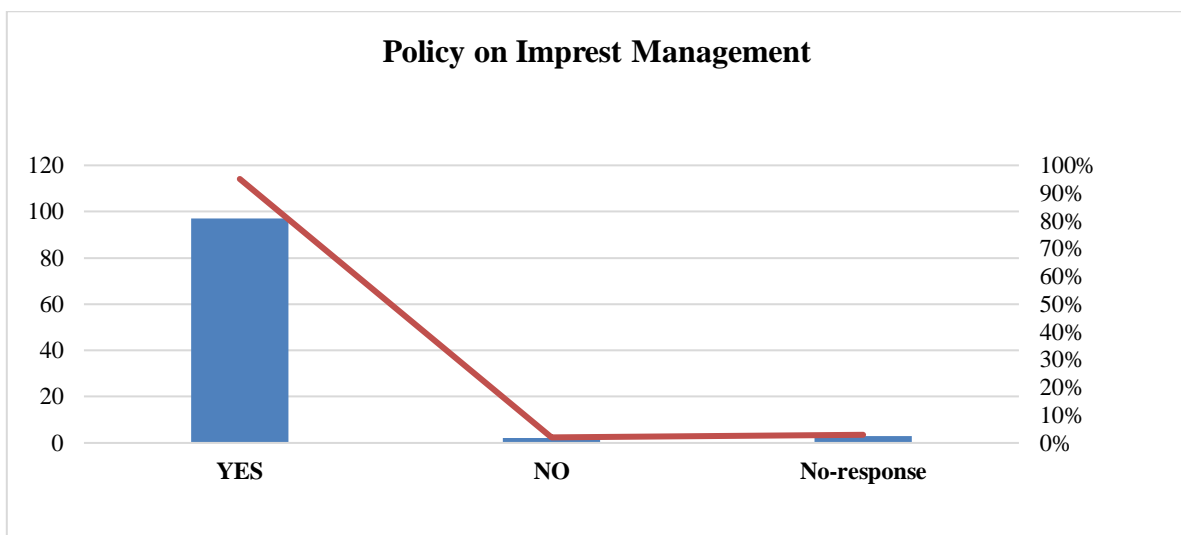


Figure 4.6: Policy on Imprest Management

Source: Field Data, (2018)

Any Case of Non-retirement of Imprest

The findings revealed that 31(30.4%) of the respondents indicated that their institutions did experience cases of non-retirement of imprest, while 65(63.7%) of the respondents stated that they did not experience such cases of non-retirement. 5(4.9%) decided not to respond either yes or no, citing the question to be too sensitive. If 95% stated that they had policies in place, then the implication here is that they still had cases of non-retirement of imprest. Despite having the policy in place, still cases of the non-retirement in some of the NGOs in Lusaka as indicated by 30% of the respondents indicated that their institutions experience cases of non-retirement.(See Table 4.8 and Figure 4.7 below)

Table 4.8: Cases of Non-retirement of Imprest

Respondent information	Details	Count	%	Cum. %
Cases of non-retirement of imprest	YES	32	31.4	31.4
	NO	65	63.7	95.1
	No-response	5	4.9	100

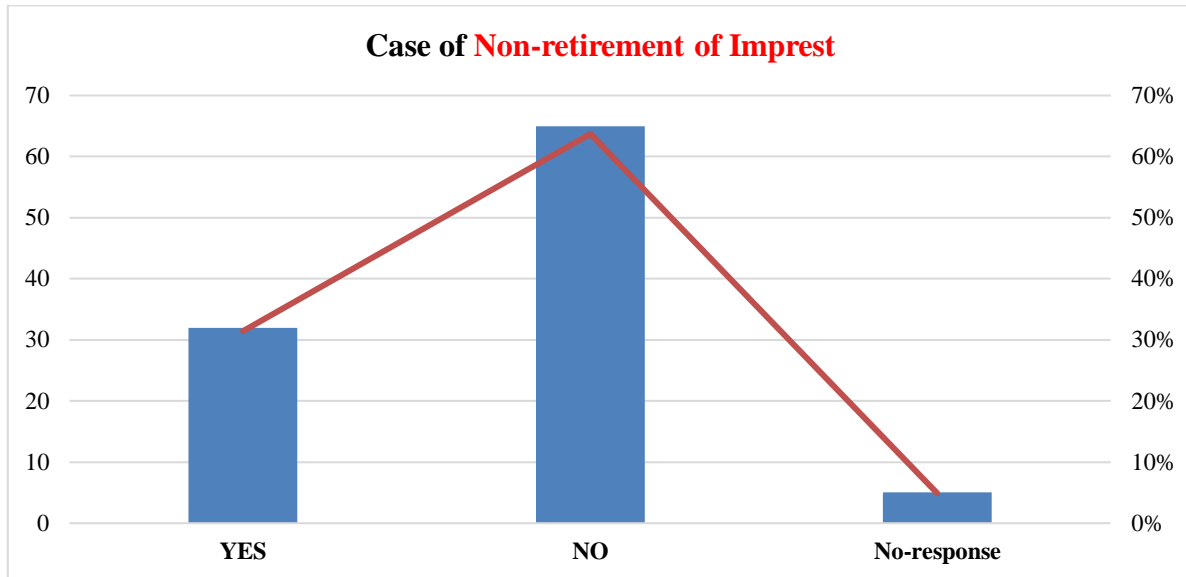


Figure 4.7: Cases of Non-retirement of Imprest

Source: Field Data, (2018)

Amount of Non-retirement in 2015

This too was considered to be a very sensitive question by most respondents. Not all the respondents who indicated that they had experienced non-retirement cases had the courage to state the amounts. In 2015, 2% fell between ZMW 100 and ZMW 1,000, 1 (1%) fell between ZMW 1,001 and 10,000 and those between ZMW 10,001 and ZMW 20,000 were 5 (4.9%) while 94 (92.2%) respondents did not respond to this question. (See the Table 4.9 and Figure 4.8)

Table 4.9: Amount of Non-retirement (2015)

Respondent information	Details	Count	%	Cum. %
Amount of non-retirement (2015)	ZMW100-1,000	2	2	2
	ZMW1,001-10,000	1	1	3
	ZMW10,001-20,000	5	4.9	7.9
	No-response	94	92.2	100

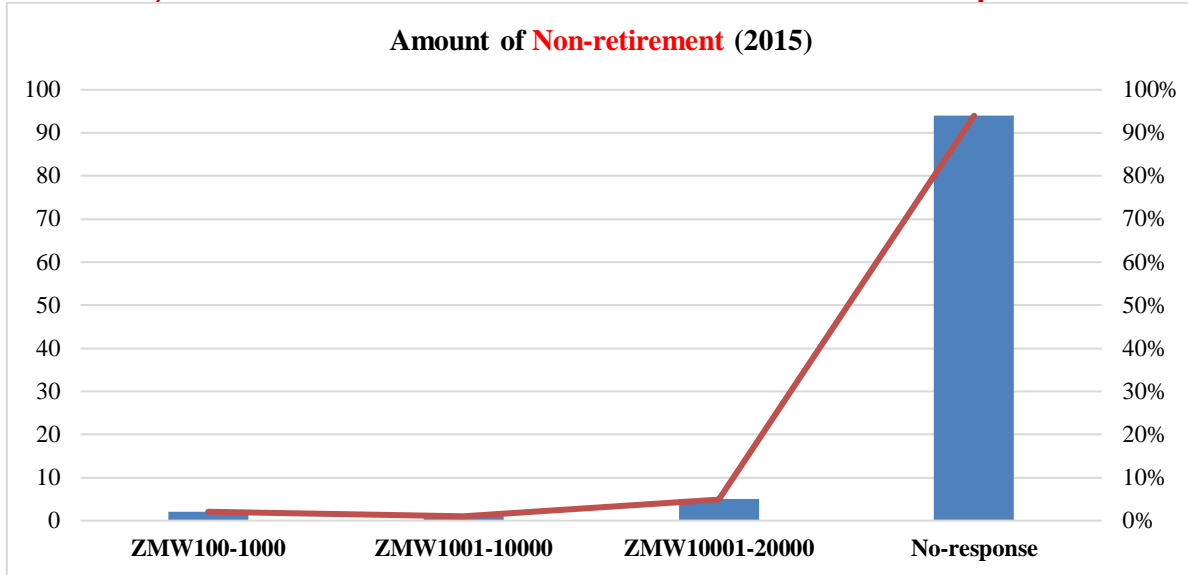


Figure 4.8: Amount of Non-retirement (2015)

Source: Field Data, (2018)

Amount of Non-retirement in 2016

The trend did not change much regarding the response to this question. The ranges between ZMW100-1,000 and ZMW10, 001-20,000 had 1% each and only the 2% of the respondents fell between ZMW 1,001 and 10,000. The rest of the respondents, representing 96%, did not respond as shown in Table 4.10 and Figure 4.9 below.

Table 4.10: Amount of Non-retirement (2016)

Respondent information	Details	Count	%	Cum. %
Amount of non-retirement (2016)	ZMW100-1,000	1	1	1
	ZMW1,001-10,000	2	2	3
	ZMW10,001-20,000	1	1	4
	No-response	98	96.1	100

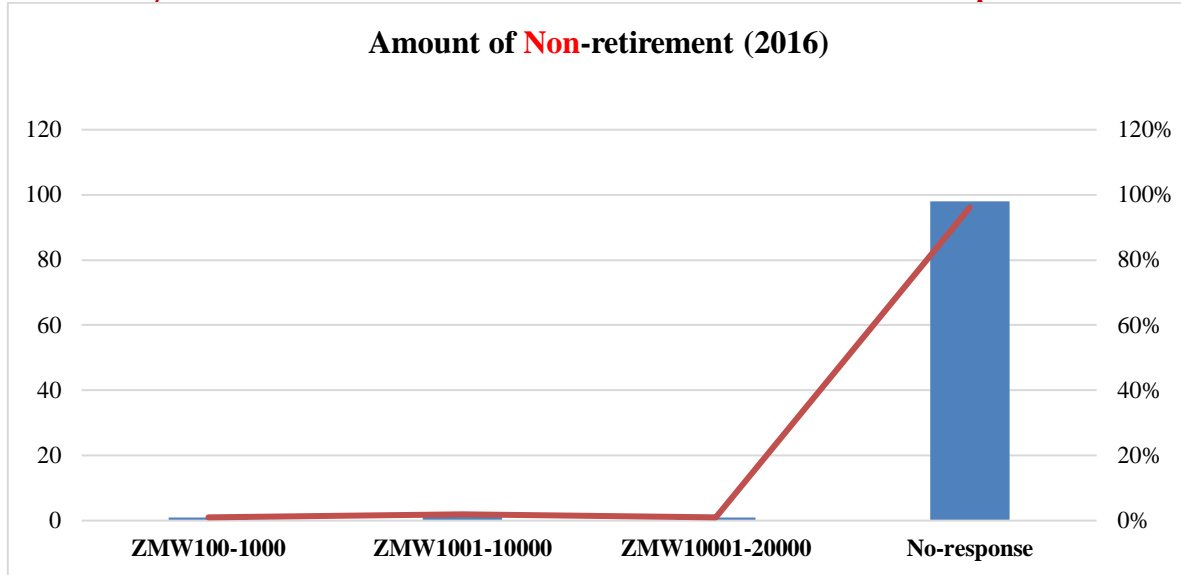


Figure 4.9: Amount of Non-retirement (2016)

Source: Field Data, (2018)

Amount of Non-retirement in 2017

Few respondents showed courage by responding as follows: those who fell between ZMW 100-ZMW 1,000 were 3 (2.9%), those between ZMW1,001-ZMW 10,000 and ZMW10,001-ZMW 20,000 both stood at 1% each, while the rest of the respondents decided to skip this question. The interpretation is that cases of non-retirement of impost abound, but the courage to state the figures was not there. The reason cited for not responding was that it was too sensitive information and accountants have professional duty not to disclose confidential information. (See Table 4.11 and Figure 4.10 below)

Table 4.11: Amount of Non-retirement (2017)

Respondent Information	Details	Count	%	Cum. %
Amount of non-retirement (2017)	ZMW100-1,000	3	2.9	2.9
	ZMW1,001-10,000	1	1	3.9
	ZMW10,001-20,000	1	1	4.9
	No-response	97	95.1	100

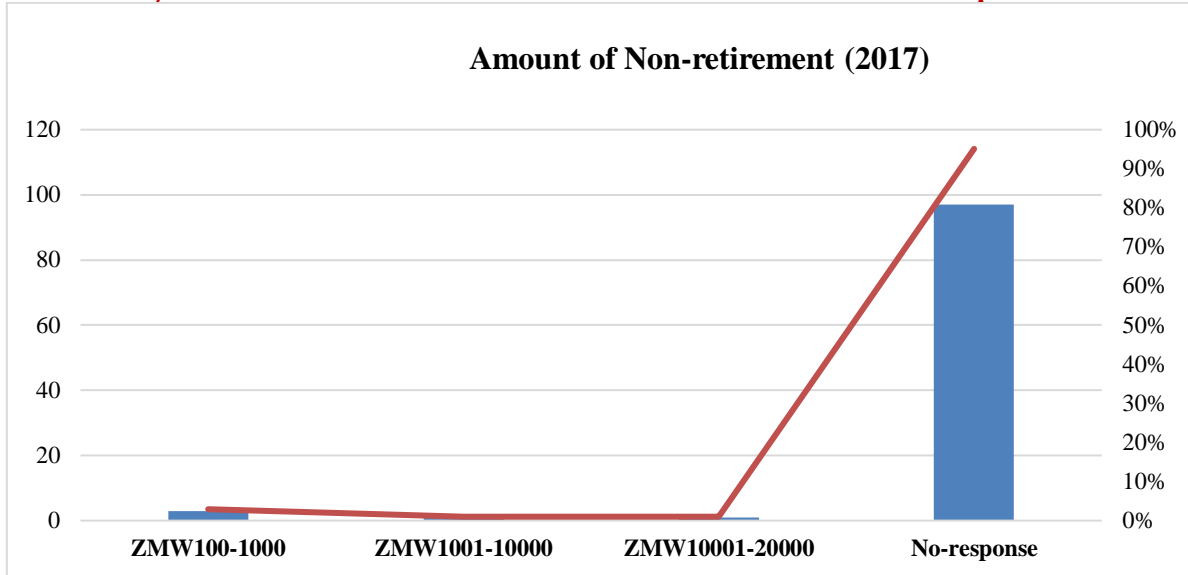


Figure 4.10: Amount of Non-retirement (2017)

Source: Field Data, (2018)

Risks of Unreliable Reports as a Result of Non-retirement of Imprest

The findings revealed that non-retirement of imprest in NGOs brings about the risk of having unreliable reports. Those who indicated that in their organisation this risk is high were 42(41.2%), those who stated that this risk would be medium were 29(28.4%) and those who settled for low were 20(19.6%) while 10.8% indicated that this question was not applicable to their organisation. (See Table 4.12 and Figure 4.11below)

Table 4.12: Risk of Unreliable Reports

Respondent information	Details	Count	%	Cum. %
Risk of unreliable reports	High	42	41.2	41.2
	Medium	29	28.4	69.6
	Low	20	19.6	89.2
	Not Applicable	11	10.8	100

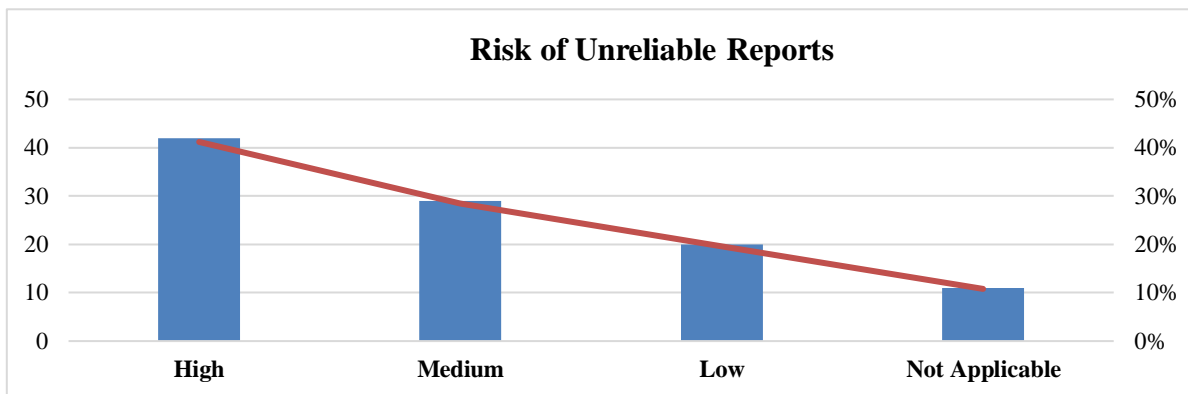


Figure 4.11: Risk of Unreliable Reports

Source: Field Data, (2018)

Risks of Damaged Reputation as a Result of Non-retirement of Imprest

The findings revealed that non-retirement of imprest in NGOs results in risk of having damaged reputation. Those who indicated that in their organisation this risk was high were 59(57.8%), those who stated that this risk would be medium were 20(19.6%) and those who settled for low were 17(16.7%) while 5.9% indicated that this question was not applicable to their organisation. (See Table 4.13 and Figure 4.12 below)

Table 4.13: Risk of Damaged Reputation

Respondent information	Details	Count	%	Cum. %
Risk of damaged reputation	High	59	57.8	57.8
	Medium	20	19.6	77.4
	Low	17	16.7	94.1
	Not Applicable	6	5.9	100

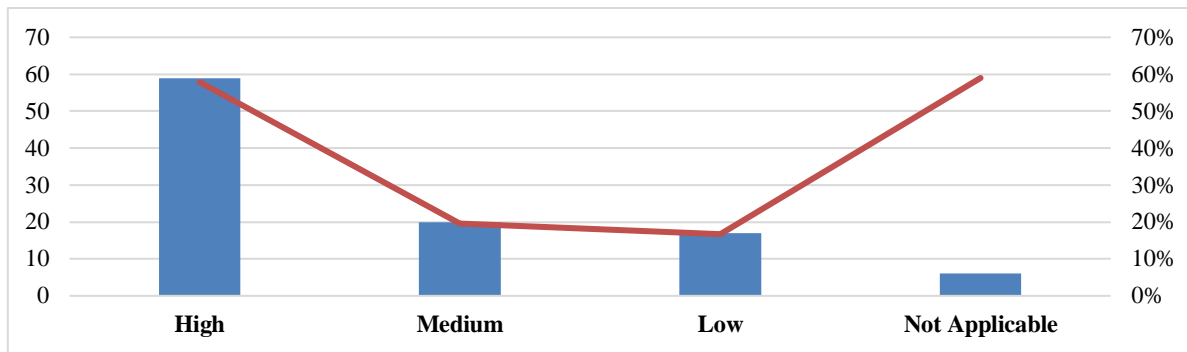


Figure 4.12: Risk of Damaged Reputation

Source: Field Data, (2018)

Risks of Misappropriation of Funds as a Result of Non-retirement of Imprest

The study revealed that non-retirement of imprest in these NGOs results in risk of having misappropriation of funds. Some respondents agreed that this risk could be high were 59 (57.8%) while those who stated that this risk would be medium were 17 (16.7%) and those who settled for low were 16 (15.7%). 9.8% indicated that this question was not applicable to their organisation.(See Table 4.14 and Figure 4.13 below)

Table 4.14: Risk of Misappropriation of Funds

Respondent information	Details	Count	%	Cum. %
Risk of misappropriation of funds	High	59	57.8	57.8
	Medium	17	16.7	74.5
	Low	16	15.7	90.2
	Not Applicable	10	9.8	100

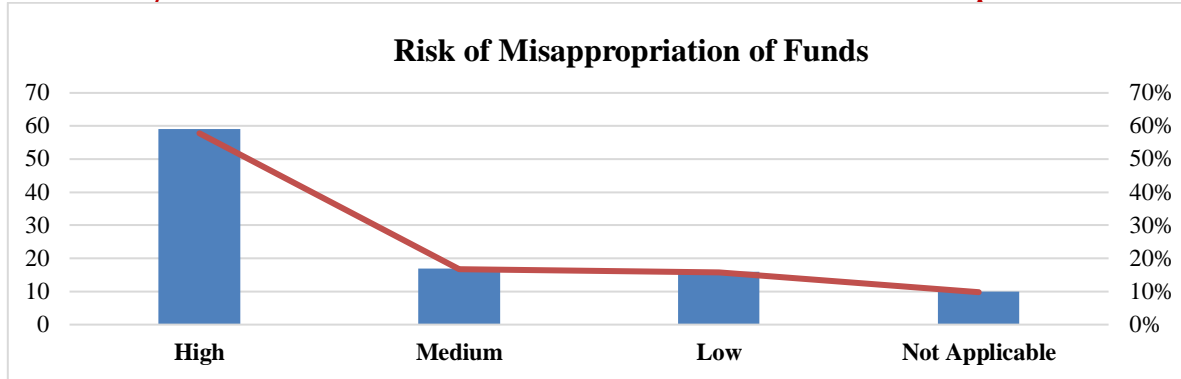


Figure 4.13: Risk of Misappropriation of Funds

Source: Field Data, (2018)

This implied that respondents agreed that the non-retirement of imprest in an organisation may result in having unreliable reports, damaged reputation and misappropriation of funds and late release of funds for the projects (Inyang, 2016), hence the need to strengthen the imprest management systems in NGOs in Lusaka.

Descriptive Statistics

The factors affecting internal control and imprest management in NGOs in Lusaka include control environment, risk assessment, control activities and monitoring activities. These components work together to influence the whole internal control system in an organisation. The tables below present the data gathered and analysed.

Control Environment

This analysis was conducted to examine whether the control environment component of internal control has any influence on imprest management. This was answered with the help of the respondents. Through the findings, the respondents indicated by the statement that “attitude of the top management level in following imprest procedures” had the highest mean (M=3.88). Followed by “Commitment by management to uphold ethical values” (M=3.72; SD=.723); thirdly “Ensuring that management implement adequate internal controls” (M=3.63; SD=.702). Lastly “Management conducts review of monthly report on staff imprest account” (M=3.60; SD=.763). On average, control environment scored a total of (M=3.71; SD=.654). This meant that the atmosphere in which internal controls should operate must be spearheaded by top management as shown by the highest mean score in respect of the attitude of top management regarding imprest management procedures. The Board of Directors and other oversight committees must ensure that they create an environment that strengthens adherence to internal controls if imprest is to be well managed in these NGOs. Table 4.15 and Figure 4.14 below illustrate this.

Table 4.15 Control Environment Mechanisms

Internal Control Mechanisms	Mean	Std.Deviation
Attitudes of the top management level in following imprest procedures.	3.88	.429
Management conduct review of monthly report on staff imprest account.	3.60	.763
Commitment by management to uphold ethical values.	3.72	.723
Ensuring that management implementation of internal control is adequate.	3.63	.702
Average	3.71	.654

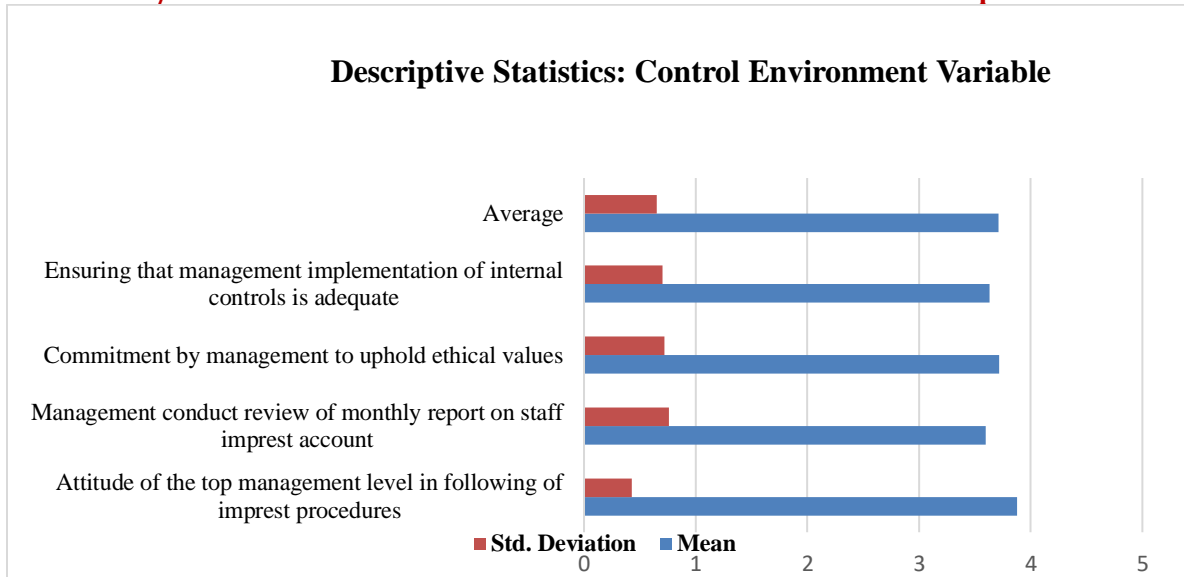


Figure 4.14 Control Environment Mechanisms

Source: Field Data, (2018)

Risk Assessment

This analysis was conducted in order to examine whether the risk assessment component of internal control had any influence on imprest management. This was answered with the help of the responses from respondents. Most of the respondents under this variable highly agreed that the key risk indicators should be adequately monitored as shown by the results under the statement “Ensuring that key indicators of imprest risks are monitored adequately” had a highest mean (M=3.74; SD=.579). This was followed by “Ability to ensure that imprest risk assessment is not in isolation” (M=3.62; SD=.835). In this way assessment will be adequate to address signs of poor imprest management; third was “Ensuring that imprest risk assessment is performed at all levels of the organisation” (M=3.56; SD=.712) and lastly “Developing strategies that will ensure that sufficient information is gathered on imprest risk assessment” (M=3.51; SD=.767). The overall score on risk assessment was (M=3.61; SD=.723). This meant that focus must be placed on adequately identifying key indicators for risks. The risk assessment which is adequate and holistic in nature is a sure way of prudent management of imprest in these NGOs. This will help the institution to effectively deal with risk and avoid surprises regarding imprest management. (See the illustration in Table 4.16 and Figure 4.15 below).

Table 4.16: Descriptive Statistics: Risk Assessment Variable

Internal Control Mechanisms	Mean	Std. Deviation
Ensuring that key indicators of imprest risks are monitored adequately.	3.74	.579
Developing strategies that will ensure that sufficient information is gathered on imprest risk assessment.	3.51	.767
Ensuring that imprest risk assessment is performed at all levels of the organisation.	3.56	.712
Ability to ensure that imprest risk assessment is not in isolation.	3.62	.835
Average	3.61	.723

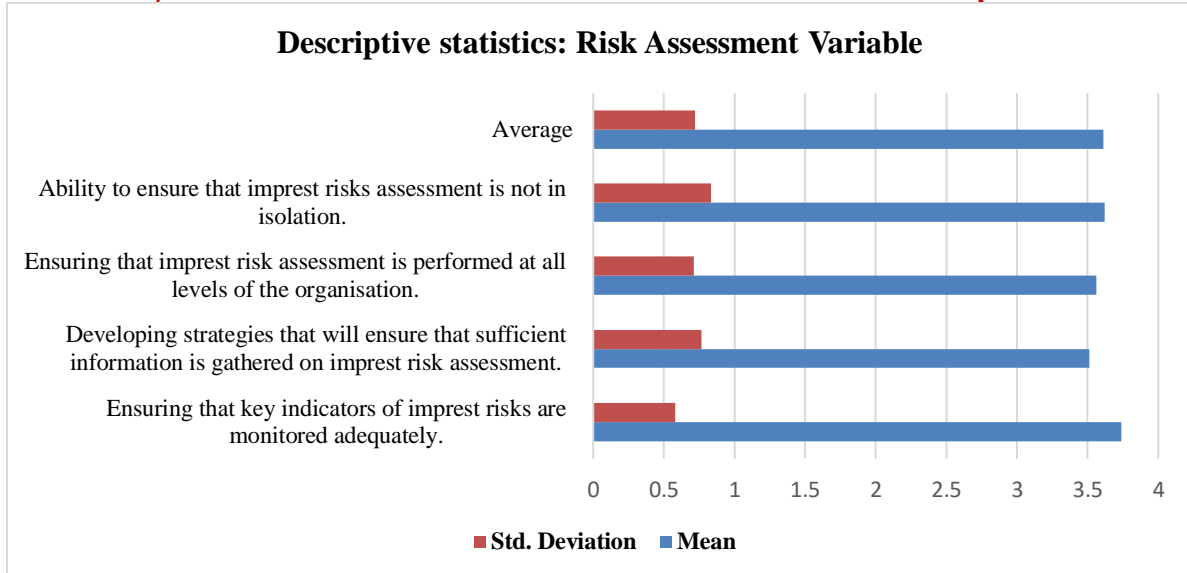


Figure 4.15: Descriptive Statistics: Risk Assessment Variable

Source: Field Data, (2018)

Monitoring Activities

Finally, the study endeavoured to examine whether monitoring activities component of internal control had any influence on imprest management. This was addressed by the following findings that showed “Ensuring that there is adequate policy framework to ensure effective recovery of un-retired imprest” scored the highest mean (M=3.81; SD=.609). This can be done by consistent and continuous monitoring of the effectiveness of the internal controls. This is to ensure that all weaknesses are identified and acted upon; while the statement “Financial manual relating to imprest management reviewed” scored (M=3.71; SD=.683); this was followed by the statement “Creating procedures that ensure that imprest retirement is done in accordance with the stipulated policy” which scored (M=3.64; SD=.768) and lastly, “Effective training of new personnel regarding imprest procedures” (M=3.53; SD=.795). The overall score on monitoring activities was (M=3.67; SD=.714). Monitoring controls without effecting discipline on would-be offenders will not yield desired effective monitoring mechanism. Imprest management can be effectively managed to prevent abuse of funds. This helps the NGO achieve its objective by ensuring that resources are used according to the intended purpose and no misappropriation of funds occurs. This was confirmed by the highest mean on the framework for recovery of un-retired imprest. (See the illustration in Table 4.17 below)

Table 4.17 Descriptive Statistics: Monitoring Activities Variable

Internal Control Mechanisms	Mean	Std. Deviation
Financial manual relating to imprest management reviewed.	3.71	.683
Effective training of new personnel regarding imprest procedures.	3.53	.795
Creating procedures that ensure that imprest retirement is done in accordance with the stipulated policy.	3.64	.768
Ensuring that there is adequate policy framework to ensure effective recovery of un-retired imprest.	3.81	.609
Average	3.67	.714

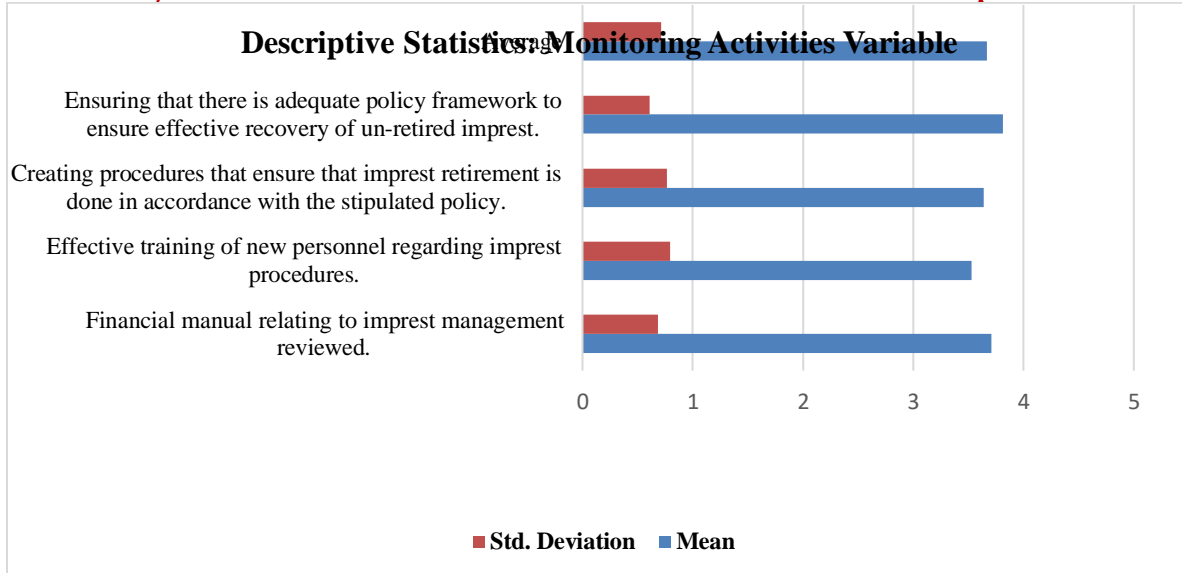


Figure 16: Descriptive Statistics: Monitoring Activities Variable

Source: Field Data, (2018)

4.5.4 Imprest Management

Imprest management being a dependent variable, the results confirmed that if internal control procedures are followed consistently, NGOs will make good use of their funds. Chances of misappropriation or theft of funds through un-retired imprest would be reduced. Non-governmental organisations will achieve prudent imprest management. The results showed that the statement “Imprest amount fully/partially spent on the intended purpose” scored the highest mean (M=3.80; SD=.718); which was followed by “Control over issuance of imprest” (M=3.76; SD=.677); third was the statement “Promptly posting of imprest payments into general ledgers” (M=3.72; SD=.837) and lastly “Ensure that no staff/officer is issued with imprest when he/she has another imprest outstanding” (M=3.53; SD=.831). The overall score on imprest management was (M=3.70; SD=.766). This clearly shows that the core to imprest management is ensuring that funds are spent on intended activities. This can only be achieved by having adequate and effective internal control mechanism in place. (See the illustration in Table 4.18 and Figure 4.17 below)

Table 4.18 Descriptive Statistics: Imprest Management Variable

Internal Control Mechanisms	Mean	Std. Deviation
Control over issuance of imprest	3.76	.677
Ensure that no staff/officer is issued with imprest when he/she has another imprest outstanding	3.53	.831
Imprest amount fully/partially spent on the intended purpose	3.80	.718
Promptly posting of imprest payments into general ledgers	3.72	.837
Average	3.70	.766

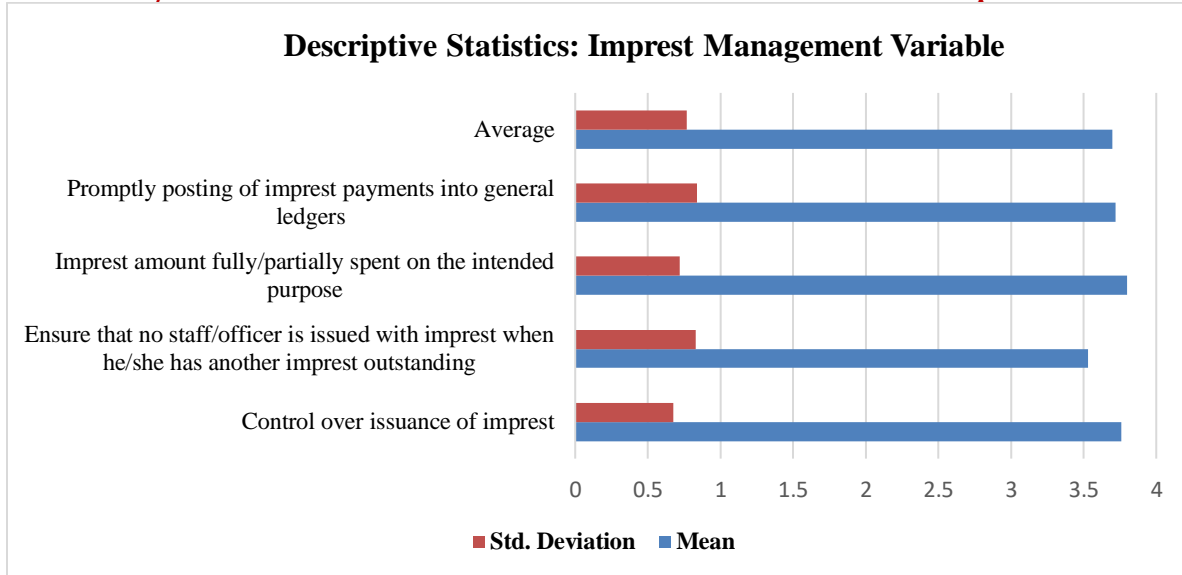


Figure 17: Descriptive Statistics: Imprest Management Variable

Source: Field Data, (2018)

Reliability and Validity

Reliability refers to the precision or internal consistency of a test, while validity refers to how well the test truly assesses the characteristic it is intended to study (David, 1997). Both Cronbach’s alpha and Pearson’s correlation analysis were performed to test for reliability and validity respectively. The standard interpretation recommends that Cronbach’s alpha must be at least 0.70, though this may vary depending on items which have been considered under each scale. The results showed acceptable range of Cronbach’s alpha from 0.703 to 0.754 which is higher than 0.70 (Nunnally, 1978 and Nunnally & Bernstein, 1994 cited in Drost, 2015). This implies that the measurement scale of findings are reliable, hence, they can be used for analysis in this study. (See Table 4.19 as illustrated below).

Table 4.19: Reliability Statistics

Internal Control System	Cronbach's Alpha	Cronbach's Alpha Based on Standardization
Control Environment	.703	.710
Risk Assessment	.708	.711
Monitoring	.752	.754
Imprest Management	.731	.733

Source: Author, (2018)

Pearsonian Product-Moment Correlation Analysis

The study showed both positive correlation and significant relationship between control environments, risk assessment, monitoring and imprest management in NGOs in Lusaka as shown by the Pearson correlation coefficient illustration in Table 4.20 below. There is a positive and significant relationship between control environment and imprest management shown by $r=0.513$, $p\text{-value}=0.000$ ($r=.513, p<.05$). That implies that the control environment is the strong foundation upon which an effective and adequate internal control system must be built.

Again the results showed that there is a moderate positive and significant relationship between risk assessment and imprest management as shown by $r=0.313$, $p\text{-value}=0.001$ ($r=0.313, p<0.05$). This implies that risk assessment process is also key for achievement of effective imprest management system in an organisation. This is the same

effect that monitoring activities have on imprest management within the organisation as shown by the scores; there is a moderate, positive and significant relationship between monitoring and imprest management as shown by $r=0.410$, $p\text{-value}=0.000$ ($r=.410$, $p<.05$)

Table 4.20 Pearson Correlation Analysis

		Imprest Management	Control Environment	Risk Assessment	Monitoring
Pearson Correlation	Imprest Management	1.000	0.513	0.313	0.410
	Control Environment	0.513	1.000	0.468	0.374
	Risk Assessment	0.313	0.468	1.000	0.265
	Monitoring	0.410	0.374	0.265	1.000
Sig. (1-tailed)	Imprest Management		0.000	0.001	0.000
	Control Environment	0.000		0.000	0.000
	Risk Assessment	0.001	0.000		0.004
	Monitoring	0.000	0.000	0.004	

Correlation is significant at the 0.01 level (1-tailed).

Source: Field Data, (2018)

Multiple Regression

Regression analysis is used when independent variables are correlated with one another and with the dependent variable. It helps to establish or determine which ones among independent variables are good predictors of the outcome. Under this study, internal control components were independent variables and imprest management was the dependent variable.

R-Square Statistics

This analysis shows the strength of the relationship between the set of independent variables (internal control components) and dependent variables (imprest management). The results show that $R^2=0.326$ which explains that variation in imprest management as a function of internal controls in NGOs in Lusaka. The value of R-squared indicates that all the independent variables collectively only explain about 33% of the variance (R-Square) in imprest management, which is moderately significant as indicated by the F-value of 11.725 (See the Table 4.21 below).

An examination of the t-values indicates that both control environment and monitoring component contribute more to the prediction of the outcome (Imprest management) as compared to risk assessment processes within control system as illustrated in Table 4.21 below.

This entails that the three independent variables considered under this study only contributed about 33% to imprest management in NGOs while other factors not studied in this research contributed 77% of the imprest management in NGOs in Lusaka. This could be true because imprest management is just a component of the overall financial management, which is one of the three main objectives for internal controls in an organisation.

Table 4.21 Model Summary (R-square) statistics

	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.571 ^a	0.326	0.298	1.797	0.326	11.725	4	97	0.000	1.950

a. Predictors: (Constant), Monitoring, Risk Assessment, Control Environment

b. Dependent Variable: Imprest Management

Source: Field data, (2018)

ANOVA Analysis

The findings in Table 4.6.2 show the following statistics:F-statistics > 1 and p-value <0.05 (F=11.725, p-value=0.000). Therefore, in this study, it is shown that independent variables of control environment, risk assessment, and monitoring activities can mathematically predict the outcome variable of impost management.

Table 4.22 ANOVA analysis

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	151.447	4	37.862	11.725	0.000 ^b
Residual	313.229	97	3.229		
Total	464.676	101			

a. Dependent Variable: Imprest Management

b. Predictors: (Constant), Monitoring, Risk Assessment, Control Environment

Source: Field data, (2018)

Linear Regression Analysis

The results revealed that tolerance is greater than 0.10 and VIF is less than 10 hence there is no multi-collinearity in this study. It means that all the three variables of internal controls (control environment, risk assessment and monitoring) can accurately predict the outcome of impost management.

The results show the linear relationship in prediction of impost management, and there is significant contribution by independent variables in the prediction of the outcome. The internal control components' contribution in the prediction of effective impost management was high compared to that of risk assessment. The range is as follows: Control environment (B=0.345, p-value=0.003), Risk assessment (B=0.042, p-value=0.676) and monitoring (B=0.239, p-value=0.010).

Even though the predictors had positive coefficient values, the risk assessment component had weaker coefficient values and they were not significant. The following are the results as per Table 4.23 below.

Table 4.23 Linear Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	2.517	10.910		1.317	.191					
Control Environment	0.402	0.133	.345	3.016	.003	.513	.293	.251	.532	1.879
Risk Assessment	0.047	0.113	.042	.419	.676	.313	.042	.035	.705	1.418
Monitoring	.268	0.102	.239	2.627	.010	.410	.258	.219	.840	1.191

a. Dependent Variable: Imprest Management: Source: Field Data, (2018)

Testing of Hypothesis:

The data obtained through survey questionnaire was then tested using Linear Regression analysis with R-square and ANOVA analysis in order to determine the association between internal controls (Independent variable) and Imprest management (Dependent variable). T-testing from the regression analysis was used to test hypotheses at 0.05 level of significance and the results show that only two hypotheses were supported. (See Table 24 below)

Table 4.24:Hypotheses Testing Results

Hypotheses	t-value	p-value	Comment
H ₁ : Control Environment has a positive relationship with imprest management in NGOs in Lusaka	3.016	0.003	Supported
H ₂ : Risk Assessment has a positive relationship with imprest management in NGOs in Lusaka	0.419	0.676	Not Supported
H ₃ : Monitoring Activities have a positive relationship with imprest management in NGOs in Lusaka	2.627	0.010	Supported

Hypothesis One

The aim of this hypothesis was to test whether or not control environment is positively correlated with imprest management in NGOs in Lusaka. The results show that control environment component significantly influenced imprest management in NGOs (t=3.016, p<.05). Thus, hypothesis H₁=Control Environment has a positive relationship with imprest management in NGOs in Lusaka was supported. Therefore, the alternative hypothesis is accepted, and null hypothesis rejected. The decision to accept the hypothesis is supported by the asymptotic significance value of 0.003 which is less than the probability value (P-Value) of 0.05 indicating that the researcher should accept the research hypothesis.

Hypothesis Two

The aim of this hypothesis was to test whether or not risk assessment is positively correlated with imprest management in NGOs in Lusaka. The results show that risk assessment component did not significantly influence imprest management in NGOs (t=0.419, p>0.05). Thus, hypothesis H₂=Risk assessment has a positive relationship with imprest management in NGOs in Lusaka was not supported. Despite the relationship being positive, it was not significant enough. The decision to reject the hypothesis is supported by the asymptotic significance value of 0.676

which is greater than the probability value (P-Value) of 0.05 indicating that we should reject the research hypothesis. Therefore, the alternative hypothesis is rejected, and the null hypothesis is accepted.

Hypothesis Three

The aim of this hypothesis was to test whether or not monitoring activities are positively correlated with imprest management in NGOs in Lusaka. The findings show that monitoring activities significantly influenced imprest management in NGOs in Lusaka ($t=2.627$, $p<.05$). Thus, H_3 =Monitoring activities has positive relationship with imprest management in NGOs in Lusaka was supported.

Hence, there is sufficient evidence to conclude that monitoring activities have a positive relationship with imprest management. Therefore, the alternative hypothesis is accepted, and the null hypothesis is rejected. The decision to accept the hypothesis is supported by the asymptotic significance value of 0.010 which is less than the probability value (P-Value) of 0.05, indicating that the researcher should accept the research hypothesis.

IV. DISCUSSION OF THE STUDY FINDINGS

The objectives of effective imprest management in NGOs could be achieved by placing great emphasis on having strict control environment, and high levels of integrity and ethical values among top management, based on organisation culture. These have to be created by top management of the NGOs and physically transmitted through monitoring policies and procedures on imprest management. This validated the application of compliance, agency, and adherence theories which were earlier discussed in this study. The findings are further discussed as follows:

Validation of Conceptual framework

The study hypotheses was to state that there is a positive relationship between control environment, risk assessments, monitoring activities and imprest management in an NGO setup, hence the conceptual framework that was established and used was one that suggested that these three components of internal controls directly influence the imprest management in non-governmental organisations in Lusaka.

Control environment has a positive relationship with Imprest Management in NGOs

The results show that top management attitude towards imprest management procedures help to create a work environment that respects control procedures that deal with imprest management in these NGOs. When Top management sets a tone of strict corporate adherence to internal controls actions like commitment to ethical values, adequate implementation of controls and monthly review of staff imprest accounts would be achieved in an effort to enhance accountability and reliable financial reporting as a result of effective imprest management in the place. Respondents answers were in line with conceptual framework which suggested that control environment can influence imprest management in non-governmental organisation setup, as it is also the backbone of the entire internal control system in most organisations (COSO, 2013). This was affirmed by accepting the H_1 "Control environment has a positive relationship with imprest management in NGOs in Lusaka".

Risk Assessment has a Positive Relationship with Imprest Management in NGOs

Here the results showed that actions like monitoring of key indicators, ensuring that imprest risk assessment is not done in isolation but done at all levels of the organisation and strategic gathering of information regarding the imprest risk. If these things can be done, it would positively influence imprest management in these NGOs. Non-governmental organisations would be able to reduce or eliminate the risks related to imprest such as abuse and misappropriation of resources, hence, achieve accurate accountability of the NGOs' funds. This would be achieved because the risk assessment aspect is strengthened and the resultant effect is enhanced imprest management. Even though the hypothesis H_2 "Risk Assessment has a positive relationship with imprest management in NGOs in Lusaka" was rejected, it showed a moderate positive relationship with imprest management.

Monitoring Activities have Positive Relationship with Imprest Management in NGOs

The results show that actions such as having adequate policy framework for recovery of un-retired imprest, consistent review of financial manuals that speak to imprest management, strictly following the policies and

procedures when retiring imprest and training of new staff regarding these policies would be beneficial in ensuring compliance and adherence to accounting standards. Non-governmental organisations would achieve control over issuance of imprest and be able to prudently account for their resources in a more reliable manner. This too was in line with the conceptual framework which suggests that monitoring activities can influence imprest management. As it was affirmed by the acceptance of H₃ hypothesis “Monitoring Activities have a positive relationship with imprest management in NGOs in Lusaka”

Imprest Management

Imprest management being a dependent variable meant that its elements were directly influenced by the effectiveness of internal controls. If there are weak internal controls in place, imprest management is likely to be poor in these NGOs. For instance, if the top management is not concerned with adherence to controls that speak to effective imprest management, there is no risk assessment, and no care is given to effective running of the entire internal controls in these NGOs, then many financial losses can be incurred. The weaknesses in internal controls could be seen in the form of unreliable reports, unaccountable resources, and poor controls over issuance of imprest in these NGOs. Therefore, this is how results obtained validated the conceptual framework which was used in this study.

Control Environment

The findings indicated that majority of respondents agreed that control environment component of internal controls positively influences imprest management in non-governmental organizations in Lusaka. As the hypothesis was in line with this variable, the H₁ hypothesis “Control Environment has a positive relationship with imprest management in NGOs in Lusaka” was supported and accepted. Effective control environment is critical in having adequate internal controls in influencing imprest management in an NGO. It is the responsibility of the management of every NGO to ensure that internal controls are appropriate and adequate in order to ensure that the system is running effectively to the relevance of its purpose. Therefore, top management needs to regularly review the effectiveness of its internal control system.

The control environment included overall integrity and ethical values embodied in organisational structures. This placed top management in a position to create an environment which will direct every member of the organization towards high level of adherence to organisational integrity and ethical values if effective imprest management is to be attained as was noted by Etengu and Amony (2016)

Effective imprest management should go beyond just policies and procedures through various financial manuals. If the control environment has to influence effective imprest management in these institutions, top management need to be practical and not theoretical by being involved in administering the stipulated internal control policies outlined in the financial manuals.

Particularly, the control environment must ensure that management conduct review of monthly reports on staff imprest accounts, implement internal control systems holistically in order to uphold ethical values in relation to effective imprest management.

Though the control environment is the foundation of all internal control components, top management must be seen to be practical in such a way as to ensure that they create an effective environment for effective imprest management to be attained in their organisations. Management as well must strictly pay particular attention to each staff imprest account especially, outstanding imprest when reviewing monthly reports. This will enhance financial responsibility and accountability in NGOs (Asefa et al., 2014).

Risk Assessment

The results indicated that majority of the respondents disagreed that risk assessment component of internal control had a significant relationship with effective imprest management in NGOs in Lusaka. The testing of hypothesis H₂ regarding risk assessment whether it had a positive relation with imprest management was rejected.

The variables which were tested under this component were ensuring that key indicators of imprest risks are monitored adequately, developing strategies that will ensure that sufficient information is gathered on imprest risk assessment, ensuring that imprest risk assessment is performed at all levels of the organisation, and ability to ensure that imprest risk assessment is not in isolation.

Despite the majority rejecting this hypothesis, some respondents insisted that management of NGOs must ensure that strategies are developed to ensure that sufficient information on imprest risk is efficiently gathered and presented to management for appropriate decision. This was followed by ability to ensure that risk assessment is not done in silos but holistically in the organisation if effective imprest management is to be attained and the organisation's overall goals are to be attained. Proper management of risks enables the organisation to reduce unnecessary loss of resources resulting from ineffective imprest management in the organisation (Asante et al., 2016 & Perengo, 2016).

Risk management must be part of the daily operations of every NGO. Ensuring that each requisition of funds is strictly subjected to all the necessary procedures and policies is key to financial management success. This will help to manage risks associated with imprest management in NGOs and achieve their objectives.

Monitoring Activities

The study results showed that majority of respondents agreed to the presence of effective monitoring component of internal controls in NGOs in Lusaka. The association with imprest management was significantly positive as p-value=0.000, it was less than p-value=0.05. Effective monitoring activities are an important part of internal control in achieving the effective imprest management in an NGO as was confirmed by the acceptance of the hypothesis H "Monitoring activities have a positive relationship with imprest management in NGOs in Lusaka". It was supported and accepted.

The analysis showed that emphasis is placed on management of the NGOs to prevent the occurrence of un-retirement of imprest in the first place. Management is urged to put up strategies to prevent un-retired imprest from occurring in these NGOs. Non-governmental organisations should not have cases of un-retirement of imprest at any point, partly because of the nature of organisations as most of them depend on donor funding hence the reason to effectively manage imprest.

Effective monitoring activities can be attained fully by enhancing supervisory role in these organisations. The results indicated that most NGOs have internal control systems in place yet they had cases of un-retired imprest. Even if the majority of the respondents did not indicate the amount of un-retired imprest in the survey, most of them agreed to have had cases of non-retirement of imprest.

This means that all the components of internal control may be functional in the institutions, but if they are not supervised by ensuring effective monitoring of imprest management, financial objectives cannot be attained as this view is also shared by Etengu and Amony (2016). Their study recommended that monitoring among other components should be enhanced in order to improve the financial performance of an institution.

This means that monitoring as part of internal control component is vital for imprest management. This is in the sense that it will ensure that internal control as a whole is adequate and effective in the management of daily operations of activities in the organisation.

Management should formulate deliberate policies to have regular reports on the effective running of internal controls in the institution. This will help to identify weaknesses and revise the controls to make them robust throughout the financial year.

Imprest Management

The conceptual framework which was used for the study was based on the premise that internal controls affect or influence the imprest management system in NGOs. Internal controls being the independent variable, means that if its characteristics change, they would make the variables under imprest management change too.

Imprest management is one of the components of a prudent financial management system. It is the method by which most NGOs use to expend the funds during the course of a project. These are funds that co-operating partners grant to these NGOs and they are utilised through this imprest system. This is why it is very critical for every NGO's management to ensure that imprest is well managed to avoid misappropriation and abuse of funds and to ensure that all funds are used for their intended purposes.

The results have shown that two components of internal controls; control environment and monitoring came out to be fundamental aspects in achieving effective imprest management in NGOs. Risk assessment, even if it was rejected under the test of hypothesis, it had a moderate significant relationship with imprest management in NGOs. It is also critical to assess the levels of imprest risks in an organisation at every given time if effective management of imprest is to be achieved.

V. SUMMARY OF THE FINDINGS

The main objective of the study was to analyse the relationship between internal controls and imprest management in NGOs in Lusaka. The components of internal controls considered in this study were control environment, risk assessment, and monitoring activities. The main objective was then broken down into three specific objectives, out of which three hypotheses were developed and literature relating to the study was reviewed.

The conceptual framework of the study was developed based on theories and other related empirical studies. Secondary data was obtained through related publications under literature review while primary data was gathered through semi-structured questionnaire from 102 respondents.

The sample size of the study was arrived at from 33 NGOs in Lusaka, Zambia resulting in considering a sample of 150 respondents. The analysis software used for data analysis was Statistical Package for Social Sciences (SPSS) version 20. The results were presented in the form of means and standard deviations for each question in the variables section of the questionnaire. Cronbach's alpha was used to carry out internal test of consistency for each section of the questionnaire and Pearson's correlation for validity and multiple linear regression analysis using R-square. ANOVA and Beta statistical analysis were used to analyse the predictability and relationship of the internal controls and the independent variables which influence imprest management in NGOs in Lusaka.

The main objective was broken down into three specific objectives. The first objective of the study was to examine whether the control environment component of internal control has any influence on imprest management. The study showed that there was a positive influence or relationship between control environment and imprest management.

The second objective of the study was to examine whether risk assessment component of internal control had any influence on imprest management. The results of the study were that there is no significant influence or relationship between risk assessment processes and imprest management, hence the rejection of the alternative hypothesis and acceptance of the null hypothesis for this objective.

The third objective of the study was to examine whether the monitoring activities component of internal control has any influence on imprest management. The study found that there was a significant influence or relationship between monitoring activities and imprest management. Another lesson that came out so clearly out of this study was the need to place emphasis on physical monitoring of imprest management.

Most of the respondents agreed that organisations had internal control systems in place, yet they still had cases of un-retired imprest. The results were that the alternative hypotheses relating to risk assessment was rejected. It

did not show positive significant relationship with imprest management. This entails that even if risk assessment is an important component of internal controls, when it comes to effective imprest management in NGOs, greater emphasis by management must be placed on the control environment and on on-going monitoring activities. Risk assessment processes did not strongly contribute to the prediction of the dependent variable in this study, though it might significantly affect overall financial management in an organisation. Therefore, the internal control system as a whole has significant relationship with imprest management in NGOs in Lusaka

Conclusion

Overall, the internal control system has a positive relationship with imprest management in NGOs in Lusaka. Based on the findings of this study, they also showed that internal control components have variations with regard to their influence on or relationship with imprest management in NGOs. Components of internal control such as the control environment and monitoring activities were highly significant in relation with imprest management. These components showed stronger significant association with imprest management in NGOs compared to risk assessment.

The study revealed that imprest management must not be left to only theoretical reviews but rather they should be practically monitored to ensure effective control. From this study, the crucial components of internal controls are the creation of adequate and effective control environment structures and monitoring activities over the already existing internal control systems in NGOs.

Recommendations

The recommendations are based on the summary and conclusion of the study.

Recommendations to Non-Governmental Organisations (NGOs)

The recommendations presented are as a result of the findings of this study. They are structured to address the issues brought out by this study, hence they are based on the three objectives of this study namely:

- Non-Governmental Organisations must ensure that they create high integrity and ethical environment to ensure all internal control components are adequately functioning continuously. In addition, NGOs must ensure that all procedures and policies are strictly followed by senior officials/top management who should set the tone for internal controls. This will send a clear message from top management regarding the retirement of imprest in the organisation. There should be no special treatment when one abrogates the set rules and procedures. Disciplinary action should apply to everyone in the organisation regardless of their position. Managing directors should monitor all staff in relation to adherence to controls.
- Non-Governmental Organisations must ensure that they put up strategies to ensure that the monitoring of imprest management is enhanced by carrying out physical compliance reviews. The results revealed to a greater extent that the cause of non-retirement of imprest in organisations is due to lack of physical compliance reviews in respect of imprest retirement by players in leadership roles. If greater emphasis is placed on effective monitoring of internal controls regarding imprest management, then effective retirement of imprest would be attained which will result in enhanced accountability and transparency in the financial management of these NGOs.

Area for Further Study

The focus of the study was on the relationship between internal controls and imprest management in NGOs in Lusaka. What the study did not set to achieve was to find out what could be the other reasons or causes of non-retirement of imprest in these NGOs in the presence of internal control systems. As such, more studies should be encouraged to try and find out the causes of non-retirement of imprest in these institutions despite the existence of internal control systems.

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