

**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**DEPARTMENT OF INTELLIGENCE AND SECURITY**

**FACULTY OF COMMERCE**



**EVALUATING THE EFFECTIVENESS INTERNAL CONTROLS IN REDUCING  
REVENUE LEAKAGE AT PARASTATALS.A CASE STUDY OF ZIMBABWE  
NATIONAL ROADS ADMINISTRATION (ZINARA).**

**BY**

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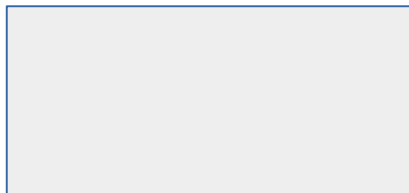
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## **DEDICATION**

This dissertation is dedicated to my mother Mrs Ndawana and My sister Miss Gwervevende  
For their support and love.

## **ABSTRACT**

The research evaluated the effectiveness of internal control systems on reducing revenue leakages at parastatals a case of Zimbabwe National Roads Administration (ZINARA). The objective of the research consisted of: determining of types of internal controls in use at Zinara, draw inferences on the link between physical auditing and income leakage reduction and if supervision and monitoring have an impact on reducing revenue leakage. The study used descriptive research design. Data was gathered using questionnaires and interviews. Data analysis was done using microsoft excel for quantitative and for qualitative thematic analysis was used. The researcher found that Zinara's internal control methods are not really extremely effective, although they can help decrease revenue leakage on average. Staff and management commit fraud and the go scot free, and some of the schemes are only detected after an extensive period. And the researcher made the following suggestions: capacitating its risk and security intelligence department, restructuring its existing organizational structure and clearly outline the role of everyone.

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## ABBREVIATIONS

ZINARA	ZIMBABWE NATIONAL ROADS ADMINISTRATION
RCC	ROADS CONTRACTORS COMPANY

# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

In underdeveloped countries such as Zimbabwe, parastatals are desperately struggling for existence, despite the fact that parastatals are supposed to help the economy by delivering services. Their contribution to job development, national economic stimulation, and poverty relief must never be overlooked. It is not surprising that parastatals in this scenario are of great significance and concentrating on service rather than expansion, resulting in inefficiency or failure to offer excellent services.

Assessment of internal controls must be prioritized to prevent latter events. Internal controls enable the organization's operations that enable it to appropriately address significant business, operational, financial, regulatory, and other risks to achieve its goals. Internal controls can be defined as policies, practices, or other elements that, when combined, increase that organization's effectiveness and efficiency. (G.Ayan, 2012).

Because they are service-oriented, parastatals are well-known as targets for lax internal controls. To that end, people in charge of parastatals weigh the costs of implementing an internal control system against the potential paybacks that can be gained later. Unavoidably, this evaluation technique will result in the establishment of internal controls without thorough consideration of use, creating a trading environment sensitive to a variety of hazards. This has had a direct impact on the collapse of parastatals.

The goal of this study will be to evaluate the efficiency of ZINARA's internal controls in reducing revenue leakages and to make reasonable recommendations. The introduction, context for the study, problem statement, research objectives, questions, hypothesis, rationale, and scope of the research will be the primary focus.

## **1.1 Background of the study**

The Zimbabwe National Road Administration is a corporate body that was established in terms of the Road Act (Chap13:18). The body was established in 2002 in line with the government's commitment to prioritize the enhancement of a good road network system throughout the country and it started to operate in 2009. Twelve years after the formation of Zinara as part of stabilizing the economy by enhancing the good road network, there appears to be a little improvement on the good road network.

Zinara's audited accounts for the years ending December 2017 and 2018 and the 2017 forensic audit report raised the following substantive issues: there were no systems; no manuals; and there were no sound procedures for the running of the organizations. And also, Zinara was not complying with procurement laws of the country, etc. The purpose of the study is to give evidence of the effectiveness of internal controls in decreasing revenue leakages at parastatals (Zinara), rather than to draw conclusions regarding whether or not such controls are successful, as is frequently the case with public-sector organizations.

## **1.2 Statement of the problem**

The reports of the public accounts committee on the analysis of Zinara's audited accounts for the years ending 2017 and 2019, and the 2017 forensic audit report, show a lack of good corporate governance. And Zinara was formed so as to enhance the good road network. This also enhances economic growth since through cross-border movement since Zimbabwe is a landlocked country. The American Institute of Certified Public Accountants defined internal controls as the systems used by an organization to manage risks. The systems will ensure that assets are properly used, accounting systems are functioning properly, maximum efficiency, and employees are in compliance with international, country, and corporate policies. Revenue leakages refer to the loss of revenue of an organization due to vulnerability.

Revenue leakage can result in lower profits, which weakens organizations; thus, the effectiveness of internal controls in reducing revenue leakages on parastatals must be assessed. A case study of Zinara.

### **1.3 Aim of the study**

Determining the efficacy of internal controls in reducing revenue leakages in parastatals. A Case study of (Zimbabwe National Roads Administration) Zinara

### **1.4 Research objectives**

- i. To determine the types of internal controls used at Zinara
- ii. Draw inferences on the link between physical auditing and revenue leakage reduction.
- iii. If supervision and monitoring have an impact on reducing revenue leakage.

### **1.5 Research questions**

- i. Does Zinara's management and monitoring have a role in decreasing revenue leakage?
- ii. To what extent do physical audits reduce revenue leakages at Zinara?
- iii. Does separation of duties reduce revenue leakage?

### **1.6 Research Hypothesis**

- H<sub>0</sub> At Zinara, there is no link between limiting revenue leakage and effective internal controls.
- H<sub>1</sub>. At Zinara, there is a link between reducing revenue leakage and having effective internal controls.

## **1.7 Significance and Justification of Study**

Internal controls have a significant impact on all firms, large and small. In most of developing countries parastatals make up the majority of the public sector, a better knowledge of how internal controls might help reduce revenue leakages would be ideal.

## **1.8 Delimitations of the study**

The researcher carried out the study on various branches of zinara. The study concentrated on responses of management personnel which consists of managers from different department and directors. Due to financial constraints a sample of 25 management personnel was used.

## **1.9 Limitations of the study**

These are shortcoming and the shortcomings were:

- Since zinara is a parastatal some information were not unveiled for the purpose of confidentiality. So given that scenario the researcher had to rely on secondary data.
- Since some targeted responded are managers of operations for day to day running of business they were busy. The researcher had to constantly contact them.

## **1.10 Definitions of terms**

**Internal controls-** “are intended to prevent errors and irregularities, identify problems and ensure that corrective action is taken. In many cases, process owners within your department perform controls and interact with the control structure on a daily basis, sometimes without even realizing it because controls are built into operations” (Audit and Advisory Services, 2022).

**Revenue leakage** –“is any unnoticed or unintended loss of revenue from your company” (Revecue, 2021).



**Parasternal** -is a fully or partially state-owned corporation or government agency (S.Lubbe and Singh, 2009).

### **1.11 Summary**

The study's background, purpose, goals, objectives, research questions, and study assumptions are all supplied in this chapter. The study's significance, its boundaries, its restrictions, and its definitions of key terminology are explained in detail in the next section.

## **CHAPTER TWO**

### **INTRODUCTION**

#### **2.0 Introduction**

Research adds another piece to the puzzle of knowledge. Hence, it is critical to begin any research project with a review of related literature as well as a determination of whether any data sources exist that can be applied to the topic at hand. Literature review is the main goal of this chapter because reviewing of similar studies relating to this topic, specifically the degree of correlation between internal controls and revenue leakage reduction in parastatals.

#### **2.0 Theoretical review**

#### **2.1 Internal Controls**

Internal controls are a means to provide reasonable assurance that an organization will achieve its business objectives while avoiding undesired risks (ISACA, 2004). Internal controls are the mechanisms, rules, and procedures implemented by a company to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud. They are a set of strategies and processes adopted by an entity to guarantee that an organization's dealings are administered in the fitting style to circumvent waste, theft, and misuse of funds. They range from control activities inclusive of strict approvals, authorisation of transactions, arithmetic and accounting control systems, physical control, segregation of duties, supervision and control.

#### **2.2 Purpose of Internal Controls**

- **To improve efficacy**

Controls are implemented for the reason of ensuring that there will be no interruption on operations. This prevents or reduces the risk of inefficiencies thus adding value to the organisation.

- **Protecting assets**

Internal controls are there to act as a watch dog to the assets deployed and ensure they are used for their intended use, and are not prone to misuse or theft. This includes all assets tangible and intangible.

- 

Internal controls shield any organisation against fraudulent activities by being able to pick any activity which may not be approved by procedure and controls can act as a barricade to fraudulent activities.

### **2.3 Revenue Leakages in parastatals (zinara)**

Revenue leakage is when a company is losing revenues either unintentionally or (usually) without noticing (S. Lauckner, 2020). Revenue leakage is the loss of revenue from your company that goes unnoticed. This can add up to significant loss of revenue in the long run. In this study revenue leakage in relation to parastatals (zinara) will relate to human error, fraud, embezzlement and extortion among others.

### **2.4 Agency theory**

The Agency Theory has been one of the foundational theories for research that focuses on the main agency problem of company control and ownership. "The agency problem arises because managers are naturally predisposed to behave in their own best interests. Managerial salary, an organization's board of directors, and institutional investors are all examples of mechanisms that assure managers are operating in the interests of shareholders. This type of monitoring usually attracts agency fees (monitoring and control costs) in order to enhance corporate governance and foster goal congruence. Cooperation governance issues have arisen as a result,

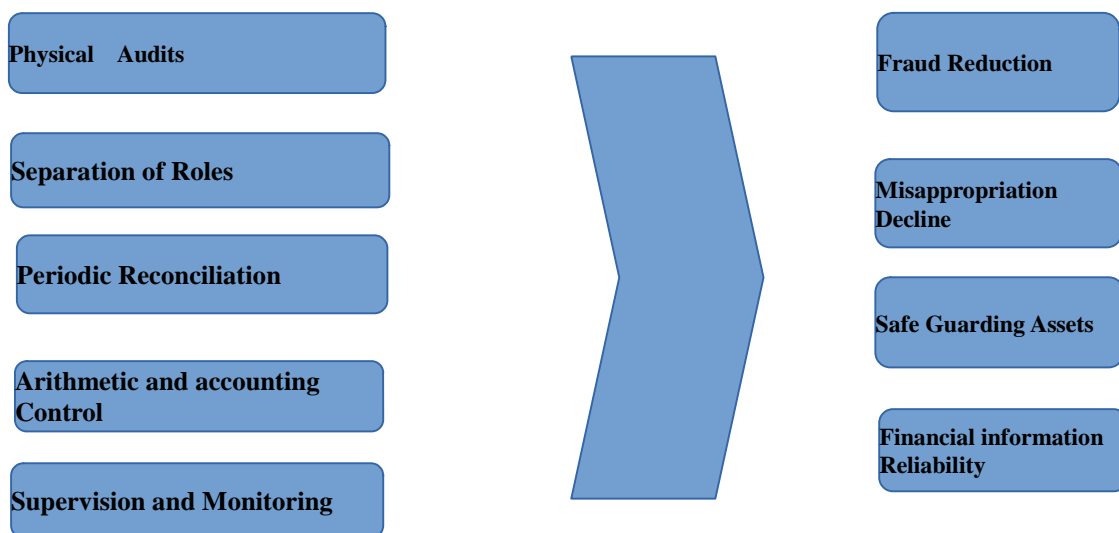
and cooperative governance systems in the United Kingdom have traditionally highlighted the role of internal controls”. (Horne et-al, 2009)

## **2.5 Internal control and performance.**

A company's competitive edge cannot be maintained in a highly competitive business climate solely by active networking and business planning. Building trusting relationships with both their clients and business partners is equally important. The business must set up a strong internal control system in order to develop and maintain such a connection. the chapter is devoted to a literature review.

## 2.6 Conceptual framework

A conceptual framework is defined as an interrelated set of thoughts regarding how a given reality is related to its pieces. A conceptual framework is crucial because it identifies variables and interactions. (Lettie, Svincki, and Shi, 2010). The researcher built a conceptual framework based on the evaluated literature, which is represented below.



**Figure 1 Conceptual frame work**

## 2.7 Independent variables

These activities include physical audits, role and role reconciliation, mathematical and accounting control, supervision, and monitoring.

## 2.8 Dependent variables

The organisational objectives, which include reducing revenue leakage in the form of fraud, safeguarding company assets, and controlling misappropriation of funds, are met when there is coordination and solidity on the independent variables initiated by the set up and level of absorption of the concept by the firm, as shown in the illustration above.

## **2.9 Types of internal Control for Zinara (parastatals)**

Internal control procedures recommendations provide eight (8) types of internal procedures that should be implemented in a company to prevent revenue leakage. The following were deemed to be more significant for the purposes of this study and will be discussed in detail as follows.

### **2.10 Separation of Roles**

Separation of roles is an important control function. Internal mutation or unintended error is reduced, and the aspect of verification is increased. Asoke (2005) noted that the likelihood of fraud and theft (revenue leakage) is reduced if duties are separated.

### **2.12 Periodic Reconciliation**

“An internal document prepared by the company that owns the checking account. The transactions with timing differences are used to adjust and reconcile both the bank and company balances; after the bank reconciliation is prepared accurately, both the bank balance and the company balance will be the same amount” (Franklin *et-al*, 2018).

### **2.13 Arithmetic and accounting control**

“These are controls provided by checking arithmetic calculations, recording transactions in accounting systems and carrying out regular reconciliation checks and totals checks”(B.Coyle,2004).This involves used of automated accounting system to produce financial statements.

### **2.14 Supervision and monitoring**

All financial management operations conducted by all levels of personnel should be accurately documented and communicated to the person supervising(Kagande , 2016).The credentials as well as the individual features of the people involved are resourceful pre-requisites to be considered in setting up any control system, especially in financial management, so as to curb further risks(revenue leakage).

### **2.15 Physical audits**

A physical audit is defined by (Brannin et-al, 1996) as performing an ocular inspection on organisation records. A physical audit helps in knowing where holes in physical security exist

in your company. And in regulated environments, it's a must because you might incur substantial fines.

## **2.16 Empirical Evidence**

**T.G. Takavingofa (2017) conducted research into the efficiency of parastatal internal control systems in Zimbabwe.**

- The aims of the study were diverse, and several factors that required comprehensive prognosis were not thoroughly examined. She also discovered that parastatals seldom evaluate their rules and processes on a regular basis.

**Examining the effectiveness of internal control system in ensuring good corporate governance at Ngoro Ngoro district council (Godhelp Njileko Ringo, 2013).**

- Ringo 2013 undertook a research to check how effective internal control procedure influence good corporate governance at Ngorongoro district council in Tanzania is. The responsibility for ensuring the proper use of public resources is placed in the hands of local authorities. So given this scenario Local Authorities have to convince the public that such resources have been correctly accounted for, used for the intended purposes, and have yielded maximum benefit, solid financial management is essential in this regard that is good corporate governance. The research uncovered that “effectiveness of internal control systems contributed to a greater extent to good corporate governance at Ngorongoro District Council. The success of the system depends on positive internal control culture. The Ngorongoro District Council should have in place a comprehensive internal control management process to identify measure, monitor and control internal control system 58 effectiveness and compliance”(Ringo,2013).

**Assessment of the effectiveness of internal control practices. A case study of the roads contractor company by Ella Tjueza Mbahijona (2018).**

- The mandate of the research was to evaluate the results being produced by internal control practices at roads Contractor Company in Namibia. She also wanted to “To assess if RCC’s internal controls systems are adequate in processing procurement requirements”(Mbahijona,2018).She concluded that “Based on the findings of the study, it is concluded that RCC has an effective internal control system as supported by the study findings of clear supervision of roles, supervision and compliance of law and

regulation. However, there are challenges in the implementation of controls such as processes are not regularly reviewed, overspending and that the system in place doesn't identify and safeguards the RCC's assets." This mean that internal controls are of great importance in parastatals.

### **The Effectiveness of Internal Audit and Internal Control Systems in Greek Banks by Theodoridou Paraskevi (2016).**

- Paraskevi 2016 carried out a study to evaluate the internal control systems in Greek banks in Greece. He concluded that "The findings of this survey, guide us in drawing conclusions as guidelines for the improvement of internal control and increase its effectiveness on Greek banks."( Paraskevi ,2016)

#### **2.17 Research gaps**

The researcher became curious to know whether the effectiveness of internal control measures reduced revenue leakages. The issues that were frequently mentioned in the studies reviewed included that the internal control systems that were used were not effective and a lack of attention to information security. The researcher thought of constructing a methodology that would then determine if the effectiveness of internal controls reduces revenue leakage



## CHAPTER 3

### RESEARCH METHODOLOGY

#### 3.0 Introduction

This chapter provided details on the methodology used to conduct this research, which includes a description of the research population and sampling techniques, the profile of respondents, the instruments utilized to collect the relevant data, and the specific tools and techniques used for data analysis.

#### 3.1 Research Design

A research design is a framework that guides a researcher in studying a research problem (Mugenda, 2008). Creating a research design will result in a complete strategy that will be used to lead and concentrate the investigation. It directs a researcher's actions throughout the study process.

#### 3.2 Research design and justification

Descriptive research aims to: create a terrain for a specific phenomenon (Lancaster 2017). This is significant in this research because it provides a detailed, accurate picture of the topic at hand. This opens up the possibility of combining quantitative and qualitative data. And it was used in this study.

#### 3.4 Population Study

This ensure all individuals who the researcher is interested in interviewing and gathering data from are included in the target population. A group of people chosen from the general population is the subject of a population study. The subjects with similar features make up the target population (LB Sutton et-al, 2003). “There are subjects in the sample, and one makes conclusions from the sample drawn from this target population” (Frankel et-al, 2012). The target population of this study consists of 47 zinara personnel. In this research, manager management accounting, internal audit, directors, tolling, and risk and security intelligence management personnel are my target respondents because they possess relevant information. However, a representative sample of the population was selected as the researcher could not collect data from the whole population due to financial constraints and limited time.

### **3.5 Sampling**

A population study is a study of a group of people who are randomly selected from the general population. A sample is a small portion of a population that possess same population's features. The process of selecting a sample of a population to represent the complete population is known as sampling. According to (Hungler et-al, 1991) "sampling is a process of selecting a portion of the portion of population to represent the entire population". (Russell ,2002) defined a sample as a group of objects chosen out of larger number and asked questions in order to get information about a large group.

### **3.6 Stratified sampling**

Stratified sampling "involves dividing the population into different segments called stratus. Each stratum has identical elements, for example, cultural groups, male and females, which are assumed to have a similar influence on the data that is being collected" (Allison et-al, 2001).

In this study the researcher opted for stratified sampling. The target population was divided into 10 stratas, this was done because the target population comprised of different departments. Stratified sampling ensures that all members of a stratum or demographic group have an equal chance of being chosen, and it also minimizes bias by grouping the target population so that various individuals with diverse views are both questioned.

### **3.8 Convenience sampling**

When a sample is taken at the researcher's convenience, it is known as convenience sampling. "This occurs when the planned sample is derived from the researcher's convenience or from subjects that are instantly available to the researcher" (Allison, 2001).

The researcher opted to use convenience sampling technique because it concentrate on what is convenient for the researcher based on the population being sampled. Within Zinara, the researcher opted to interview manager management accounting, internal audit, directors, tolling, and risk and security intelligence management personnel, assuming that they have the necessary knowledge.

### **3.9 Sample size**

The sample size is calculated using a 95% confidence interval and an estimate of the margin of error. (Saunders and colleagues, 2007). According to (Langdridge et-al, 2004), there is no single figure, but the rate will vary depending on the circumstances. Depending on which statistical technique is being used to analyse your data. According to (Shaminja et-al, 2016), it is possible to use at least 33% of the population being studied as representing a sample.

For the purpose of this study the researcher took a sample of 25 management personnel from Zinara for this research. The 25 management personnel were randomly selected from ten stratus or sectors of the entire population, and they make up the study population, which accounts for 33% of Zinara's total study population.

### **3.10 Data sources**

The researcher used a survey design to collect data for this study, which included questionnaires and interviews. Primary sources and secondary sources are the two types of data sources.

### **3.11 Primary Data**

Data is collected from the main source rather than any other source when using primary data sources. It is unprocessed or unfiltered information. Questionnaires and interviews was used by the researcher.

### **3.12 Secondary Data**

This the already existing data which can be in form of journals and reports etc. This type of data assisted the researcher in literature review and the writer acquired this data from reports and journals.

### **3.13 Instruments for data collection**

The researcher used questionnaire and interviews in this study. This helps because two instruments will reveal at most valuable information.

### **3.14 Questionnaires**

A questionnaire is a device that is used to do research. It is made up of a series of questions and prompts that can be used to gather data. As according (Saunders et al, 2003), a questionnaire is a way of gathering data in which respondents are expected to answer a matching set of questions in a predetermined order.

### **3.15 Advantages of Questionnaires**

- Enormous amounts of data can be collected from a large number of people in a short amount of time and at a reasonable cost.
- It can be carried out by the researcher or a group of people with little impact on its soundness and reliability.
- The results of the questionnaires can usually be quickly and easily quantified by either a researcher or through the use of software packaged.
- They can be evaluated more scientifically and accurately than other research methods.
- They eliminate interview unfairness because the respondent will not be sharing his views face to face with the interviewer.

### **3.16 Disadvantages of Questionnaires**

- Subjective in the sense that individuals interpret questions differently and therefore reply depending on their own perceptions, so what is 'good' to one person may be 'bad' to another. They are difficult to comprehend because they do not record some types of data, such as changes.

### **3.17 Interviews**

This is face to face conversations with the respondents. An interview has set of questions which will be asked by interviewer to interviewees. The researcher conducted the interviews in person. The researcher made appointment with the respondent and interviews were conducted. This method helps the researcher to have a clear understanding in research.

### **3.18 Advantages**

- The researcher will have an opportunity to seek clarification.
- Non-verbal communication for deeper understanding to the interviewer.

### **3.19 Disadvantages**

- It is time consuming

### **3.20 Data Collection Procedures**

Interviews and questionnaires were used by the researcher in collection of data from respondents which consisted of Zinara management personnel. The questionnaires were delivered in person by the researcher and collection was also done in person. This grants the researcher the opportunity to have a general conversations with the respondent and during those conversations that is when the researcher would be then told about issues of confidentiality.

### **3.21 Data presentation analysis**

To create a thorough analysis of the research outcomes, data from various respondents was categorized and combined. Data was presented visually using pie charts, tables, and graphs. Data analysis, according to (Aaker et al, 2001), is the "application of statistical techniques to a database in order to draw conclusions about variables or research." Both quantitative and qualitative data analysis techniques were used. Document analysis was used to analyse the information gathered from interviews.

### **3.22 Summary**

This chapter offered the research methodology that was employed in this study, including the population study research design, the sample, and sampling methodologies, as well as the data collection tools, which included questionnaires and interviews.

## CHAPTER 4

### PRESENTATION & DATA ANALYSIS

#### 4.0 Introduction

Zinara's evaluation of the effectiveness of internal controls in reducing revenue leakage yielded main and secondary data, which will be summarised in this chapter. To effectively show the research findings and give qualitative data from management personnel, statistical tools such as bar graphs, tables, and pie charts were employed.

#### 4.1 Response Rate

Response rate according to (P Lynn et-al, 2001) “are one of the most important indicators of survey quality and one of the indicators most likely to be reported. They are widely reported and quoted in survey technical reports, and survey commissioners often specify a response rate target as an indicator of the quality they wish to achieve. Response rates are frequently used to compare survey quality between surveys, survey organisations and countries and over time. Response rates are

Important as nonresponse can introduce bias. “It believed that the lower the response rate the lesser the population is represented and the higher the response rate the higher” (De Vaus, 2002).

Babbitt et-al (2011), drafted a formula for response rate as follows:

“Number of actual responses \*100%= Rate of response  
Total number approached”

The researcher gave out 25 questioners to zinara management personnel which constitute the sample size.19 were returned on time out of 25 summing up to 75% overall response rate. Response rate ranging from 65 to 88 is favourable (Trochin, 2006). Since these respondents were typically collaborative, this response rate was good.

#### 4.2 Responses from Questionnaires

**Table 4.1 Responses from Questionnaires**

Zinara Respondents	Disbursed Questionnaires	Returned Questionnaires	Response Rate
Management Personnel	25	19	76%

The researcher gave out 25 questioners to zinara management personnel which constitute the sample size.19 were returned on time out of 25 summing up to 75% overall response rate. Response rate ranging from 65 to 88 is favourable (Trochin, 2006). Since these respondents were typically collaborative, this response rate was good.

#### 4.3 Responses from interviews

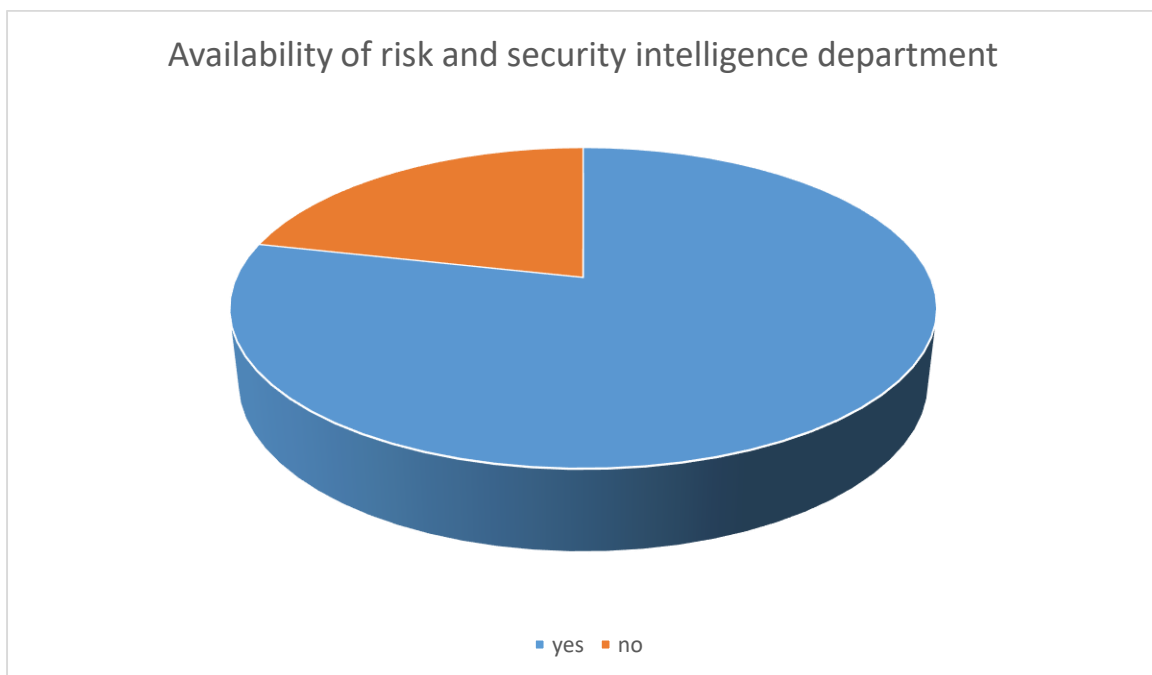
**Table 4.2 Responses from interviews**

Zinara Respondents	Respondents who agree to be interviewed	Respondent who refused to be interviewed and those who were not available or reachable	Response Rate
Management Personnel	21	4	84%

From the above table 84% was the response rate for the interviews for this research it is valid.

#### 4.4 Discussion of findings

#### 4.5 Availability of Risk and Security Intelligence department.



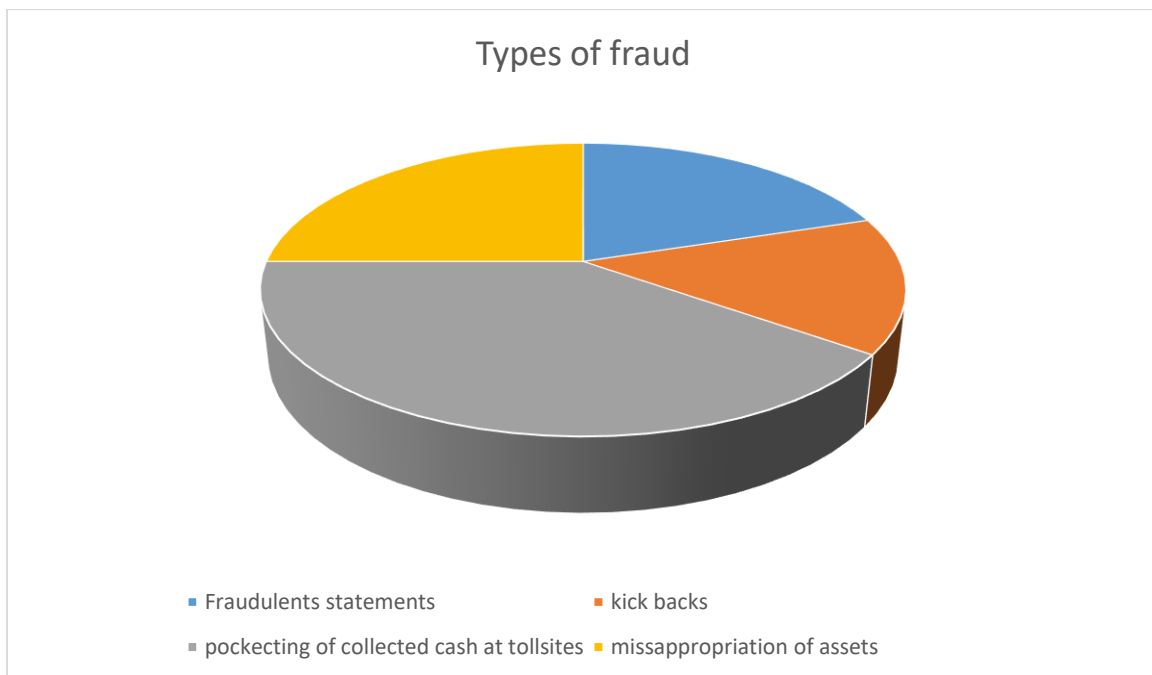
**Figure 2 Availability of risk and security intelligence department**

**Source: Primary Data**



This question was posed to determine whether or not Zinara had a risk and security management division. A risk and security management department that monitors possible hazards as well as the planning and execution of risk management actions. According to the statistics below, 79% of respondents were aware of the risk and security management department, while just 29% were not aware and these were from tolling department. This demonstrates how risk management is ingrained at Zinara.

#### 4.6 Types of fraud

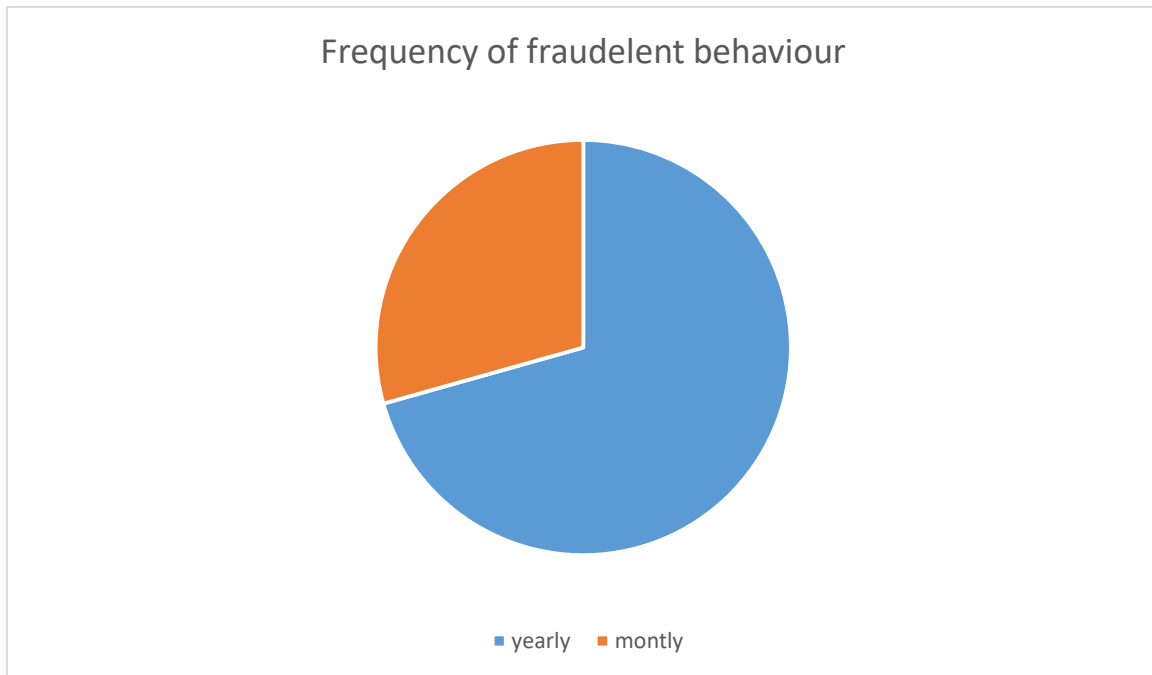


**Figure 3 Types of fraud**

**Source: Primary Evidence**

40% of respondents indicated that pocketing of collected cash is the major cause of revenue leakage at Zinara. 25% stated that misappropriation of assets is another dilemma, and 20% indicated a fraudulent statement. 15% cited the issue of kickbacks in the procurement department.

#### 4.7 Frequency of fraudulent behavior.

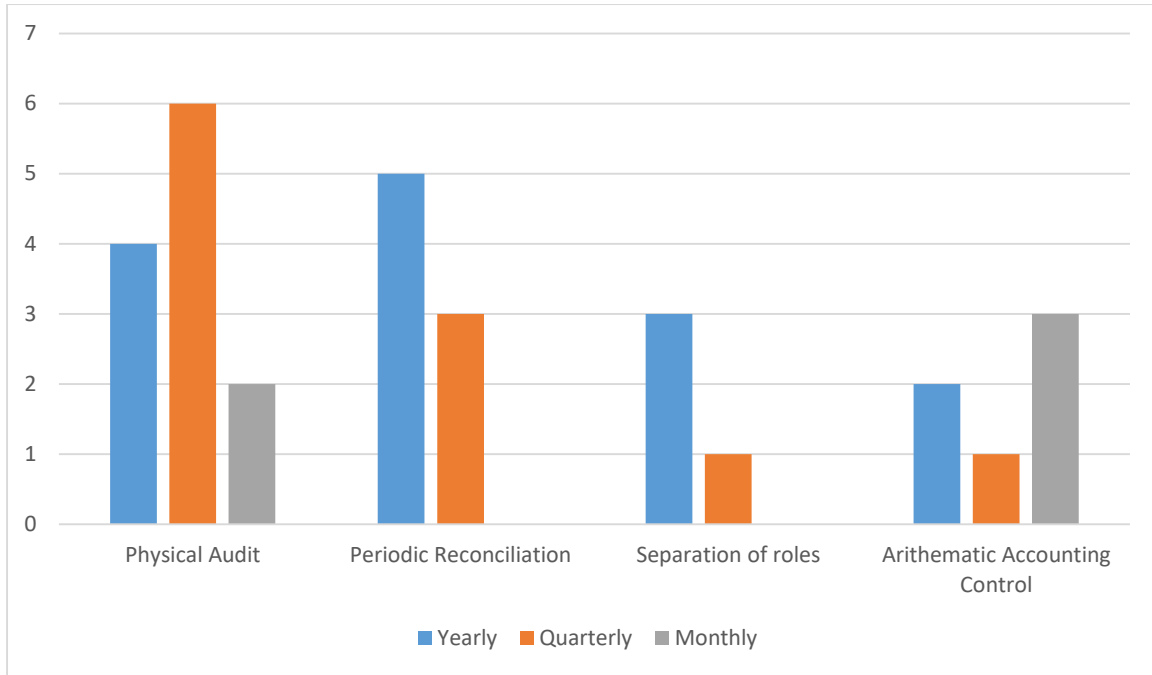


**Figure 4 Frequency of fraudulent behaviour**

**Source: Primary Source**

The purpose of this inquiry is to determine how frequently fraudulent acts occur in Zinara. According to the data, 71% of respondents were aware that fraudulent actions were performed regularly, and 29% believed there was a likelihood of them occurring monthly.

#### 4.8 The frequency with which internal control operations are evaluated on a regular basis.



**Figure 5 frequency with which internal control operations are evaluated on a regular basis**

**Table 4.3 frequency with which internal control operations are evaluated on a regular basis**

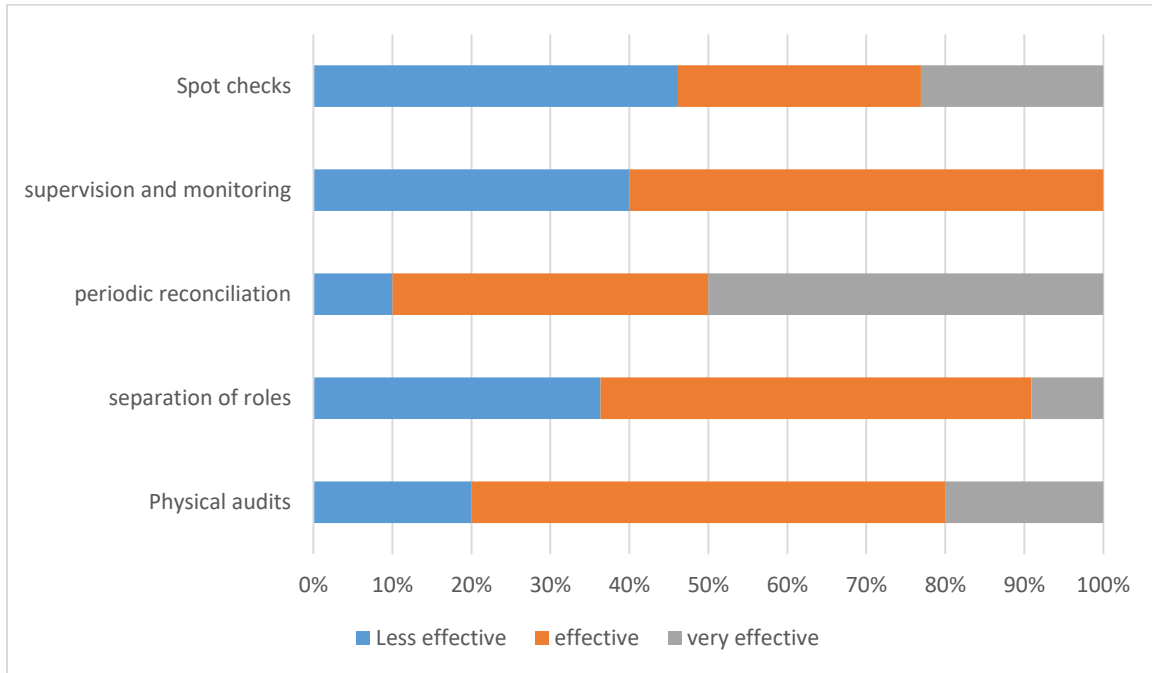
INTERNAL CONTROLS	YEARLY	QUARTERLY	MONTHLY
PHYSICAL AUDITS	4	6	2
PERIODIC RECINCILIATION	5	3	0
SEPARATION OF ROLES	3	1	0
ARITHEMATIC ACCOUNTING CONTROL	2	1	3

**Primary source**

The purpose of the inquiry was to find out how frequently internal control procedures are assessed on a regular basis. The frequency with which internal control procedures are evaluated allows the researcher to test how long it takes to detect fraudulent activity. Physical audits are reviewed on a quarterly basis, whereas periodic reconciliation, role separation, and

mathematical accounting control are examined on an annual basis, according to the study's findings.

#### 4.9 Effectiveness of control being used



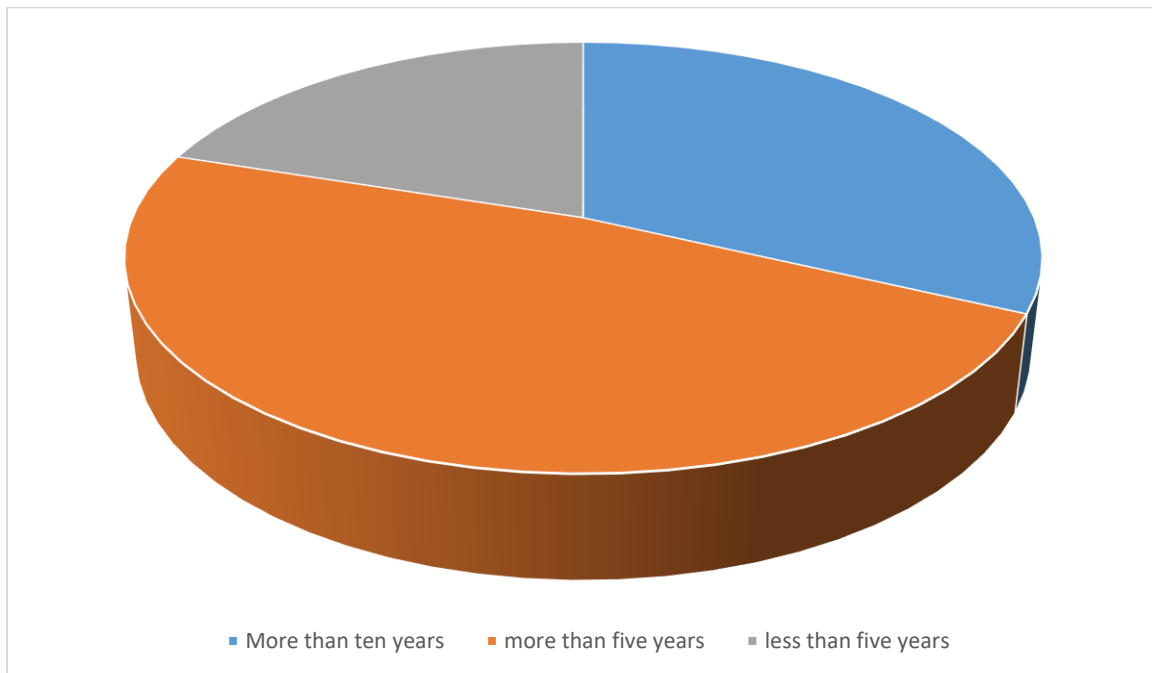
**Figure 6 Effectiveness of controls being used**

**Table 4.4 Effectiveness of controls beings used**

INTERNAL CONTROLS	LESS EFFECTIVE %	EFFECTIVE %	VERY EFFECTIVE %
SPOT CHECKS	46.2	30.8	23
SUPERVISION AND MONITORING	40	60	0
PERIODIC RECONCILIATION	10	40	50
SEPARATION OF ROLES	36.4	54.5	9.1
PHYSICAL AUDITS	20	60	20

This inquiry analyzes the efficacy of Zinara's internal controls currently in place. Controls such as periodic reconciliation, physical audits, and separation of roles were regarded as very effective based on the results presented. Spot checks and supervision and monitoring were regarded as effective.

#### 4.10 Time which the management personnel served the company.



**Figure 7 Time which the management personnel served the company**

48 % of the management personnel served the organization for more than 5 years, 32 % served the company more than 10 years and 20 % served the organization for less than 5 years. This data was used to validate their answers since 80 % of respondents had served the organization for more than five information which they were giving is considered to be accurate.

#### 4.11 Conclusion

The varied viewpoints and opinions of respondents were analyzed and presented in this chapter. Overall, the study discovered that internal controls are vital in preventing fraudulent activity. The researcher draws conclusions and suggestions from the research in the next chapter.

## CHAPTER FIVE

### CONCLUSIONS AND SUGGESTION

#### 5.0 Introduction

This chapter draws conclusions based on the study's findings, which were obtained from primary and secondary sources, and offers solutions for improving the efficacy of internal control systems in reducing revenue leakages

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#### 5.1 Summary

The researcher has come up with the conclusions after doing a practical and office study. The findings support the study goals, which were outlined in the first chapter and reiterated in chapter four. The study was hampered by the fact that personnel did not appear to be very devoted to providing responses. The majority of the questions were answered correctly. However, research was difficult since some employees refused to answer some questions because they were too personal. Regardless, the researcher reached the following conclusions.

#### 5.2 Conclusion

The research evaluated the effectiveness of internal controls in reducing revenue leakages at parastatals. The goal of this study was to see how successful internal controls are in reducing revenue leakage. Primary data was collected using questionnaire and the researcher issued 25 questionnaire in person and 19 were returned also the research conducted 21 interviews in person again. The primary goal of this study was to determine if zinara's internal controls are averagely effective. The research found that internal controls that are currently employed at zinara reduce revenue leakage averagely.

### **5.3 Zinara's internal controls currently in use.**

Zinara use preventative controls like separation of roles which comes with a number of procedures like use of passwords and credentials to view or to perform a certain task. Also they use detective control also like periodic reconciliation. They also use physical audit, supervision and monitoring etc.

### **5.4 Effectiveness of internal Controls.**

Zinara's internal control methods are not really extremely effective, although they can help decrease revenue leakage on average. Staff and management get away with fraud, and some of the schemes are only detected after a long period of time. According to the COSO framework (COSO, 1992), "The COSO framework offers a platform for fraud prevention and exposure, and its application is one of the biggest instruments to minimize the occurrence of fraud."

### **5.5 Evaluation of internal controls by Zinara**

Regular reviews are required, according to (COSO, 1992). Ensure that policies and procedures are up to date on a regular basis. Zinara undertake its evaluation on random basis though it should systematically so to check from time to strengths and weakness of its internal controls.

### **5.6 Fraudulent activities effects on Zinara**

Fraud (revenue leakage source) have negative effects on zinara which are failure of zinara to fulfill its mandate that is to be the leading road fund manager and also failing to stay afloat (going concern).

### **5.7 Recommendations**

### **5.8 Capacitating its risk and security intelligence department.**

Zinara should full capacitate its risk and security intelligence department with qualified personnel like business and data analytic division, financial loss control, assurance and monitoring, information systems security management and risk. This will enable itself to effectively prevent and reduce revenue leakage.

#### **5.9 Restructuring its existing organizational structure.**

Zinara should restructure its already existing organizational structure to suit modern internal control procedure so that internal controls can be integrated do that the can be easy to monitor and detect any problem with the system so as prevent unnoticed loss.

#### **5.10 Clearly outline the role of everyone.**

It should clearly outline roles to be performed to its employees so as to avoid duplication and also to allow the effect of separation of roles to be noticed since everyone will be identified makes it to find any error.



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**The Chief Executive Officer**  
**Zimbabwe National Roads Administration**  
**489 Runiville Glenroy Crescent**  
**Highlands Harare**

**12 January 2021**

Dear: Sir/ Madam

**RE: REQUEST FOR PERMISSION TO CARRYOUT A RESEARCH**

I am writing this letter requesting for permission to carry out a research. The tittle is evaluating the effectiveness of internal controls in reducing revenue leakage at parastatals. A case study of Zimbabwe National Roads Administration (ZINARA).I am an undergraduate student who is currently pursuing a bachelor of commerce honors in financial intelligence at Bindura University of Science Education. I am aware that risk and security information is confidential. The information which you be providing is for academic purposes only.

I hope my request will be granted

**Yours Faithfully**

**Nigel Bairn Gwerevende**

Bindura University of Science Education

P Bag 1020

Bindura

Dear: Sir or Madam

I am Nigel Bairn Gwerevende an undergraduate at Bindura University Science Education currently pursuing towards Bachelor of Commerce Honors Degree in Financial intelligence. I am carrying out a research on evaluating the effectiveness of internal controls in reducing revenue leakage at parastatals. A case study of Zimbabwe National Roads administration. You are kindly asked to complete the following questionnaire. The research knows that confidentiality is key. The information will be only used for academic purposes only.

Yours Truly

## APPENDIX 1 Questionnaire

**NB: Please do not write your name on the questionnaire**

**May you please answer the following questions by ticking the appropriate responses in respective boxes provided?**

### Section 1: PERSONAL DATA

1a) Sex

Male

Female

b) How long have you served the organization?

More than ten years  More than five years  less than five years

Job title please specify below

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### Section: 2 INTERNAL CONTROLS

#### Risk management and internal controls

Does your organization have risk and security intelligence department?

Yes

No

Does have the organization have internal control manual procedure document?

Yes

No

If yes state any two type of internal control process

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What is the occurrence of fraudulent activities on your organization?

Yearly  Monthly

Due to fraudulent activities is revenue leakage noticeable?

Yes  No

If yes does the department responsible for evaluation of internal controls do the evaluation?

Yes  No

If yes what is the frequency of these evaluations?

Yearly  Quarterly  Monthly

From your own perspectives how effective are the internal controls being used at your organization in risk reduction like reducing revenue leakage?

	Less effective	Effective	Very effective
<b>Periodic Reconciliation for detection purposes.</b>			
<b>Separation of roles for easy identification of errors or anomalies</b>			
<b>Spot Checks on toll sites</b>			
<b>Supervision and monitoring</b>			
<b>Physical Audits</b>			

*THE END*  
*THANK YOU*

## **APPENDIX 2: INTERVIEW GUIDE TO MANAGEMENT PERSONNEL**

**Title of Research: Evaluating the effectiveness of internal controls in reducing revenue leakage at parastatals. A case study of Zimbabwe National Roads Administration (ZINARA).**

**Name of Organization: Zimbabwe National Roads Administration**

- 1 What position do you hold with this company?
2. How long have you worked for the company?
3. Are you aware of the purpose of internal controls?
4. Why is internal control necessary?
5. With regards to the 2017 audit report from the previous parliamentary portfolio for public accounting. Can you name any two weaknesses in Zinara's internal control?
6. What internal controls policies are in existence at the moment?
7. To what kinds of risks are your company exposed?
8. Which sources do you believe your company is experiencing revenue leakage from?
9. Can the internal controls that are now in place stop or reduce the issue of revenue leakage?
10. What should be done to make the internal controls now in place more effective?



