

# UNIVERSITY OF KWAZULU-NATAL

The Effect of Financial Control Measures on Financial Management:  
A Case Study of Ezemvelo KZN Wildlife (EKZNW)

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## **ABSTRACT**

The ability of any organisation to meet its' planned goals and objectives, whilst embracing the limitations expressed within internal financial control measures, is a familiar occurrence, that transpires within the different public and private sectors, globally. This study provides an insight into the effect of financial control measures on financial management within Ezemvelo KZN Wildlife (EKZNW), the appointed custodians of conservation within the province of KwaZulu-Natal, a state-owned entity, reporting to the Provincial Department of Economic Development, Tourism and Environmental Affairs. The study seeks to determine if the financial control measures in place within EKZNW are effectively communication and understood; whether financial control measures enhances effective performance within EKZNW and to explore the functions of financial control measures in relation to the overall financial management of the organisation. The study delved into the relationship between the financial control measures and the financial management, testing the extent to which financial control measures are effected and the effect it has on financial management, within the organisation. The sample size comprised of 220 participants that are employed within financial administration positions, resulting in a 97% response rate. The data collection process included the distribution of questionnaires to the sample population. The study comments on the audit findings and other literature, to support or refute the core areas of strengths and weakness, with regards to the financial control measures. This was accomplished using the quantitative research methodology, in gathering and analysing the data collected. The overall study results confirmed that a positive correlation existed between the effectiveness of financial control measures and the communication of financial control measures. The study also concluded that the communication and understanding of financial control measures were successful within the organisation and that financial control measures were effective. Upon examination of the organisations' integrated annual reports, contradictory evidence was found, that supported certain minority results within the study. The study concluded that although most participants responded positively, there were gaps and weaknesses found within communication, training and the effectiveness of financial control measures. Recommendations addressing the challenges of inadequate training, a lack of financial control measures and so forth, were proposed, to close the gaps.

## Table of Contents

Description	Page
Title Page.....	i
Supervisors Permission to Submit Dissertation.....	ii
Declaration.....	iii
Acknowledgement.....	iv
Abstract.....	v
Table of Contents.....	vi
List of Figures.....	x
List of Tables.....	xi
Chapter 1: Introduction.....	1
1.1 Introduction.....	1
1.2 Motivation for the Study.....	1
1.3 Significance of the Study.....	2
1.4 Focus of the Study .....	2
1.5 Problem Statement.....	3
1.6 Research Sub-Questions .....	4
1.7 Objectives.....	4
1.8 Methodology.....	4
1.9 Chapter Outline .....	4
1.10 Summary.....	5
Chapter 2: Surveying the Literature Landscape .....	7
2.1 Introduction.....	7
2.2 The Fundamentals surrounding Financial Control Measures .....	7
2.2.1 Draining of the Coffers .....	10
2.2.2 The Watchdogs keeping Guard.....	11
2.3. Financial Control Measures and its' Macro Influence .....	13
2.4 Mitigation through Monitoring and Evaluation.....	17

2.4.1 Financial Management and Accountability .....	20
2.5 Leadership and Governance in Supporting Financial Control Measures.....	23
2.5.1 The Role of Leadership .....	23
2.5.2 The Role of Good Governance .....	26
2.5.1 Cultivating a Culture of Best Practices .....	28
2.6 Prevention is better than Cure .....	29
2.8 Summary .....	30
Chapter 3: Methodology .....	32
3.1 Introduction.....	32
3.2 Aim of the Study .....	32
3.3 Research paradigm .....	32
3.4 Research Design.....	32
3.5 Study Setting .....	33
3.6 The Target Population .....	33
3.7 Sample Size .....	34
3.8 Sample Techniques.....	34
3.9 Research Instruments .....	34
3.10 Data Collection and Collation .....	35
3.11 Validity and Reliability.....	36
3.12 Pre-testing of the questionnaire.....	37
3.13 Data Analysis .....	37
3.14 Bias .....	38
3.15 Ethical Considerations and Declaration of Consent .....	38
3.15.1 Ethical Consideration .....	38
3.15.2 Declaration of Consent.....	38
3.16 Summary .....	39
Chapter 4: Presentation of Results and Discussion of Findings.....	40
4.1 Introduction.....	40
4.2 Analysis of the Survey Response Rate .....	40

4.3 The Reliability Analysis.....	40
4.4 The Socio-demographic Construct .....	41
4.4.1 Gender and Age of Respondents.....	42
4.4.2 Education Level and Experience of Respondents.....	42
4.5 Objective 1 .....	43
Effective Communication and Understanding of Financial Control Measures .....	43
4.5.1 Training, Necessity and Awareness of Financial Control Measures.....	44
4.5.2 Communication, Compliance and Adequacy of Financial Control Measures .....	45
4.5.3 Adherence, Consistency, Monitoring and Evaluation .....	46
4.5.4 Overall Results regarding Effective Communication and Understanding .	48
4.6 Objective 2 .....	49
The Effectiveness of Financial Control Measures .....	49
4.6.1 The Streamlining and Safeguarding of Processes .....	49
4.6.2 Reliable Financial Reporting and Financial Viability.....	50
4.6.3 Overall Results pertaining to the Effectiveness of Financial Control Measures .....	51
4.7 Objective 3 .....	52
The Functions of Financial Control Measures .....	52
4.7.1 Effective Financial Management and Financial Success .....	52
4.7.2 Preventative, Detective and Corrective Tools .....	53
4.8 Testing for Normality of Distribution: FCM Communication and FCM Effectiveness .....	54
4.8.1 The Mann-Whitney Test for Output pertaining to Gender .....	54
4.8.2 The Kruskal-Wallis Test for Age Groups .....	55
4.8.3 The Kruskal-Wallis Test for Education Level.....	56
4.8.4 The Kruskal-Wallis Test for Department or Division.....	57
4.8.5 The Spearman's Correlation Test for Relationship between Financial Control Measures Effectiveness and Effective Communication .....	58
4.9 Summary .....	59
Chapter 5: Conclusion and Recommendations .....	60
5.1 Introduction.....	60

5.2 Conclusion.....	60
5.3 Implications of this Research.....	61
5.3.1 Lack of Adherence to Financial Control Measures.....	61
5.3.2 Intensification of Financial Control Measures and Training.....	61
5.3.3 Leadership Advancement .....	62
5.4 Limitations of the Study .....	62
5.5 Recommendations to solve the Research Problem.....	63
5.5.1 Formulation of a Task Team and Tightening of Controls .....	63
5.5.2 Accountability .....	64
5.5.3 Performance Management.....	64
5.5.4 System Upgrades and Re-configuration .....	65
5.5.5 Centralisation of Financial Staff.....	65
5.5.6 Finance Roadshows and Training.....	66
5.6 Recommendations for future Studies .....	66
5.7 Conclusion.....	67
REFERENCES.....	69
APPENDICES .....	81
Appendix 1: Survey Introductory Letter .....	81
Appendix 2: Questionnaire.....	82
Appendix 3: Informed Consent Letter.....	84
Appendix 4: Participation Consent Letter .....	86
Appendix 4: Ethical Clearance .....	87
Appendix 5: Turnitin Report .....	88

## List of Figures

<b>Number</b>	<b>Description</b>	<b>Page</b>
4.1	Summary of statements regarding effective communication	42
4.2	Distribution of overall scores of effective communication	47
4.3	Frequency distribution of financial control measure Statements	48
4.4	Distribution of overall scores of the statements regarding Financial control measures	50
4.5	Frequency distribution of statements regarding the Function of Financial Control Measures	51

## List of Tables

<b>Number</b>	<b>Description</b>	<b>Page</b>
4.1	Reliability analysis output	40
4.2	Frequency distribution of the socio-demographic variables	40
4.3	Test of normality	53
4.4	Mann-Whitney Test output pertaining to Gender	53
4.5	Kruskal-Wallis Test output pertaining to Age groups	54
4.6	Kruskal-Wallis Test output pertaining to Education Level	55
4.7	Kruskal-Wallis Test output pertaining to Department or Division	56
4.8	Spearman's' correlation output between Effective Communication and Financial Control Measures Effectiveness	57

# **Chapter 1: Introduction**

## **1.1 Introduction**

The ability of any organisation to meet their financial goals whilst embracing the limitations that arises from internal financial control measures (FCMs), is a familiar occurrence that transpires globally, within both the different public and private sectors, alike. Financial management is a fundamental necessity that forms the corner stone of a successful business or organisation. As espoused by Atkinson and Messy (2013), financial literacy is a fundamental skill required to understand the risks and rewards associated with making informed financial decisions. Financial decisions translate into the manner in which financial resources are managed, by applying key tools such as FCMs. This study delves into the FCMs within Ezemvelo KwaZulu-Natal Wildlife (EKZNW), a conservation organisation subsidised by the South African government and thus governed by government legislation. The literature unpacks the need for FCMs and the influences it has on the appropriate management of financial resources, the effects of non-compliance as well as the need for adherence. This chapter affords the reader a brief narration of the motivation for the study and focus of the study, including the problem statement, the research questions, the research objectives and the methodology used to conduct the study.

## **1.2 Motivation for the Study**

The emphasis on the effects of global warming with extreme weather conditions, depleting natural resources and the looming extinction of both flora and fauna, in an environment of increased population density, has become a priority of mammoth proportions. The evidence of global natural disasters such as hurricane Irma in August 2017 and the spate of earthquakes across the world, conveys the need for conservation efforts. In South Africa, conservation intervention towards the current drought situation and the scourge of rhino poaching, are a few areas where conservation requirements has reached crisis point. The public and private sectors alike, in their efforts to create awareness and promote conservancy, have stepped up to the challenge and are providing financial resources to conservation specialists, to assist in preserving, protecting and promoting conservation efforts.

EKZNW, a state-owned entity, is the chosen public custodian for the safeguarding and management of nature conservation within the province of KwaZulu-Natal, South Africa. The organisation aims to sustain and augment the feasibility of conservation efforts by obtaining financial resources from external funders and grantors, in conjunction with enhancing the profitability of the eco-tourism cluster simultaneously supplementing the government subsidy.

This study looks into the FCMs and its' impact on the financial management of the organisation. The study aimed to investigate the efficiencies and/or ineffectiveness of the financial controls, in the management of the financial resources that supports the long term sustainability of the organisation. The study will benefit the employees and the leadership within the organisation by unpacking the strengths and weaknesses surrounding financial controls and providing recommendations for improvements, where required. Investors from both the public and private sectors, who also have a stake in the conservancy within the province will benefit from the study as it aims to provide crucial information on the areas that require focus and external support.

### **1.3 Significance of the Study**

This study is deemed necessary towards the enhancement and augmentation of EKZNW not only for the benefit of the stakeholders but to provide long term financial sustainability for the benefit of future generations to come. The investigation lead to a detailed discussion of the findings pertaining to financial controls and endeavoured to highlight the core areas that needed improvement, assisting leaders and managers to reduce risks and to safeguard the financial resources of the organisation. The study further endeavoured to provide the readers with definitive tools to enhance effective financial management and stimulate progressive growth.

### **1.4 Focus of the Study**

Currently, EKZNW faces many challenges regarding the implementation of its' FCMs, such as the discipline to comply with budgetary constraints imposed by legislature, the prevention of fruitless and wasteful expenditure, the lack of adherence to procurement processes, the lack of proper asset management and so forth. The various challenges experienced by the organisation are documented

on an annual basis by the audit report, compiled by the Auditor General of South Africa and highlights the dilemma that the organisation faces in attempting to inculcate compliance with the FCMs to elevate the financial management of the organisation, (EKZNW, 2017).

The study investigates the effect of FCMs, exploring the awareness of FCMs, the effect that FCMs have on performance and the functions of FCMs. These results are then compared to the findings within the audit reports to ascertain the influence that FCMs have had on the financial management within the organisation. The study does not examine and test the individual policies in place that talks to the various aspects of financial management and their accompanying rules and guidelines but rather explores the need for FCMs and the compliance and monitoring thereof.

### **1.5 Problem Statement**

FCMs are developed and created to ensure that financial resources within both the private and public sectors are utilised in an appropriate manner, not only in accordance to international Accounting Standards (IAS) but also legislative governance. Financial management centres around the proficient and efficient use of monetary resources, that aids an organisation in gaining profitability, accomplishing the organisational objectives, and enhancing its' sustainability. In order to attain proficiency in managing the monetary and budgetary aspects of an organisation, rules and regulations in the form of FCMs are put in place to guide, direct and control the manner in which financial resources are expended. Good FCMs forms a part of the steps and is used as a tool, in aiding the process of good financial management. The problem arises when financial management fails to be effective even though proper FCMs are in place. EKZNW, which is governed by IASB, South African legislature as well as National Treasury (NT) guidelines, is the organisation under review that displays this challenge. This brings into question the research problem statement as follows; What is the effect of FCMs in relation to the overall financial management within EKZNW.

## **1.6 Research Sub-Questions**

The research sub-questions were as follows:

- (1) Have the FCMs in place within EKZNW been effectively communicated and understood?
- (2) Are FCMs within EKZNW effective?
- (3) What are the functions of FCMs in relation to the overall financial management of within EKZNW?

## **1.7 Objectives**

The research objectives were as follows:

- (1) To determine if the FCMs in place within EKZNW are effectively communicated and understood;
- (2) To investigate whether FCMs enhances effective performance within EKZNW;
- (3) To explore the functions of FCMs in relation to the overall financial management of an organisation.

## **1.8 Methodology**

The ontological research assumptions which concerns itself with the reality of the way things are, together with the positivist research paradigm that supports quantitative research, guided the study. The data collection process used probability sampling, with the distribution of questionnaires to a sample size of two hundred and twenty employees of the organisation. Ethical consideration was observed throughout the data collection process with biasness being carefully eschewed. Data condensation and data analysis was performed using various statistical tests, including Cronbach's Alpha, the Shapiro-Wilk test and so forth.

## **1.9 Chapter Outline**

Chapter one gives a brief overview of the research study, introducing the organisation within which the study is being conducted, the motivation behind the need for the study and the dimensions of focus within the study. It further details the problem statement, the research questions and objectives of the study as well as a short preview of the methodology employed within the study.

Chapter two focuses on the current literature available, providing an in-depth exploration into the theoretical background surrounding FCMs, including the positive and negative effects of compliance to FCMs. The chapter explores the relevant theories and frameworks that lead to the conceptual framework of the study.

Chapter three explains and unpacks the research methodology being applied, namely, the quantitative research approach, including the research design and research paradigm. It further reveals the technical boundaries, such as the target population and sample size, within which the study was conducted.

Chapter four explores the analysis and testing of the data collected, including tests such as the Kruskal-Wallis test and the Spearman's correlation test. A discussion on the findings by way of a comparative narrative using the organisations' financial reports, to support and/or refute some of the findings, provides an in-depth discussion, simultaneously linking the findings to the relevant literature.

Chapter five is the concluding chapter that provides recommendations and suggestions for improvements surrounding the area of the study, pertaining to the understanding of FCMs, training, leadership and so forth. The recommendations are drawn from the findings and are aligned to the objectives of the study.

### **1.10 Summary**

The mandate awarded to EKZNW, to be the custodians of conservation, is a crucial undertaking that seeks to ensure the continuance of certain natural resources within the boundaries of the province of KwaZulu-Natal. The success and sustainability of the organisation is dependent upon the current and the future financial viability of the organisation and as such, this study was performed to examine FCMs in terms of communication, understanding and effectiveness.

FCMs are sometimes seen as a necessary evil, instilling discipline and guidelines that promotes the effective management of financial reserves whilst simultaneously causing limitations to the proficiency in which activities are managed. It revolves around various factors pertaining to expedient management of business transactions with numerous positive impacts in the attainment of specific goals, translating into efficient expending of financial resources, effective financial management and progressive long term sustainability. The negative effects of a

lack of proper FCMs or non-compliance thereof is evident in the audit report of an organisation which highlights and summarizes the weaknesses established through investigative inspections. As reflected in the current literature available, there are many obligatory policies and procedures that are necessary to ensure that FCMs are effectively adhered to, with the repercussions of non-compliance to FCMs leading to dire consequences.

## **Chapter 2: Surveying the Literature Landscape**

### **2.1 Introduction**

Financial reporting forms the cornerstone upon which sound business decisions are made for the continued growth and stability of an organisation. As posited by Knight and McCabe (2015), due to the consequences of the global financial crisis, modern-day finance has developed and evolved into an economic necessity. There is another pressing need as well, which focusses on the appropriated management of the monetary resources of an organisation, by way of compliance with the FCMs. To this end, FCMs ultimately supports the efforts of growth and stability within the organisation, leading to accurate and relevant reporting, with the cumulative effects thereof influencing the macro environment and the economy, as a whole.

This study looks expressively at the FCMs and its' effect on the financial management within EKZNW. The review of the literature was selected using key words from the topic being researched, namely, financial control measures, financial accountability, financial management, financial control measures, internal audit, external audit, leadership and good governance.

### **2.2 The Fundamentals surrounding Financial Control Measures**

The development and formulation of financial control measures is often seen as a necessity to institute management and control through standardisation and consistency. As espoused by Ostry (2012), controls are put in place as a means to mitigate risks therefore streamlining the manner in which financial resources are being expended and accumulated by improving systems, policies and regulations, with the focus being on meeting objectives through regulatory guidelines, augments the future growth and sustainability of an organisation.

Uniformity and consistency within financial processing and the method in which financial activities are managed, form the basis of good accounting and financial administration and is the foundation upon which financial control measures are developed. This is supported by Theletsane (2014), stating that the creation of internal control measures are based on the organisational policies, as well as the rules of conduct of the organisation and include such activities as audits, inspections

and work procedures. Aligned to this, Ostry (2012) opines that developing policies and procedures for control is two-fold, encompassing the basis for ensuring objectives are achieved in a manner consistent with the guidelines and parameters set out, whilst simultaneously safeguarding against threats and dangers of fraud and corruption that could give rise to financial volatility.

The need for FCMs is paramount, not only for the streamlining of processes, providing guidelines on the manner in which transactions are processed, but also to ensure compliance with external standards and regulations, such as the International Accounting Standards Board (IASB), Generally Accepted Accounting Practices (GAAP) and so forth. FCMs seeks to ensure consistency, transparency and accountability as part of the core requirements of the King reports, enabling reliable financial reporting, good governance and the enhancement towards the mitigation of risks. This is supported by Snell (2014), stating that FCMs relates to an accounting process that is created to enhance efficiencies and safeguard against fraudulent behaviour.

Dzomira (2014) states that activities pertaining to control are aligned to processes, policies and procedures which provide assurance that top management's directives pertaining to income and expenses, are being adhered to and performed accordingly. FCMs provides the core support necessary to achieve financial efficiency, and is used as one of many tools, to enable an organisation to achieve its' long term objectives. As advocated by Kinuthia (2012), financial efficiency refers to the manner in which an organisation is able to effectively allocate and utilise its' limited financial resources, to obtain maximum returns and profitability, a common goal shared by most organisations.

The achievement of financial efficiency involves a combination of various practices such as FCMs; planning of budgetary requirements; regular internal audit examinations; external audit assessments and so forth. According to the definition provided by Aerts and Walton (2013), internal financial controls focuses on the processes that have been developed, implemented and monitored by those assigned to govern, control and manage an organisation, in the assurance that objectives pertaining to the effectiveness and efficiency of operations, the

dependability and reliability of financial reporting and the compliance with the relevant regulations and laws, are adhered to and achieved.

Financial recording requires promptness, ensuring timely capture of information, within a specified period, so as to ensure relevance as well as accuracy and precision, promoting correctness of reporting, aimed at supporting and enhance the decision making process. Vasarhelyi, Alles, Kuenkaikaew and Littley (2012) places emphasis on the pivotal need for precise and reliable reporting information, that is timely, and incorporates the use of continuous auditing, which involves a progressive shift of continuous change, including the frequent and consistent monitoring of control methods. It can therefore be inferred that if an organisation continuously disregards the FCMs in place that will aid in the appropriate management of financial resources, it is inevitable that at some point, the said organisation will find itself in a predicament that could possibly lead to business cessation. To this end, Colson, Bloomfield, Christensen, Jamal, Moehrie, Ohlson, Penman and Stober (2010) indicate that accounting regulations make provisions to prevent manipulations, ensuring that preparers, in seeking to reflect specific reporting outcomes, do not influence the information on the financial statements, thus promoting transparency and confidence based on the integrity of the financial reports.

It is thus in the best interest of the organisation, to ensure adherence to FCMs, not only to elevate the financial reporting outcomes within the organisation, but also to continuously improve the good standing reputation and veracity of the organisation. This is especially dependent upon the relevance, significance and intensity of the control measures, bearing in mind that weak control measures, even if adhered to, can have a similar effect as that of non-adherence to effective control measures. Mitra, Jaggi and Hossein (2013) provides a similar view stating that effective internal controls translate into more prudent accounting reporting whilst weak control measures impacts an organisation negatively, not only with regards to financial stability, but also in terms of investors' expectation as well as longevity of the organisation. Similarly, Bentley, Omer and Sharp (2013) attest that organisations that have good internal control measures, that are closely guarded in terms of compliance, and are able to conform to the limitations of the FCMs, supports

appropriate financial reporting and good governance, whilst the reporting of financial irregularities are indications that there is poor monitoring regarding the compliance of internal controls, revealing loopholes and providing an opportunity for deception and dishonesty.

### **2.2.1 Draining of the Coffers**

The act of fraud and corruption, a contentious issue in recent times, is representative of actions and activities that involve duplicity and unscrupulous behaviour. Kassem and Higson (2012), in trying to understand the environment in which fraud can occur, unpacks that the perceived prospect to attempt committing fraud may ensue when the person occupying a particular post, is privy to the information regarding the inefficiencies and gaps within the internal controls, suggesting that the person considering fraudulent activities have four central characteristics, namely: (1) that the person is in a powerful, influential position; (2) has the aptitude needed to understand the financial systems and their related internal control deficiencies; (3) possesses the self-confidence that they are beyond reproach, with no possibility of apprehension and (4) the ability to remain calm whilst committing a corrupt act.

The undertaking to commit a fraudulent act is a culmination of many factors, including the personality traits of the person contemplating to commit the indiscretion, as well as the deficiencies and weaknesses detected to manipulate the system, in order to conceal the indiscretion. The degree to which fraud can be perpetrated is thus dependent upon the enormity of the gaps detected within the control measures. According to Leach (2012), the intensity and depth of internal control measures is a significant caveat that dictates the extent to which perpetrators are able to commit fraud, denoting that moderate rules within control measures offer greater inclinations for the act of fraud. It is thus within the organisation's best interest to ensure that gaps are addressed, control measures amended and implemented, to mitigate the risk of fraud and the loss of wealth.

There are various forms of direct and indirect fraud, not only limited to theft of money but also including bribery and corruption such as the awarding of a company tender for a large contract. As espoused by Fourie (2007), fraud, which rears its' ugly head in various forms such as enticement to accept gifts in favour of committing unjust

deeds, the exploitation of power, conflict of interest, partiality, blackmail, misappropriation of funds and so forth, are all activities that are in direct contravention of good governance. Hough, Thompsons, Strickland and Gamble (2011) highlights cases like the Enron fraud case of 2001, the Marikana Mines fraud case of 2012, and so forth, wherein acts of fraud and corruption saw the demise of huge corporate organisations, impacting several sectors within an economy.

The public sector within South Africa continues to fall prey to such vultures, for example, the South African Broadcast Corporation (SABC), were unable to account for R5.1 billion during their 2017 audit and now require a bailout from the state to the tune of R100 billion; or the likes of South African Airways, another stated subsidised entity that are facing huge losses, seeking assistance and financial relief from the Government coffers (Fin24, 2017).

According to Boyle, Carpenter and Hermanson (2012), the severity of non-compliance to accounting controls and organisational FCMs can translate into questionable financial statements that can have dire consequences, leading to bankruptcy due to inappropriate business decisions, loss of reputation and loss of investor confidence. As espoused by Johnson, Hartong and Kidd (2014), the repercussions of loss aligned to fraud and corruption is exponential, and the long term effects disastrous, including the loss of financial resources, the tarnishing of reputation, the decline of employee morale and the loss of faith from citizens. It would therefore serve organisations and the public sector best, to ensure that tighter controls are in place, promoting more frequent audits and ensuring compliance. As supported by Patterson and Smith (2015), auditing provides direction regarding the adherence to internal controls, by assessing the risks and gaps associated to these controls, highlighting that only when there are weaknesses in controls, can fraud be committed.

### **2.2.2 The Watchdogs keeping Guard**

The function of an internal audit department within an organisation is to ensure proper adherence to the policies and procedures of an organisation, predominantly to safeguard the smooth administration as guided by the control measures in place, and as aligned to IASB, GAAP, national legislation and so forth.

As stated by Bekker (2012), the function of internal audit is groomed for a more prevalent position whilst internal control measures are in place to streamline the long term strategic intent of the organisation. Similarly, Badara (2012), states that internal audit produces audit reports, stipulating the findings, analysis and recommendations concerning the financial activities of the organisation, and confirms that the sustainability of an organisation is dependent upon compliance of internal financial controls pertaining to the effectual and proficient utilisation of financial, as well as non-financial resources. Internal audit therefore focuses on a process of checks and balances, examining and reconciling the transactional activities of an organisation to that of the FCMs implemented within the said organisation. The FCMs are monitored through many avenues, including the continuous assessment of the internal audit team, and drawn to a close at the end of a financial year by the external audit opinion. As opined by Badara (2012), the function of the internal audit department, to examine internal financial controls, to establish relevance, suitability, appropriateness and efficiency, ensuring compliance and conformity to policies and procedures, in order to protect the organisation from the risks of fraudulent activities, inaccurate reporting and misrepresentation of financial reporting.

According to Armstrong, Cornut, Delacote, Lenglet, Millo, Muniesa, Pointier, Tadjeddine (2012), auditors emphasise that, when performing audit investigations, correctness, accountability and responsibility are the key elements during the process of authentication. The final results of a financial audit is known as the audit opinion, that relates to the financial transactions that took place within an organisation during a twelve month period, and is compiled after the auditors have perused and questioned all aspects of these financial transactions. The final audit report opinion is based on findings made within the audit and is limited to four different types of opinions. As informed by Chan, Kenny and Ray (2012), audit opinions that can emanate from an external audit investigation are namely, an unqualified audit report; a qualified audit report; a disclaimer or an adverse audit report, ranging from best case scenario to worst case scenario. An unqualified audit report is the optimal outcome for any organisation, whilst an adverse report reflects a very poor state of affairs wherein the auditors are unable to provide an opinion.

Chan et al. (2012), further explains that should the audit report be unqualified with explanatory notes, the audit report could be viewed as a pseudo-qualification, with indications of an apparent compromise between management and the auditors. According to Ngoepe and Ngulube (2014), in order for government departments to achieve a clean audit, there must be a distinct paper trail of good quality reporting, that must be achieved in a timely fashion, ensuring that all relevant staff are available during the audit process, and that internal financial and other control measures are complied with by means of good monitoring, supervision and management.

Notwithstanding the existence of internal audit, the act of fraud, non-compliance and financial irregularities is an occurrence that is still prevalent within both the public and the private sectors. Government organisations and companies need to consistently and constantly scan the environment to explore the gaps within the systems and address these accordingly. As suggested by Nakarmura (2015), the monitoring and evaluation of financial control measures enhances the durability of the organisation to allow for the prevention of financial crisis and the promotion of future sustainability. EKZNW, being the recipients of a state subsidy, are constantly being placed under pressure to ensure that clean, unqualified audits are produced, as continuous and consistent failure to do so, places the organisation at risk of possible loss of their state subsidy, which is crucial towards the future existence of the organisation.

### **2.3. Financial Control Measures and its' Macro Influence**

The challenges faced by the public and private sectors extends globally, with evidence of this being continually highlighted by the media in cases such as the bankruptcy of Enron in 2001; the Madoff pyramid scheme in 2008; the International Federation of Football Association (FIFA) in 2015 and so forth (The Mercury, 2015). According to Riivari, Lamsa, Kujala and Heiskanen (2012), the onset of globalization opens further avenues of ethical dilemmas questioning the values and morals of businesses today, thus intensifying the need for guidelines and controls to be implemented, so as to appease or negate these challenges. As asserted by Riivari et al. (2012), organisational misconduct such as fraud, corruption, prejudice, bias,

dishonesty and immorality has a snowball effect, destroying organisations, communities, families and people in its' wake.

On a macro level, the monitoring of financial strength and health focuses unequivocally on the external financial markets relating to policies and prices within the financial segments of the economy. There are many causes that foster risk including failures pertaining to biasness, morality, planning and coordination, adverse and opposing followers and so forth, that weaken the financial stability, leading to inefficiency, extreme risk taking and financial crisis, (Adrian, Covitz and Liang, 2015). There are accounting laws and regulations in place that protect and safeguard economies, organisations and businesses from such catastrophic events. These accounting laws are regulated by an independent body known as the International Accounting Standards Board (IASB) of the International Financial Reporting Standards (IFRS) foundation, which makes provision for consistent and reliable reporting of monetary transactions, through a set of rules and standards encompassing all financial transactions within both the private and public sectors, globally. As supported by Tran (2012), the IASB is the authority that is liable for the construction of a set of comprehensible guidelines and rules that need to be adhered to, in the preparation of financial reporting, on a global scale. Against the backdrop of IASB, comes a downpour of further rules and regulations that are aimed at streamlining and guiding the utilization of financial resources, in both the public and private sectors, to ensure that objectives and goals are met with efficiency.

According to Kunithia (2012), GAAP, in conjunction with other assessment tools like industry averages and benchmarking, are used as a basis for the development and formulation of FCMs. Likewise, protocols, with the use of GAAP, are formulated for the management of public funds, imposed through government legislation, aiming to serve the various government departments, including state-owned organisations. This makes provision for a formal directive regarding the management and control of financial resources. FCMs are a simplified and customised set of rules that talks to the laws of IASB, IFRS, GAAP, as well as other legislative laws and rules as associated with different countries, to govern and guide both the public and private sectors, ensuring proper financial practices, to aid in the long term sustainability of the economy.

As asserted by Fernandez, Klein, Rebucci, Schindler and Uribe (2016), the necessity for FCMs spans the global length and breadth of economic and business activities, affirming that the implementation of monetary controls impacts on financial longevity, as well as macroeconomic management. It can therefore be inferred that financial control measures is a tool utilised as a preventative, detective and corrective support structure towards the proper use and management of monetary resources, to regulate and make provisions against the misuse of funds relating to all aspects of both the macro and micro environments. According to Christ, Emett, Summers and Wood (2012), preventative controls can be defined as the deterrent used in avoiding problems before they transpire, whilst detective controls are created to uncover anomalies after they have occurred.

The global onset of fast-paced technological advancements, influences financial developments continuously, bringing with it changes in the manner in which we conduct business, such as the increased number of online customers purchasing goods off the internet with the corresponding streamlining of electronic processes to manage these online sales. As asserted by Hussain and Kumar Chakraborty (2012), whilst targeting the macro implications of financial development, it is pivotal that the notion of financial elaboration and improvements to the enhancement and sustainability of economic growth, is supported. Similarly, Bonson, Torres, Royo and Flores (2012), posits that the internet has been an instrumental tool in opening windows of opportunity, with new developments in altering the manner in which the private as well as the public sectors can be more transparent and accountable, thus providing reassurance and promoting the trust and confidence of the people. Evidence of this has been illustrated within the South African context, wherein the public sector National Treasury Department (NT), in promoting efforts to positively impact the confidence of its' people, embarked on a campaign, to streamline processes and increase efficiency. The NT created a national online central database system, for all their suppliers, affording businesses easy accessibility to be included on the public sector database, and thus providing an increased measure of opportunity for the supply of goods and services to Government, whilst simultaneously providing further economic growth for the country.

As mentioned by Klein and Shambough (2015), the consideration to evolve, redefine and refine macro monetary and financial controls were highly emphasised after the Great Depression in the 1930's. Our current economic conditions in itself provide evidence that monetary and financial controls need to evolve continuously in order to make it relevant to our present macro and micro environments. It is within this setting that FCMs within an organisation plays an integral part towards steering and regulating financial management. This impacts on the recording and reporting of the financial health and wellness of an organisation, with the aim of enhancing profitability and long term sustainability. Innovation and implementation of new-found financial control and measurement instruments will be most suitable for addressing the challenges of economic inequality in today's current environment, indicating that change is a necessity that requires constant re-inventing in order to mitigate risks that evolve through progression (Schiller, 2013).

Change bourgeons with it simultaneous and equal surges in unearthing further loopholes and gaps that seek to infiltrate and destabilise fiscal policies and processes. The counteraction, in attempting to fill these new loopholes and gaps, alludes to the continuous cycle of identifying and mitigating risks, in pursuit of improved FCMs that protect the macro, and so too, the micro environments from the perils of a lack thereof, hence revealing that the more things change, the more they stay the same. As stated by Mungiu-Pippidi (2015), innovation is crucial to success and prosperity, with its' foremost limitation being corruption, that brings with it inevitable failure.

Gorodnichenko and Schnitzer (2013), emphasises an incongruent angle, stating that processes and methods of control pertaining to financial constraints, can be significant assessments that can shed light onto the financial growth, providing influential information pertaining to the various sources of income and productivity, within both the internal and external, micro and macro environments. In line with this, and taking into consideration the current spotlight on the excessive spending and calls for accountability within the South African government, that has given rise to many rallies and protests, Ezemvelo KZN Wildlife, a public entity mandated as the official custodians of conservation within the province of KwaZulu-Natal, is the elected organisation underpinning the theoretical framework of this study. The

organisation is governed by the Public Finance Management Act Number 1 of 1999 (PFMA) of the Republic of South Africa, and thus formulates its' financial controls and guidelines based on the limitations and standards found within the act, and as directed by the NT, in collaboration with the measures found within IASB and GAAP. According to Treasury, Limpopo Provincial (2012), the intention of the PFMA is to empower Managers employed within the public sector, to control and be accountable for the management of financial resources allocated to them. This enables Managers to achieve the goal, ensuring appropriate and transparent financial structures and procedures, for the effective management of public funds.

The central epistemological assumption is that FCMs support good governance, thus increasing and augmenting the financial stability and sustainability of an organisation. As espoused by Bekker (2012), the public sector departments need to be more vigilant, and more cautious, in order to promote better awareness to public servants regarding their fiduciary responsibilities. The enhancement of control measures can assist various finance authorities in performing their tasks, providing apt information to uncover irregular financial activities. This allows for diminishing risks, whilst simultaneously encouraging accountability and corrective actions, setting a precedence that can dissuade potential reprobates.

#### **2.4 Mitigation through Monitoring and Evaluation**

Risks are a commonality within all facets of the economic and financial environments, as with any other area of focus, and thus requires constant monitoring, to ensure the associated negative impacts are controlled or eliminated. Monitoring the processes within business, by ensuring that they are aligned to the rules and regulations, is crucial to the promotion of effective and relevant business decisions. Shunmugan, Haat and Ali (2012) opine that internal controls are devised and put into action to mitigate the threats and dangers that have been detected within an organisation, so as to achieve the organisational objectives. There is an emphasis that internal controls provides a re-assurance in terms of the reliability of the financial reporting, promoting the ability and efficacy of the organisation in adhering to, and operating within the relevant laws and regulations. Equally stated, Stojanovic (2014) indicates that business assessment and decision making by managers, stakeholders and related parties, is associated to, deduced by and made

possible through, thorough analysis of accounting reports. Organisations need to take heed and assess for the various scenarios that could impede on the financial health of the organisation, ensuring that precautionary measures are developed and implemented to avoid circumstances that could weaken the stability of the organisation, and avoid a possible financial catastrophe. Accordingly, as espoused by Asenova, Bailey and McCann (2015), risk managers need to be more proactive instead of reactive, with the ability to incorporate all aspects of both traditional risks such as non-compliance of control measures within a department, as well as new-age risks such as the malfunctioning of a fully integrated financial system. This involves analysing and assessing both the internal and external environments, to determine adequate practices of mitigation, so as to ensure flexibility and adaptability in resolving any form of irregularities and inconsistencies.

Dzomira (2014) addresses the detective areas of control which occurs after the transaction has taken place, wherein errors and omissions are discovered as a consequence of ineffectual control processes such as comparisons between budget versus actual or reporting of transactions within incorrect periods and so forth. These types of errors reflect a skewed image of the reality of an organisations' financial health, and can lead to dire circumstances for the organisation.

It is important for organisations to keep abreast with current trends, techniques, tools and methods at their disposal, to enable them to be more effective in their endeavours to monitor and evaluate controls, to ensure proper reporting whilst mitigating critical risks that could impede on the organisations' financial stability. In order to develop sufficiently detailed FCMs, each facet of financial dealings within an organisation needs to be analysed, and processes developed in collaboration with the rules and regulations by which the organisation is governed, for example the PFMA. These processes are then implemented to ensure that the objectives of each task are achieved without contravening any of the control measures in place. As stated by Vovchenko, Holina, Orobinskiy and Sichev (2017), risk management tools and techniques are pivotal to ensuring financial stability and begins with the implementation of efficient and reliable internal FCMs, such as ascertaining the possible risks by means of random analysis of financial transactional documentation, creating categories of transactions according to criteria such as the

monetary values of transactions, grouping these transactions to allow for more prudent analysis before authorisation can occur at different levels of management according to the different category values. This ensures regular audit checks to unearth any weak areas, thereby ensuring correctness of reporting, as well as transparency. Bookstaber, Cetina, Feldberg, Flood and Glasserman (2014) have noted that, as part of the risk management assessments and measurements, an effective and supportive monitoring tool used mostly in banks, are stress tests, wherein various opposing environments are hypothesised, in order to ascertain whether the institution under review will be able to withstand the pressures and impacts of the hostile conditions.

Managing, monitoring and evaluating control measures is a constant work in progress and oscillates with the change of the environment wherein controls can be manipulated. This enables transgressors to explore and benefit from weaknesses, thus creating an evolving nature of the manner in which risk can be exploited. Congruently, this can be nullified through the fine-tuning and re-defining of existing control measures, or the development of new control measures. As asserted by Power, Ashby and Palermo (2013), control measures may also be linked to the strategy of the organisation, to gain knowledge pertaining to the risks it faces, however this may be difficult to precisely assess, especially if the operational aspects of the business are being adhered to, in terms of full compliance pertaining to control measures. According to Govender (2013), it is pivotal that good monitoring and evaluation tools are implemented within the public sector, to gauge and assess the effectiveness and progress of the department or organisation. The financial resources of the public sector within any country is constantly under scrutiny, and FCMs are put in place to not only guide, but also to restrict and limit the exploitation of these funds.

Mungiu-Pippidi (2015) states that it is pivotal that the management of public funding is closely scrutinized, through good governance, as well as through the demands of civil society, such that the problematical processes pertaining to the management of financial resources are uncovered, revealing the true integrity of government expenditure, with accountability and transparency being of paramount importance.

FCMs within the public sector are deemed mandatory through the legislative laws and regulations in place, and function as a tool towards the proper management of financial resources. Appropriate monitoring and assessments of compliance, gauges the extent to which these control measures are followed, directing liability to those who are accountable for the non-compliance, whilst simultaneously assisting with the process of ensuring proper financial management, providing guidance for attaining a smooth and clean audit. As opined by Vovchenko et al. (2017), in order to alleviate issues of non-compliance, the development of automated internal control measures, built-in and configured into an information technology system, would not only be aligned to the technological advancement of our era but will also facilitate the smooth streamlining of efficiency, creating a more positive alignment to compliance of control measures. Automating control measures is a progressive means of impacting and augmenting the degree to which compliance is effected, aiding in timeous detection of risks, and the addressing of gaps in control measures.

#### **2.4.1 Financial Management and Accountability**

As espoused by Mejia (2013), the world wide endeavours for social responsibility brings with it an increased demand for government departments to be more transparent and accountable, with the positive knock-on effect of easing the negative consequences brought on by a financial crisis. Financial accountability is one of the core directives in the management of financial resources of both public and private organizations, governed by international accounting principles, rules and standards. Government and their state owned organizations, in particular, are constantly under the spotlight to be frugal and transparent in their management of state coffers. Jindrichovska (2013) advocates that the management and control of an organisation leans extensively on proper financial management, highlighting that there are three central elements that need to be considered, namely, liquidity and cash flow management, long term asset procurement and the capital structure of an organisation. According to Griffin (2013), Financial Managers deal with the actual recording and reporting of income and expenditure, including responsibilities such as accounting and cash flow management. Financial management however, pertains to the more holistic management of the financial resources of the organisation, assessing the use of financial resources by comparing budgeted

and/or forecasted projections with the actual reported income and expenditure, (Haktanir, 2012).

As posited by Flood, Mendelowitz and Nichols (2013), accounting controls are essential to judicious administration, with financial controls being precise and purposeful towards the entity's reporting, as this is the key towards effective decision-making and control. Similarly, Gaines, Robb, Knol and Sickler (2014) advocates that greater financial security can be achieved through proper consideration of budgetary constraints and effectually appropriate financial management skills. Dogar (2012) states that thorough financial management makes use of management accounting principles for the trailing of money, in terms of appropriately approved business activities. According to Mathuva (2015), working capital which focuses on the assets and liabilities of an organisation, is an integral part of financial management, with planning and control being pivotal to the appropriate management of financial resources. Akgun, Ince, Imamoglu, Keskin and Kocoglu (2014), compliments this view by suggesting that good financial management is enhanced through an integrated sum of organisational learning abilities, staff-focused management, an ethos of cooperation, good leadership and strategic intent.

The public sector's main source of income is obtained through the taxes paid by the citizens, therefore the public sector is accountable not only to the various layers of authority within the governmental structure, but also to the citizens of the country. According to Olsen (2015), accountability of public officials to the people that they serve is a democratic obligation that provides evidence of financial management regarding the spending of public funds. As supported by Chi Chi and Ebimobowei (2012), the public are not only entitled to information on the spending of public funds, but that they may use this information to impose corrective actions should they deem the use of financial resources as irregular, dishonest or unwarranted, adding that accountability is not only beneficial and obligatory to the populace but also to the government. According to Chi Chi et al. (2012), the Government are better able to understand their successes and failures, such as, reasons for programs being unsuccessful, and for finding better ways to enable them to ensure future success with these and other programs.

Accountability by public servants secures the faith of the people and displays transparency in the use of public funds, promoting confidence in the public sector. Relatedly, Fourie (2007) states that reliable management of public resources promotes good governance, which in turn supports accountability, with one of the key components being the implementation of good FCMs, advising that a lack of financial controls and/or the non-compliance thereof, could translate into dishonesty, fraud and corruption. As espoused by Kinuthia (2012), the assessment of control involves a continuous comparative analysis between the control measures in place, pertaining to processes, budgetary requirements and so forth, against the actual activities and results being generated. The outcomes of this analysis enables the organisation to pin point the flaws within the controls, and provides a clear understanding of the shortfalls and weaknesses that an organisation may be experiencing. As posited by Theletsane (2014), prominence and focus must be given to administrative requirements made possible through internal control measures that need to be complied to meticulously, to ensure the predominance of accountability whilst dissuading bureaucratic behaviour.

As introduced by Killingsworth (2012), a comparable notion in stating that it is not only sufficient for an organisation to have proper controls that guide employees in their responsibilities, but it is also necessary to cultivate a culture that ensures best practices and compliance of these controls, as non-compliance denotes weaknesses not only in reporting but also in leadership. EKZNW, has two main revenue sources, namely, the government subsidy received from the state, as well as the proceeds from its' revenue generating activities, within its' eco-tourism division, with grantors and funders also adding to the kitty, for the funding of specific conservation projects, such as "Save the Rhino". When delving into the audit report of EKZNW, the consistent and constant areas of concern that kept recurring were fruitless and wasteful expenditure, lack of proper asset management systems, weak controls pertaining to expenditure management and lack of leadership (EKZNW, 2017).

## **2.5 Leadership and Governance in Supporting Financial Control Measures**

### **2.5.1 The Role of Leadership**

According to Schillemans, Van Twist and Vanhommerig (2013), accountability is one of the primary and fundamental principles of an egalitarian governance, with the public's tax money forming the main source of government revenue, therefore the public deem it mandatory to gauge whether government decisions are based on core values of good governance that reflect efficiency, transparency and leadership, with the objective being to ensure that the exploitation of power is prevented. As espoused by Knights et al. (2015), leaders are viewed differently from that of followers, as they possess characteristics and traits that exude control, reflecting talents that demonstrate their ability to predict and manage business activities, converting followers into believers and bringing dreams to fruition.

Leaders have the power to appease volatile circumstances, uplift followers, instilling calm and trust, providing motivation to enhance organisational behaviour. Sahaya (2012) states that the attributes of a leader has a considerable influence on their followers and congruently, on the performance of the followers and thus, the leader, through his followers, positively impacts on the performance of an organisation, creating value and a robust competitive advantage. A leader has the ability to stimulate and encourage followers, increasing their morale and determination which simultaneously accelerates and enhances performance and productivity. Jing and Avery (2016), espouse that leadership style can influence the organisational objectives and invoke elevated performance amongst followers, inferring that there is a close correlation between the followers' receptiveness, and the leaders' style. Conversely, should the leaders and management of an organisation have ulterior motives, coveting to benefit from their positions of power by disregarding the rules and regulations and overriding controls that they find to be limiting, this could not only impact negatively on the followers' attitudes, creating an environment of disrespect and indifference towards organisational policies and procedures but could also have depreciative effects on the financial stability of the organisation.

According to Johnson et al. (2014), dependant on the traits of the individual in terms of how they think, their level of skill and their values, there are two components that support behaviour to perform misdemeanours; firstly, the opportunity whereby the

perpetrator is aware of the weaknesses in the internal controls and uses this knowledge to take advantage of the flaws, and secondly, the position held by the perpetrator, that allows him/her sufficient authority to override internal controls. Dependant on their stance and their passion or lack thereof, leaders and management have the power to sway in either direction, elevating or impeding on organisational performance.

FCMs seek to guide and steer the manner in which financial decisions and transactions are made, with the aim of protecting the financial resources of an organisation, however the safeguarding of financial resources are rendered ineffective if the management and leadership of the organisation fail to encourage and instil adherence to these control measures, or display behaviour that is in contravention to the very control measures that they are meant to lead by. Hermanson, Smith and Stephens (2012) states that even when internal financial controls are strong, there are still improvements that can be made based on the quality and nature of how top management lead, cognisant of the leadership style when focussing on their attitude towards deviation from policies and procedures, and/or managements' intentions regarding the overriding of control measures.

According to Das, Kumar and Kumar (2011), it is the responsibility of the leader to provide an environment that is conducive to the behavioural expectations needed to ensure growth and performance. Das et al. (2012) further states that realising organisational objectives through compliance, whilst utilising the feedback from financial reports, can be used as a means to assess and evaluate the achievements made by the organisation. Hermanson et al. (2012) speaks of the reality regarding complex leadership hierarchy, and the manner in which it weakens the process of monitoring and evaluating control measures through the challenges associated with limitations that impede on the possibility of assessments of leaders. The nature and ethos of leadership and management style, coupled with the possible inadequate representation of the board or audit committee, has the power to uplift or discourage effective monitoring, (Hermanson et al. 2012).

An organisation needs to take great care in acquiring their leadership, ensuring that criteria for the correct style of leadership is appropriate for the task of leading and

directing. Hermanson et al. (2012), states that consideration must be given to certain elements that could impede on the attitude that leaders embark upon, with regards to; (1) the extent to which leaders are preoccupied with meeting other obligations, (2) the extent of trepidation pertaining to revenue targets and goals, (3) the reward plans that may promote untoward and inappropriate behaviour in terms of corrupt and illegitimate methods of earnings.

The assessment of sound leadership is evident in the manner in which a company is performing, focussing on aspects such as financial performance, employee motivation, results of external audit assessments and the financial stability of an organisation. As espoused by Kinuthia (2012), good leadership provides the assurance that financial and non-financial resources are effectively and efficiently utilised to its' maximum capacity. Hermanson et al. (2012), asserts that improvements to the manner and attitude of leadership, which encompasses Top Level Management that goes beyond the Chief Executive Officer (CEO) or Chief Financial Officer (CFO), can be instilled through continuous assessment and evaluation by the internal auditors. The internal audit team can monitor and evaluate the culture and tone of leadership and assess the strengths and weaknesses of the manner in which it affects the compliance of internal FCMS, making suggestions to enhance weaknesses and closing the gaps that could threaten and encourage fraudulent behaviour.

The values, principles, ideals, ethics and beliefs prescribed by the leaders of an organisation, fashions the climate within which the organisation accomplishes its' goals and objectives. As conveyed by Rossi (2012), companies that lead with the utmost integrity, set the tone for the manner in which the organisation will be managed, which instils greater value, and demonstrates a lesser risk for the occurrence of fraud.

It is often found that the leaders and persons in high profile positions, possess high levels of authority and power within an organisation. According to Bagopa (2013), public leaders have the freedom to exercise their power, and are given autonomy in decision making. It can thus be inferred that these leaders are able to manipulate and sway the rules to their own advantage, be it appropriate or otherwise.

Hermanson et al. (2012) espouses that the comparative barriers accompanying opportunities of transgressions between top level management and a lower-level staff is disparate, with greater risk exposure from the former, making the tasks of both internal and external audit, as well as the audit committee more essential and pivotal to the success of watertight financial reports. The question that then arises is, who leads the leaders? According to Eccles, Ioannou and Serafeim (2012), monitoring and evaluation to ensure compliance and adherence, provide guidance, and steer management towards making decisions that are aligned to the objectives of the organisation, is the role of the board of directors. Further to this, Othman and Rahman (2014) espouse that good corporate governance is synonymous with leadership and includes attributes of proficiency, integrity, dependability, transparency and accountability.

### **2.5.2 The Role of Good Governance**

The management of financial resources dictates that the financial health of an organisation influences its' longevity, impacting on organisational decisions by either impeding or uplifting an organisations' worth. As espoused by Bayrakdaroglu, Ersoy and Citak (2012), national economies, corporations and interest groups are all affected by corporate governance, which provides a fundamental directive that supports and enhances the financial success of an organisation, creating and adding value on both the macro and micro levels of the economy.

As stated by Tsheletsane (2014), the effect of non-compliance on good governance can have macro implications, leading to the destruction of a country's financial wellness and translates into economic downfall. The components of good governance encompasses involvement by all stakeholders and transparency in terms of the accessibility of information (Tsheletsane, 2014). As posited by Hough et al. (2011), part of the responsibility of the Board of Directors, as a function of enforcing and driving good governance, is that they must ensure that the CEO and CFO, together with their executive leadership are vigilant and attentive towards their obligation to conform to the FCMs and regulations that the organisations are governed by, in order to prevent fraud, corruption and the mismanagement of financial resources. This view is supported by Chi Chi et al. (2012), stating that effective and efficient financial management is the product of good governance,

indicating contrary to this, poor governance exhibits precursors of ineffectiveness and a lack of financial stability, with the possibility of fraud and corruption.

In trying to alter the attitudes of key personal and instil a culture of compliance, Armstrong et al. (2012) suggests that unplanned, random assessments should be used as a method, to jolt employees into working consistently and within the limitations of the rules, so as to motivate employees to be more vigilant and accountable towards their responsibilities. Rahaman (2012) advocates that good governance is seen as the solution facing developing countries, instilling the practice of accountability, and a vehicle for promoting transparency within the public sector. Similarly, Parkinson (2012), hones in on the issue of transparency as the key constituent of good governance, in relation to all aspects of an organisation, from the disclosure notes pertaining to material items within the balance sheet, to matters of payroll, decision making and management, which is all enhanced through open-communication that promotes positive employee attitudes in support of internal measures of control.

As espoused by Bekker (2012), in order for good governance to be successful in the public sector, civil servants need to ensure compliance and encompass key traits such as having the knowledge, know-how and commitment to meet their responsibilities, they must be able to be fully aware of their purpose, the goals and strategies of the department, whilst ensuring accountability and keeping sight of the provision of services to the public, continuously assessing and filtering correct information, so as to meet targeted objectives. According to Fukuyama (2013), the intention of governance is to assess, determine and quantify elements of government competence pertaining to efficiency, compliance to regulatory rules, as well as the extent of corrupt activities. In large, structured organisations, the Board of Directors usually takes on the task of ensuring that leaders are performing due diligence in their responsibilities. This includes assessment of sound decision-making, taking cognisance of the various reports, including financial reports, internal and external audit reports and so forth, taking steps to ensure improvement in the areas that have fallen short of the objectives. As posited by Moore (2010), over the past few decades, corporate governance has been shaped and moulded to embrace a more proactive stance rather than a kneejerk reactive approach, with a growing

emphasis on the need for effective and efficient internal control measures and mitigation of risks through the appointment of board members that are experts within their fields, for example, finance, risk management, strategy and so forth, who are avid enablers of business sustainability. As espoused by Yasser, Enteborg and Mansor (2015), the policies of corporate governance encompasses endorsements for the use of best practices, to aid in the improvement of governance.

### **2.5.1 Cultivating a Culture of Best Practices**

As espoused by Riivari et al. (2012), organisational culture influences the operations of an organisation, defining organisational culture as the standards, principles, practices, ethics and beliefs that are mutually common amongst followers within an organisation. The evidence of culture within an organisation is portrayed and illustrated by the manner in which employees react to the organisation's policies, procedures, controls and regulations. As posited by Schneider, Erhart and Macey (2013), the collective opinions related to the policies, procedures and practices that employees are exposed to, including their corresponding actions and reactions, speaks to and defines the organisational climate. Culture involves the collective notions, benefits and beliefs that new-comers are made aware of, regarding the history of the organisation in terms of its' successes and failures, (Schneider et al. 2013).

As mentioned by Yesil and Kaya (2013), organisational culture is a factor that either impedes or enhances the financial performance of an organization. Similarly, Power et al. (2013) espouses that the implementation and monitoring of clear control measures and its' congruent limitations, is an ambition of all organisations, suggesting the issue of a risk culture not only alludes to clarity and implementation of duties, responsibilities and activities but also to the altering of mind-sets. According to Duke II and Edet (2012), the values and outlooks of an organisations' leadership and management forms the culture of an organisation, depicting the distinctiveness of an organisations in terms of its' agility and dexterity when confronted with external influences and the corresponding internal controls. These values aid in supporting and enhancing FCMs, thus extrapolating that culture plays a pivotal factor in shaping employee behaviour that leads to either the success or demise of an organisation.

As suggested by Duke et al. (2015), there are four theories of culture, namely;

- (1) hierarchy culture, which aligns to bureaucracy with a focus on internal matters and emphasises stability and control, rather than flexibility and prudence;
- (2) market culture, which centres around external matters to pinpoint threats and weaknesses, whilst seeking a competitive advantage and increased revenues;
- (3) clan culture, which aligns to internal matters, placing great importance on flexibility and discreteness in comparison to stability and control;
- (4) adhocracy culture, which deals with external matters, upholding flexibility and discreteness.

Each of these theories presumes that six facets of culture exists; (1) fundamental features; (2) organizational leadership; (3) employee management; (4) organizational glue; (5) strategic importance; and, measures for reviewing success wherein each type of culture uses each facet to its' minimum or maximum, dependant on the relevant goal. The most apt model that leans towards the adherence of financial control measures and financial management, circles around the hierarchy theory, which places its' emphasis on internal stability and control to achieve efficiency and high performance thus alleviating and/or preventing non-compliance, promoting sound financial management.

## **2.6 Prevention is better than Cure**

The age old saying that "prevention is better than cure" should certainly be a major consideration towards an organisation aspiring to achieve its' objectives in a manner that elevates rather than impedes success. Dzomiro (2014) asserts that preventative controls such as policies, procedures, restrictions to authorisation, making enquiries pertaining to unusual transactions, and ensuring transactions are substantiated are a means to counteract the misappropriation of funds, corruption, dishonesty and bribery prior to it occurring.

In today's fast paced environment, with new scams and innovative avenues of con artists, keeping abreast with new developments and advancements, creating and enhancing preventative techniques to ensure compliance, is a constant work-in-progress. As espoused by Rossi (2012), the key to prevention is awareness, stating that heightened vigilance and alertness, coupled with a clear understanding of

internal control measures, will promote adherence and serve as a warning to employees who are tempted to commit fraud.

Fountain (2014) asserts that organisations must continuously analyse both the internal and external environments, focussing on emergent areas that may pose as threats, reflecting weaknesses within which fraud can occur, and create barriers to strengthen and enforce those areas, whilst following up and examining reported variances. Snell (2014) asserts that internal controls forms the core foundation for a healthy and stable financial future and should be a pre-emptive process that enhances and elevates an organisation, safeguarding and protecting the resources of the organisation from corrective actions due to fraud and corruption, whilst promoting efficacy within the organisation. According to Leach (2012), the public sector should ensure that there are five basic standards implemented, to enforce strong internal control measures, as follows; (1) Leadership and management should create an environment that is conducive to compliance and awareness of control measures in place. (2) A dedicated risk assessment team should be constantly seeking to identify risks within both the internal and external environment, assessing the impact of these risks and finding ways to mitigate and manage them. (3) Organisational policies and procedures should incorporate tools and techniques for assessment, whilst ensuring segregation of duties, ensuring that employees accessibility to the various facets of the organisation are limited. (4) Communication of control measures should be consistent amongst all levels of staff, ensuring that staff acknowledge and understand the controls in place and the consequence of error should these controls be purposely ignored. (5) Monitoring and evaluation of duties and responsibilities should be continuous, ensuring timely resolution of any anomalies that might be discovered, and timeous communication of all necessary higher level management are informed accordingly.

## **2.8 Summary**

Financial control measures is a global practice that is used to ensure financial stability and efficiency. The literature reviewed indicates that as much as there have been studies conducted that reflect a relationship between FCMs and financial management, there is a definite gap within the elements, with very little being addressed regarding the instruments or methods used to ensure compliance to

control measures that can lead to good financial management. The literature supported the notion that financial accountability, transparency, good governance, leadership and organisational culture were found to be instrumental in supporting and ensuring compliance to FCMs but lacked in divulging the actions deemed necessary to promote such efficiencies. There is a lack of information available regarding the key elements involved in the successful implementation of FCMs in order to support and effect good financial management. There is also a gap in the possible approaches that can be used to monitor and evaluate the implementation of FCMs and enhance good financial management in order to achieve financial stability. The next chapter takes on a quantitative approach to investigate some of these matters.

## **Chapter 3: Methodology**

### **3.1 Introduction**

This chapter provides insight into the approaches applied within the study, including the research paradigm; the research design; the study setting; the target population and sample size; the sample technique and the research instrument employed. The reliability and validity measurement, as well as the data analysis procedures, are also unpacked and explained.

### **3.2 Aim of the Study**

The study investigated the presence and influence of FCMs and its' efficiencies and/or ineffectiveness as aligned to financial management within EKZNW's. The study sought to obtain a resolution on how to better execute and implement FCMs, so as to improve on the management of financial resources that could enhance and augment long term sustainability of the organisation.

### **3.3 Research paradigm**

The study was guided by the ontological research philosophies and prescripts aligned to the positivist views, which examined the current state of affairs regarding FCMs and its' effect on financial management within EKZNW. According to Taylor and Medina (2013), the positivist paradigm encompasses the quantitative methodology, which is linked to a milder paradigm known as the post-positivist paradigm, allowing the researcher more interaction with participants using instruments such as surveys. This research was guided by the post-positivist worldview assumptions that are aligned to the quantitative approach of analysing and interpreting data.

### **3.4 Research Design**

Creswell (2014) indicates that there are various approaches to research wherein data collection, extraction and analysis can be investigated and examined using distinctive methods such as qualitative methods, mixed methods and so forth. The non-experimental design of a survey with a five-point Likert scale, including options ranging from strongly disagree to strongly agree, was applied for data collection. As espoused by Venketesh, Brown and Bala (2013), the quantitative research method

makes allowance for an extensive span of data that assists researchers in acquiring diverse characteristics of a phenomenon from numerous participants. The data was collected over a timeframe of six weeks and the descriptive research design was chosen to determine the perceptions of employees and the influence that FCMs has on the management of financial resources, by studying and quantifying the attitudes and opinions. A sample population was used, as a generalisation for the entire population. Bekhet and Zauszniewski (2012) states that quantitative methods provides a statistical assessment pertaining to the results of questionnaires, gathered by consistent and homogenous measures, conveyed through numerical extraction.

### **3.5 Study Setting**

In today's fast pace world, with technological advancements and continuous innovation, the focus on conservation is diluted, yet it is the core of our very existence. Conservation of our natural and biological resources are placed in the hands of specialist organisations, who are mandated to protect and maintain our natural resources, providing guidance and ensuring adherence to conservancy measures. It is against this backdrop that EKZNW, a state subsidised conservation body, was the organisation of choice for this study. The study focused on the existence and adherence to FCMs within the organisation and the effect these FCMs has on financial management so as to achieve and enhance its' sustainability. The geographical boundaries of the study were limited to the province of KwaZulu-Natal , South Africa, with the head office of EKZNW being based in Pietermaritzburg, the capital city of KwaZulu-Natal . The study extended to other regional offices within the province, spanning the Midlands, Drakensberg, Zululand and coastal regions which houses many of the organisation's resorts, namely Hilltop, Ntshondwe, Didima, Giants Castle, Midmar and so forth.

### **3.6 The Target Population**

The financial transactions within EKZNW are decentralized and spans the entire organisation including the remote locations within the province and therefore is the nexus that affects all avenues and aspects of the business. The target population focussed on the employees that are directly and indirectly involved in financial administration within their sections of the organisation, including all levels of

management ranging from senior management to junior management, with a target population size of five hundred (500). The population of 500 reflects a vast splay of employees that effect financial transactions within the organisation, and therefore the selected respondents are equipped to provide a more substantiated response to the questions, as they have been exposed to financial processes in some way or form, either directly or indirectly, thus possessing a sound understanding of FCMs, policies and procedures.

### **3.7 Sample Size**

The sample encompassed the various departments within the head office as well as several resorts of the organisation. The target population of 500 was populated into a formula, with an approximate five percent margin of error and a confidence level of ninety five percent wherein the expected standard deviation in opinions between the respondents and the population is five percent. The number of employees used to generalise the target population, within the head office and the chosen regional offices, was two hundred and twenty (220). The sample looked at the random selection of six employees per section, in order of rank encompassing three different ranks.

### **3.8 Sample Techniques**

As guided by Saunders, Lewis and Thornhill (2016), probability sampling was chosen, as each respondent had an equal opportunity to be selected. Stratified random sampling was the technique used within probability sampling, where the population was divided into different groups also known as stratum, based on the professional management rank that the respondent occupied, including senior management, middle management and junior management, ensuring fair and proportionate representation. Random sampling was then completed within each stratum using systematic sampling.

### **3.9 Research Instruments**

The data collection process was effected using questionnaires which were constructed with the use of structured questions, also known as closed questions. The questionnaires allowed the respondents to choose specifically focused answers that are closest to their own. The questionnaire was made up of three sections, the

first section included ten questions that related to the participants demographic profile, the second section was a total of twenty questions which dealt directly with questions specifically related to the objectives of the study and the third section referred to five general questions that were directed at the broader spectrum of the study. The questions were deliberately formulated, with the aim of eliciting responses that are in direct alignment to the core objectives of the research. The questionnaires was a subtle means of extracting the required information ensuring that the respondent did not feel pressurised and thus motivating the respondent to provide thoughtful and sincere answers.

### **3.10 Data Collection and Collation**

The data collection process took place within the confines of the organisation wherein the researcher and many of the respondents were familiar with each other, thus a relationship of trust was already in existence, which aided in participants being more receptive to completing the questionnaires promptly, however as the data collection progressed, challenges pertaining to delays in completion arose, therefore assorted approaches were made as follows: (1) Respondents, having been previously made aware of the study, were approached to complete the questionnaire promptly and they obliged accordingly; (2) Dependent on proximity and time constraints, contact with other respondents was established by means of personal contact, telephonic introductions and emails, providing respondents with options on the preferred means of availing the questionnaire to the respondent, namely through hand delivery or e-mails, thus allowing the respondent time to review the questions and answer at their own leisure, if so desired; (3) Setting up appointments as required, to meet with the respondents and to assist in providing further background information to the questions whilst the respondents were completing the questionnaire; (4) Compiling a schedule and diarising the relevant visits and any follow-up visits or emails to respondents, should the initial emails or appointments with respondents be delayed or failed to materialise.

During the collection process, it was necessary to ensure that all relevant stationery was available on hand to support a smooth and efficient interaction. Upon closure of the survey period, the process of collation of the data was effected by, firstly ensuring that all completed questionnaires were either hand delivered or

electronically submitted. Secondly, all electronic submissions were then printed and added to the batch. Thereafter, all completed questionnaires were checked against a name list, ensuring that there were no duplicate copies of the same named respondent, present within the batch. All anonymous respondents within the batch, were included at face value. The questionnaires were then batched for capture, in no specific order, as the statistical program used provided the necessary functions for organising, grouping and categorising.

### **3.11 Validity and Reliability**

As stated by Hartling, Hamm, Milne, Vandermeer, Santaguida, Ansari, Tsertsvadze, Hempel, Shekelle and Dryden (2012), there are various instruments available that can test the methodological quality or threat of prejudice in methodical reviews.

Saunders et al. (2016) indicates that validity reflects a causal relationship between two variables in corroborating if the instrument accurately measures the variables, whilst reliability refers to the consistency of results over a period of time, such that if the test was replicated using the same design, the results achieved would be similar. Validity can be established through the content of the questionnaire by assessing the extent to which the content adequately addresses the elements of FCMs in relation to the management of financial resources, as mentioned in the corresponding audit results of the organisation. This was effected by initially compiling a list of elements that was deemed to be adequate coverage, for example the communication and consistency of FCMs, as well as the preventative and detective tools within FCMs and so forth. Reliability can be established by measuring that the instrument is without bias to ensure consistency and stability across time and across various items within the instrument. In this study, the test-retest reliability was used by providing respondents with the questionnaire and resubmitting the same questionnaire to the very same respondents after a period of time, in this instance, after one month. Only two of the respondents obliged in the completion of the second submission. The correlation between the old results and the new, of the two received, were high in similarity, thus the instrument was deemed reliable.

### **3.12 Pre-testing of the questionnaire**

Prior to the distribution of the questionnaires to the respondents, the questionnaire was reviewed to assess the usability, effectiveness and efficiency, to confirm that the questions contained in the questionnaire are clear and easy to understand and enable respondents to experience a smooth and relatively quick and easy process, free from confusion, thus reducing delays in completion of the questionnaire. Pre-testing was completed to achieve suitability and clarity of questions by selecting six respondents, comprising of financial administrators and financial controllers, selected from six divisions within the head office. The respondents used in the pre-testing were then excluded from the actual study. The respondents were encouraged to verbalise their concerns in terms of what or how they felt regarding the questions, for example, the question doesn't make sense or the questionnaire is boring or too abrasive. This aided the researcher in that the questionnaire was improved by amending the areas of concern.

### **3.13 Data Analysis**

As advocated by Saunders et al. (2016), data analysis is a process that should be structured and systematic, to enable the data to be transformed into useful and beneficial information. The Statistical Package for the Social Sciences version 24 (SPSS V24) software was utilized as part of the data analysis process and the concurrent sub-processes implemented, were as follows: (1) Data condensation whereby all primary data was encoded and encapsulated into the statistical software by categorising and ranking it into various elements and labels which was followed by data cleansing involving checking for errors and omissions; (2) Data analysis was performed using various statistical tests, such as the Cronbach's Alpha to measure the internal consistency.

Frequency statistics was also conducted to assess the number of occurrences within each demographic characteristic. The Spearman's correlation test was also performed to determine the relationship between FCMs effectiveness and effective communication. Analysis of information was presented by means of tabular formats, figures, narrative explanations and bar graphs.

### **3.14 Bias**

Smith and Noble (2014) define bias as a partiality or preference, in favour or in opposition of an individual or group, in a manner that is deemed to be unfair, whilst, within research, it is a methodical alteration that would unjustly lean towards a favourable outcome for the researcher.

The study was conducted within an environment that is known to the researcher, thus the previously established relationships that the researcher has with some of the respondents created a slight hurdle whereby respondents felt comfortable and familiar with the researcher and sought direction by requesting assistance in choosing the “correct” options within the questionnaire. This was easily deflected by explaining to the respondent, the ethical issues associated with such assistance, including jeopardizing, as well as misleading the study. Careful attention was given to the manner in which this was explained, so as not to antagonize or disparage the respondent. Smith et al. (2014) indicates that it is not uncommon for bias to exist, in some way or form within the research study, however in order to enable accurate and authentic results, it is vital that the researcher practices impartiality throughout the study.

### **3.15 Ethical Considerations and Declaration of Consent**

#### **3.15.1 Ethical Consideration**

As espoused by Creswell (2014), when deciphering the data collected, careful attention must be paid to the reporting of precise and accurate information, as any falsified or inaccurate information is unethical and unprofessional, resulting in misconduct. The researcher has to abide by the ethical considerations, ensuring that the research is conducted objectively without misinterpretation of the findings, abiding by the guarantees and assurances provided to the respondents. This is achieved by not divulging confidential information and ensuring that only valid and truthful conclusions are disseminated.

#### **3.15.2 Declaration of Consent**

Extensive care was taken to ensure that the prospective respondents do not, in any way, form or shape, feel compelled to participate. Respondents were notified by

way of an informed consent form, of the nature of the study and their right to withdraw from the study, without any negative consequence. The gatekeeper's letter was presented to the respondents together with the ethical approval provided by the university, so as to appease any apprehension the respondent may feel, providing them with adequate reassurance that they are permitted to participate, should they wish to do so. Respondents were also assured that all information provided, will be kept in the strictest of confidence. Notification with regards to the conditions of consent, in terms of the right to withdraw, as well as the reassurance of confidentiality, was provided in the initial contact made with prospective respondents, as well as on the signed cover page of the questionnaire. The respondent's right of choice will be practiced during this investigation, whereby the respondent was not obligated to complete the questionnaire but was encouraged to do so under their own volition, by communicating to them the benefits that such a study could have on their work environment and progress. The respondents were also assured of anonymity, with the freedom to withdraw from participation or the choice to avoid answering certain questions, if so preferred.

### **3.16 Summary**

This chapter unpacked the research methodologies used in the study in which questionnaires were the main method of data collection that enabled the researcher to attain and meet the objectives of the study. The chapter also sought to provide information regarding the study background, the target and sample population, as well as the consideration and approaches acknowledged with regards to the respondents. The ontological assumptions implemented during the study was in direct alignment with the quantitative research methods used to deduce the findings. The deductive approach provided suitability in integrating the theory with the research.

## **Chapter 4: Presentation of Results and Discussion of Findings**

### **4.1 Introduction**

The conceptual framework within this study centres around two specific variables, namely; FCMs and financial management. The objectives of the study were achieved by collecting data through the use of self-administered questionnaires. The study sought to investigate and address crucial questions that targeted specific objectives within the study, as follow: (1) To determine if the FCMs in place within EKZNW are effectively communicated and understood; (2) To investigate whether FCMs aids in effective performance within EKZNW; (3) To explore the functions of FCMs in relation to the overall financial management within the organisation.

This chapter examines both the analysis of the research findings, which were steered by the research questions by way of illustrative and descriptive terms, as well as comparative assessments of information acquired from the integrated annual reports (IAR), of the organisation. The financial reports of the organisation, in conjunction with the results of the study were included in the discussion to compare, interpret, support and refute the results of the study.

### **4.2 Analysis of the Survey Response Rate**

The questionnaires were distributed to a sample population of 220 employees that had the knowledge and exposure to financial transacting within EKZNW. A total of two hundred and fourteen (214) responses were received, which resulted in the achievement of a 97% response rate.

### **4.3 The Reliability Analysis**

As espoused by De Vaus (2013), the reliability measure refers to the attainment of the same result repeatedly. Reliability testing was achieved through the Cronbach's Alpha testing. The test sought to examine consistency within the items employed in the Likert scale questionnaire, as presented in Table 4.1, below. According to Tavakol and Dennick (2011), reliability is associated with the proficiency of an instruments' internal consistency, which reveals the degree of inter-relatedness of identical constructs or concepts, with acceptable values of the Cronbach's Alpha ranging from 0.70 to 0.95. According to Gadermann, Guhn and Zumba (2012), the

Cronbach's Alpha is the most extensively and commonly used reliability indicator. The reliability analysis indicated that the data was reliable as the Cronbach's Alpha value was 0.910, conveying that there is a strong relationship between the various items being tested.

**Table 4.1: Reliability analysis output**

<b>Reliability Statistics</b>	
Cronbach's Alpha	Number of Items (n)
.910	25

#### **4.4 The Socio-demographic Construct**

The socio-demographic characteristics of the participants within the study comprised of gender; age; level of education; nature of employment, years of experience; post level and the department within which each participant performed their duties. The summary of socio-demographic variables are shown in table 2 below.

**Table 4.2: Frequency distribution of the socio-demographic variables**

Variables		n	%
Gender	Male	85	39.7
	Female	129	60.3
Age group	21-26	10	4.7
	27-36	63	29.4
	37-46	68	31.8
	47-56	43	20.1
	57-65	30	14.0
Level of education	Grade 12	29	13.6
	Diploma	82	38.3
	Undergraduate Degree	35	16.4
	Postgraduate Degree	68	31.8
Nature of employment	Temporary	1	.5

	Contract	15	7.0
	Permanent	198	92.5
Years of experience	<5 years	27	12.6
	5 - 7	14	6.5
	7 - 10	23	10.7
	> 10 years	150	70.1
Post level	Senior Management	23	10.7
	Middle Management	66	30.8
	Junior Management	125	58.4
Department or Division	Biodiversity	56	26.2
	Eco-Tourism	43	20.1
	Executive Management	17	7.9
	Administration	98	45.8

#### 4.4.1 Gender and Age of Respondents

It was found that more than half of the participants (60.3%) were female, with their male counterparts constituting 39.7 percent of the sample population (Table 4.2). In terms of the participant's age, it was found that two-thirds of the population were 37 years or older (65.9%), followed by the 27-36 year age group at 29.4 percent. According to EKZNW (2017), the staff turnaround within the organisation is minimal thus the age factor pertaining to majority of the respondents, are plausible. The reason for inclusion of this demographic question, was to determine if age could be used as a comparable factor when analysing the responses of the participants. The gender and age of the respondents were irrelevant to the study, as the study targeted the financial exposure and experience of the respondents rather than their gender and age.

#### 4.4.2 Education Level and Experience of Respondents

Approximately a third of the participants (31.8%) had a Post Graduate qualification, whilst 54.7 percent were holders of Diplomas or Undergraduate Degrees, with the balance of the sample size (14%) possessing a Grade 12 qualification. Holistically, 86.5% of all participants had post Grade 12 educational backgrounds indicating a

vast pool of knowledge within the sample population. Consideration needs to be given to the fact that more than two-thirds of the participants (70%) possessed more than 10 years of experience, indicating that participants are well versed and have vast exposure within the area of study, suggesting that responses were provided from an informed basis. Almost all the participants were permanently employed (92.5%) with more than half of the participants (58%) working within a Junior Management level and 11% employed within a Senior Management level.

#### 4.5 Objective 1

##### Effective Communication and Understanding of Financial Control Measures

A total of nine (9) Likert type statements, as depicted in Figure 4.2, were posed to the participants, to determine if the FCMs in place within EKZNW have been effectively communicated and understood. Most of the participants responded positively to most of the statements, indicating that more than half of the population were informed and are cognisant of FCMs.

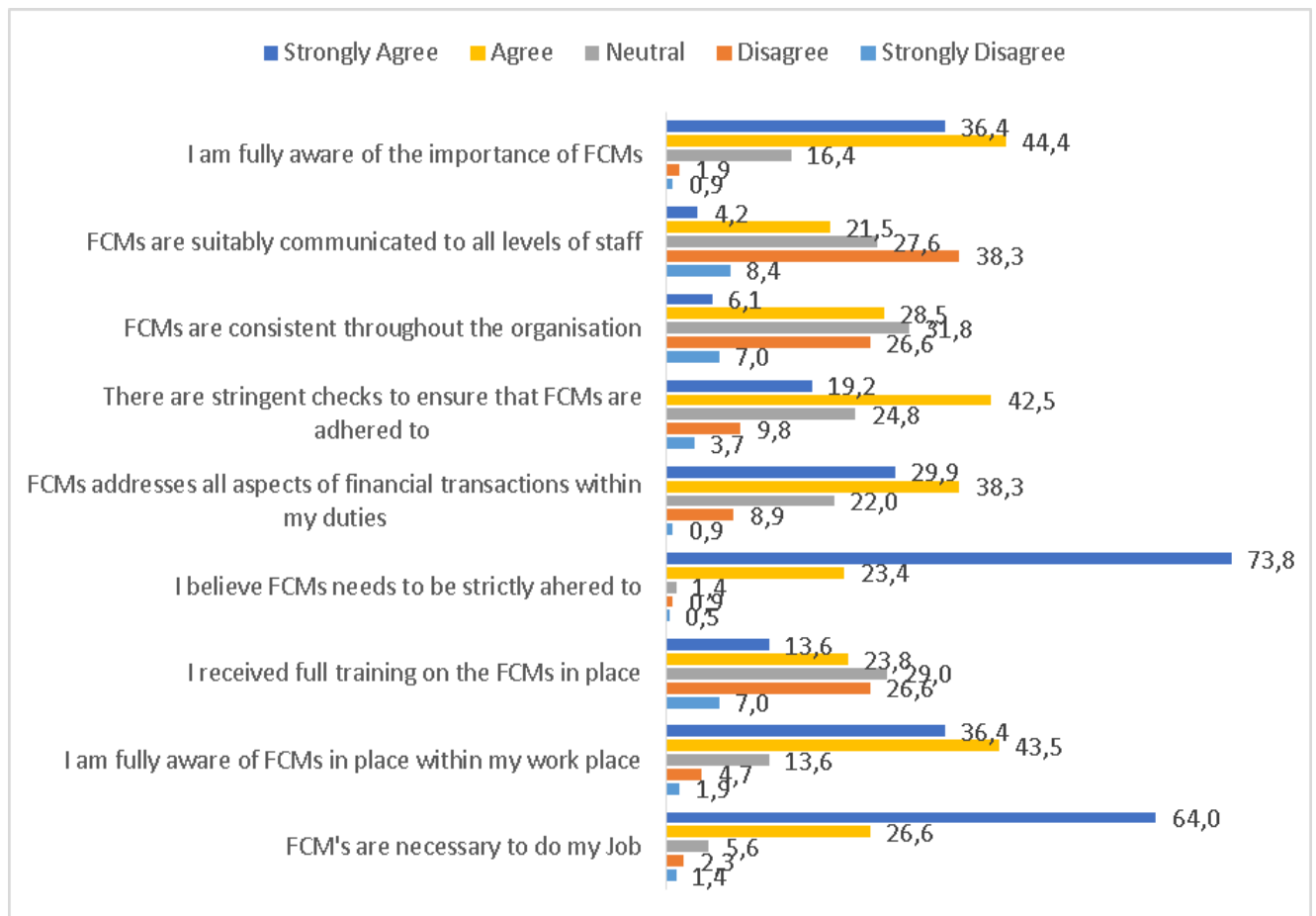


Figure 4.1: Summary of statements regarding effective communication

#### **4.5.1 Training, Necessity and Awareness of Financial Control Measures**

The results reflected that 74% and 64% respectively, strongly agreed that they believe, FCMs need to be strictly adhered to and FCMs are necessary to do their jobs, thus signifying recognition and mindfulness of FCMs within their function, assisting and facilitating in the conscious behaviour towards the accurate application of FCMs. As espoused by Gartner (2013), the mindfulness of an employee translates into improved attitudes and confidence in their ability to succeed, and is a direct result of training and learning, open communication and supportive work relations, which is pivotal to the success of an organisation. According to Aramid and Bashir (2015), a lack of understanding of FCMs, policies and procedures results in poor accountability, that leads to misappropriation, corruption and fraud, whilst an effectual system of FCMs promotes good governance. This exposes the importance of understanding FCMs in terms of deterring fraud and corruption, which providing a safety net against deception. As affirmed by Milyutina (2013), FCMs are necessary as it provides limitations to the act of potential dishonesty, assisting in the prevention of fraud.

In addition, most of the participants answered positively to the following statements: I am fully aware of the importance of FCMs and I am fully aware of FCMs in place within my work place, with 80.8% and 79.9%, respectively, either strongly agreeing or agreeing to these statements. This reflects that participants not only have a holistic understanding regarding the necessity and mandatory obligations in adhering to FCMs, but are also attentive towards ensuring adherence towards FCMs within their duties. According to Tenakwah and Yeboah (2017), management needs to constantly foster awareness of established controls through workshops and training, exposing employees to the long term and short term objectives of these controls, in order to achieve organisational objectives. The participants have acknowledged full awareness of the importance of FCMs, thus expressing an understanding towards the consequence of non-compliance. Effective monitoring and sufficient disciplinary measures are required to ensure adherence to the rules and regulations, consequently reinforcing compliance (Tenakwah et al. 2017). As espoused by Lamhauge, Lanzi and Agrawala (2012), monitoring involves the process of methodical data collection relating to information regarding pre-defined prescripts.

In terms of training, a third of the sample population (34%), indicated that they did not receive full training on the FCMs in place, disclosing that a significant number of staff that are directly linked to performing financial transactions, are doing so without proper guidance and applicable training, thus limiting and obstructing the mandatory processes required in order to complete financial transactions in a correct and transparent manner. According to Hira (2012), sound and sustainable financial results are based on empowering, educating and enabling people to understand the consequences of their actions. This is supported by Atkinson et al. (2013), stating that financial education and training is necessary to promote understanding and address challenges within specifically weak areas, thus promoting knowledge and providing clarity on specific functions.

#### **4.5.2 Communication, Compliance and Adequacy of Financial Control**

##### **Measures**

A sum total of 68.2% either strongly agreed or agreed that FCMs addressed all aspects of financial transactions within their duties, revealing that not only are FCMs adequate within the organisation, but that more than half the population are guided by FCMs when administering financial duties within their tasks. As espoused by Leach (2012), FCMs assist with the segregation of duties to enable and enforce tighter controls, augmenting compliance and deterring fraudulent behaviour.

Contrariwise, the identification of one third of the population (31.80%) that are either neutral or disagree that FCMs addresses all aspects of financial transactions, postulates that there are possible gaps and weaknesses in controls. Review of the IAR of EKZNW supports the notion that gaps and weaknesses in controls are prevalent, wherein the AGSA have highlighted significant deficiencies regarding their view of the fundamentals pertaining to internal control, namely, financial management and leadership (EKZNW, 2017).

These weaknesses could leave the organisation open and vulnerable to possible deceptiveness and mismanagement of the manner in which business transactions are performed, with the corresponding implication of fostering the mismanagement of financial resources. As espoused by Mobegi (2012), the major factors that influence financial mismanagement include: (1) corruption within recruitment and

employment; (2) irregular and inappropriate business dealings; (2) deficiencies in training; (3) poor leadership and governance; (4) insufficient internal financial controls and (5) irregular auditing processes.

The possibility of a lack of skilled staff as a factor impeding compliance needs to also be considered, taking into account that a sum total of 65.2% of the population where either neutral, disagreed or strongly disagreed that they had received full training pertaining to FCMs. As mentioned by Mantzaris (2014), non-adherence to the FCMs also relates to the inability of an organisation to recruit and retain suitably skilled staff caused by factors such as cost containment or political agendas, supremacy struggles and other considerations. This is further supported by the results pertaining to communication wherein more than one third (38%) disagreed that FCMs are suitably communicated to all levels of staff. As stated by Komba (2016), communication, derived from a Latin word meaning 'common', refers to making things known, which fundamentally involves the process of sharing information, aimed at knowledge and understanding, towards a collective goal.

#### **4.5.3 Adherence, Consistency, Monitoring and Evaluation**

A sum total of 88.8% of participants agreed and strongly agreed that they promote the adherence to FCMs, which alludes to the fact that participants are proactive and consistent, in the enforcement and implementation of the control measures. This translates into respondent being supportive towards FCMs and intensifying conformity, creating an environment that positively enhances behavioural application of FCMs, such that compliance develops into a norm of standards. As espoused by Fanto (2013), compliance is a function that focuses on observing the rules, regulations and internal controls within an organisation, and can sometimes be rejected by operational staff as an impediment upon productivity.

The intention of FCMs is to enhance and streamline processes in order to promote uniformity. The sample population were roughly evenly divided with regards to FCMs being consistent throughout the organisation, revealing the sum total percentage of strongly agreed and agreed at 34.6%, with 33.6% on the opposite continuum of strongly disagreeing and disagreeing. The balance of 31.8% of the sample population opted to remain neutral. This postulates that there is a possibility

of inconsistency regarding FCMs within the organisation, inferring that FCMs are possibly inadequate; conveying limitations that can impede upon the financial management of the organisation; leading to unprincipled and incorrect processes; questionable audit findings and undesirable outcomes. According to the integrated annual reports of the organisation, financial management within EKZNW has been a reported issue of contention as noted by the AGSA, highlighting a few areas of concern that management and leadership need to address, namely, inadequate monitoring, lack of sufficient control measures, lack of policies and procedures, inappropriate systems and inadequate record keeping and record management (EKZNW, 2017). According to Duh, Chen, Lin and Kuo (2014), internal controls are designed to facilitate effective and efficient operations, providing assurance on the reliability of financial reporting, as well as the compliance with relevant laws and regulations, safeguarding against the mismanagement and abuse of financial resources.

The findings pertaining to the consistency of FCMs within the organisation, as mentioned above, align to the AGSA comments found in the IAR of EKZNW, stating that there are inadequate internal controls; material misstatements and considerable deficiencies within the financial reports of the organisation. Additionally, the report mentions further weaknesses in the implementation of FCMs, as well as monitoring and evaluation (EKZNW, 2017). The results of the study denotes that more than half the sample population (61.7%) either strongly agreed or agreed that there are stringent checks in place to ensure that FCMs are adhered to, however considering the audit comment from the AGSA, the organisation would definitely need to strengthen efforts and close the gaps pertaining to monitoring and evaluation. As expressed by Lamhauge et al. (2012), monitoring and evaluation facilitates in detecting bad practices and ineffective processes, which is crucial towards ensuring improvements, whilst acting as a tool towards good decision making and prioritisation of required interventions. This is further supported by Cheng, Loannou and Serafeim (2014), stating that transformation of internal control systems enhances compliance with regulations, and thus improves the reporting reliability of the organisation.

#### 4.5.4 Overall Results regarding Effective Communication and Understanding

Adding all the scores from nine (9) statements, the average score was found to be 33.74 and the median score was 34. Therefore, it could be concluded that the overall FCM communication and understanding was effective, thus providing a positive outlook that although there are weaknesses and gaps regarding FCM communication and understanding, the organisation is on the correct path towards ensuring improvement in this area. According to Komba (2016), the success of communication is dependent upon the extent to which the message being communicated, is understood. As espoused by Sung and Choi (2012), communication and understanding of information provides people with an improved aptitude, wherein they are better equipped to accurately assess challenges, hence offering better-quality resolutions to problems.

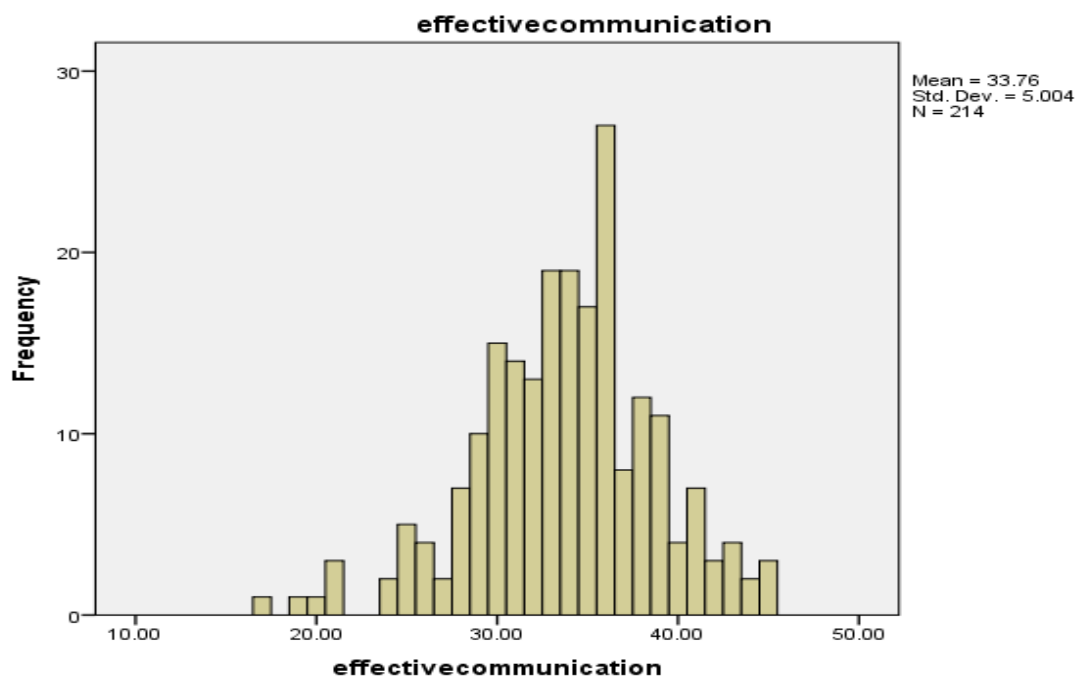
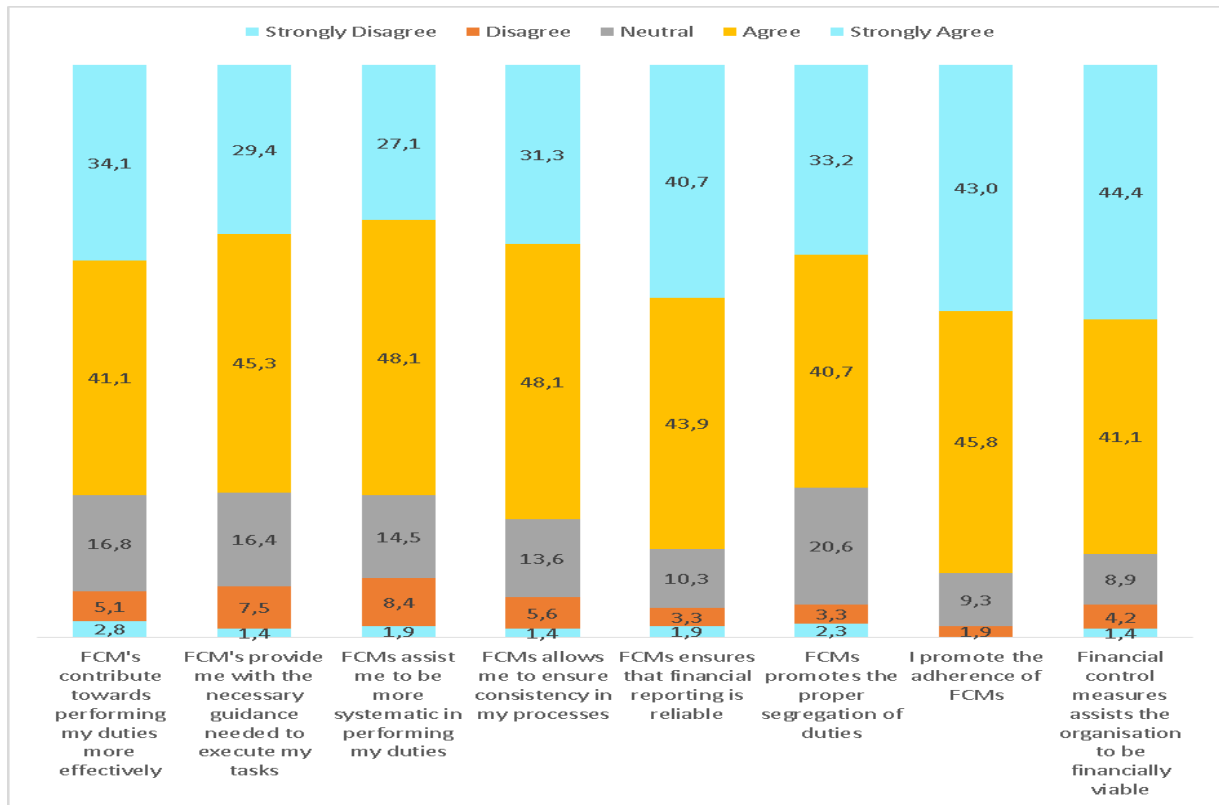


Figure 4.2: Distribution of overall scores of effective communication

## 4.6 Objective 2

### The Effectiveness of Financial Control Measures

To determine if FCMs within EKZNW were effective, the researcher asked eight (8) Likert type statements with the summary of the results as shown in figure 4.3, below.



**Figure 4.3: Frequency distribution of statements regarding financial control measures**

#### 4.6.1 The Streamlining and Safeguarding of Processes

It was found that most of the participants agreed or strongly agreed to all the statements, postulating that FCMs allows for systematic and consistent processes (79.4%), providing guidance (74.7%) to enhance effective performance of duties (75.2%). As stated by Duh et al. (2014), financial controls supports operational effectiveness and enhances efficiencies. According to Leach (2012), FCMs encompasses strategies, approaches and procedures needed to achieve organisational goals and objectives that supports improved performance.

Jing et al. (2016) provides a supplementary view, stating that effective leadership, in the provision of sufficient resources, is a crucial driving force in ensuring organisational performance. This is further corroborated by Duh et al. (2014),

stating that it is the obligation of the Board of Directors to ensure compliance to FCMs and reassurance of accurate financial recording. A partially opposing view is offered by Kinuthia (2012), stating that as much as FCMs are vital towards improving efficiencies, there are some controls that actually impede on efficiencies by extending limitations and narrowing timeous access to resources, thus negatively impacting operations.

In terms of segregation of duties, the results reflected that 73.9% of the sample population agreed and strongly agreed that FCMs facilitates the segregation of tasks and functions, ensuring responsibilities are allocated in a manner that safeguards organisational resources. As stated by Kassem et al. (2012), a lack of segregation of duties impedes on compliance and proper financial management, providing an opportunity for fraudulent activities. According to Theriou and Aggelidis (2014), the financial crisis that we are currently faced with is fraught with fraud, highlighting the importance of risk management in safeguarding against these threats. The organisation, through facilitation from leadership and the internal audit department, would need to ensure that adequate controls are implemented to mitigate the risks of exposure to fraud. This is supported by Vijayakumar and Nagaraja (2012), stating that the internal audit department within an organisation acts as a control tool to manage the operational and financial risks, by ensuring the implementation of adequate FCMs. Aligned to this, Engdahl (2014) states that the segregation of duties is frequently applied to ensure compliance to rules and regulations.

#### **4.6.2 Reliable Financial Reporting and Financial Viability**

The results reflected that 84.6% of the sample population agreed and strongly agreed that FCMs promoted reliable financial reporting and enhanced financial viability. This is supported by Skaife, Veenman and Wangerin (2013), stating that ineffective internal controls affects profitability negatively, and increases the exposure to risks relating to fraud and corruption. Profits and losses are one of the key factors taken into consideration by investors, when looking to donate or invest in any organisation, as it portrays the financial health and stability of the organisation. As recommended by Heidarpour and Shahrivar (2015), strengthening internal controls improves investor faith, leading to an increase in profits.

### 4.6.3 Overall Results pertaining to the Effectiveness of Financial Control Measures

It could be concluded that the FCMs were effective, as more than 70% of the participants scored 30 or more from the eight statements with the mean value of 32.6 and median value of 33, , hence providing a synopsis of the central tendency of the sample population. As espoused by Hinton (2014), the mean score refers to the sum total of all the scores in the data set divided by the number of scores, whilst the median is the middle score that separates the high scores from the low scores, reflecting the central tendency of a set of scores.

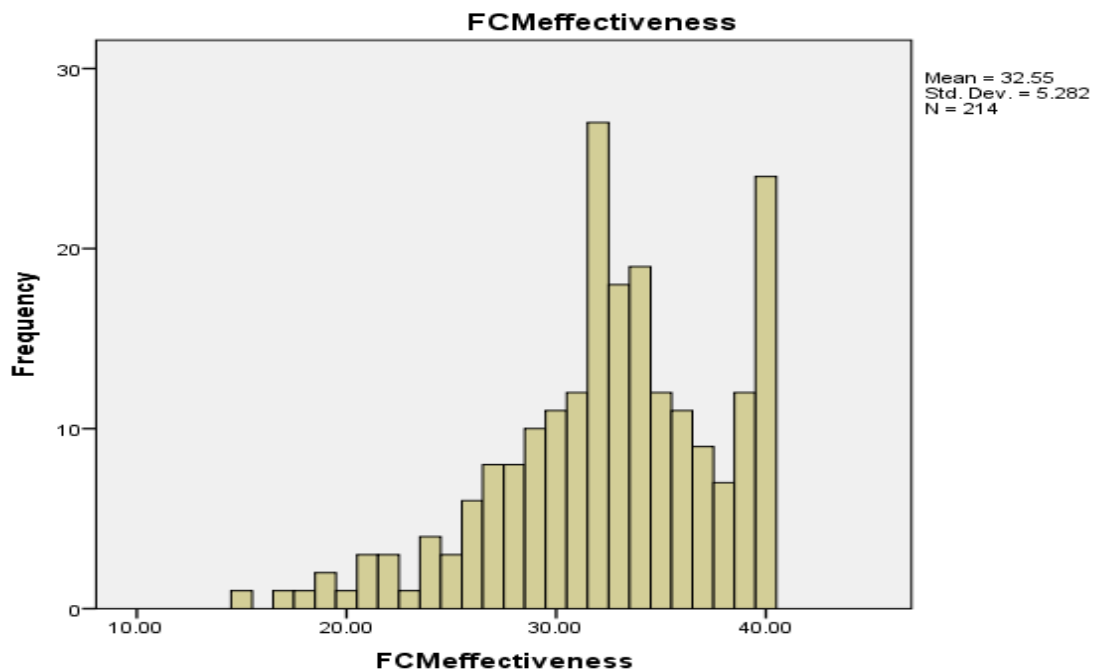
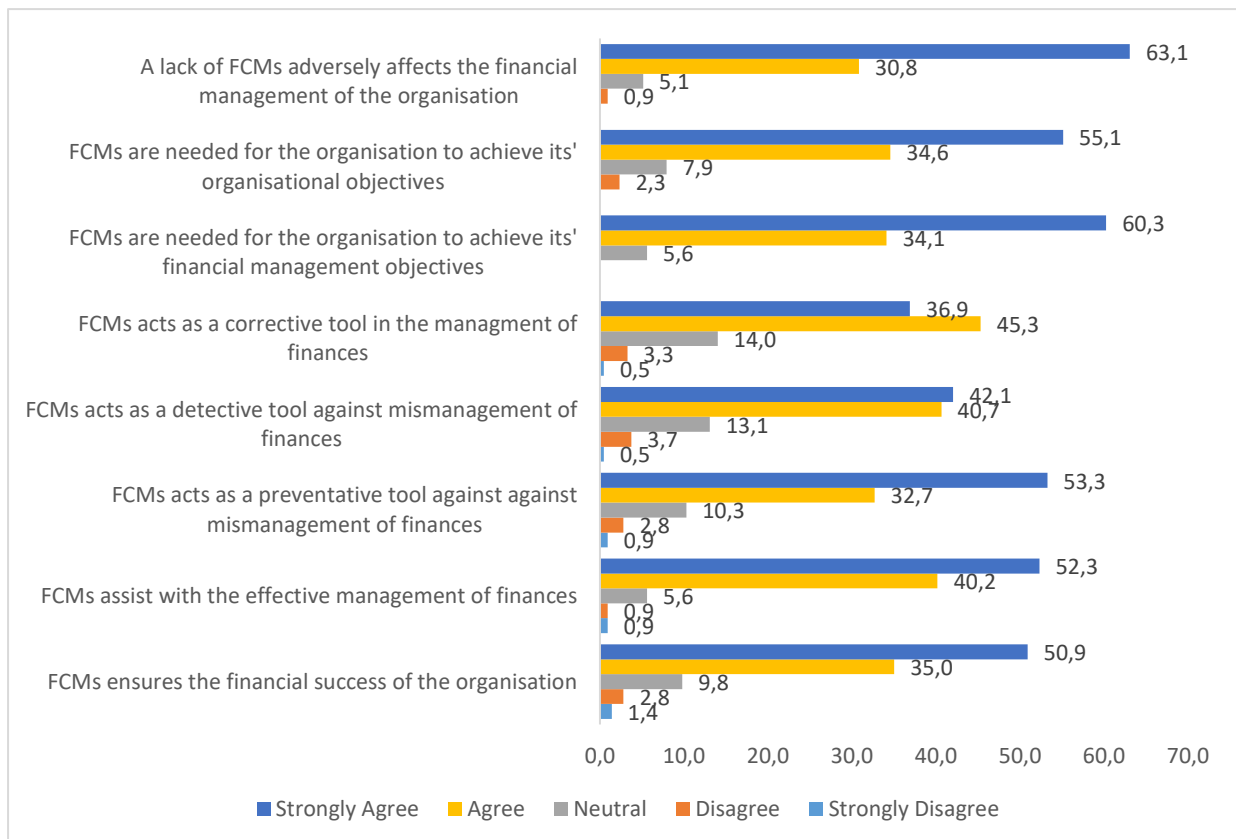


Figure 4.4: Distribution of overall scores of the statements regarding financial control measures

## 4.7 Objective 3

### The Functions of Financial Control Measures

There were eight (8) Likert type statements requiring participants to identify the functions of FCMs in relation to the overall financial management within EKZNW. It was found that almost all the participants (>80%) positively responded to all the statements. The frequency distribution of all the statements are shown in figure 4.5, below.



**Figure 4.5: Frequency distribution of statements regarding the functions of Financial Control Measures**

#### 4.7.1 Effective Financial Management and Financial Success

The results of the study found that 63% of the participants strongly agreed that a lack of FCMs adversely affects the financial management of the organisation. This speaks to the holistic understanding that participants possess regarding the effects associated with non-adherence, whilst 60% strongly agreed that FCMs are needed for the organisation to achieve its' financial management objectives. As postulated by Mobegi (2012), the future sustainability of an organisation is dependent upon adequate and effective financial control measures with the onus upon leadership

and management to ensure compliance, to safeguard against fraud, foresee overspending and lead from an informed basis focussing on the financial position of the organisation.

Further examination of the IAR revealed that the AGSA have highlighted the non-compliance to FCMs pertaining to irregular expenditure within EKZNW, confirming that this quantifies as financial mismanagement, as prescripts were not adhered to (EKZNW, 2017). In addition, the AGSA found that the compilation of the financial statements, as regulated by the South African Accounting Standards and Generally Recognised Accounting Practices, lacked accuracy, and was thus considered to be inconsistent, emphasising that there are deficiencies pertaining to the FCMs in place (EKZNW, 2017). According to Mobegi (2012), appropriate accounting prescripts and auditing instruments ensures good governance, whilst a lack of financial controls gives rise to financial mismanagement such as fraudulent deeds.

#### **4.7.2 Preventative, Detective and Corrective Tools**

A sum total of more than 80% of participants, agreed or strongly agreed that FCMs, as a tool, is beneficially useful to detect and prevent problems relating to the management of financial resources, including facilitating in the process of corrective measures to support, improve and further develop FCMs. As espoused by Turetken, Elgammal, van den Heuvel and Papazoglou (2012) and Christ et al. (2012), control measures such as segregation of duties, acts as a preventative measure, identifying the violation before it occurs, thus impeding the possibility of wrongdoings through the limitation of access. Detective controls such as the reviewing of reports and reconciliations, assist in understanding the causes of transgressions, after the transgressions have occurred. This understanding then translates into corrective actions so as to strengthen control measures and close the gaps (Turetken, 2012). A similar view is supported by Aramid et al. (2015), stating that FCMs plays a fundamental role in eliminating errors and omissions, with preventive measures used to forecast possible challenges, detective measures used to uncover anomalies and corrective measures to minimize repetition, correct anomalies and safeguard against similar problems in the future.

#### 4.8 Testing for Normality of Distribution: FCM Communication and FCM Effectiveness

Kolmogorov-Smirnov test was conducted to determine if the overall scores, for effective communication and FCM effectiveness, were normally distributed. Results showed that the data were not normally distributed. Therefore, further analysis was conducted using a non-parametric test.

**Table 4.3: Test of normality**

Tests of Normality						
	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Effective communication	.075	214	.005	.982	214	.008
FCM effectiveness	.108	214	.000	.951	214	.000

a. Lilliefors Significance Correction

##### 4.8.1 The Mann-Whitney Test for Output pertaining to Gender

The descriptive analysis showed that the female participants had the higher mean rank when compared to their male counterparts. The Mann-Whitney test results showed that effective communication, as well as FCM effectiveness, were similar between male and female participants ( $p=0.364$ ,  $p=0.945$  respectively), therefore signifying that all participants had an equal response, irrespective of gender, hence revealing that gender was not an influencing variable in the assessment of effective communication and FCM effectiveness.

**Table 4.4: Mann-Whitney Test output pertaining to Gender**

	Gender Participants	N	Mean Rank	Sum of Ranks	Mann-Whitney U	p-value
Effective communication	Male	85	112.22	9539.00	5081.000	0.364
	Female	129	104.39	13466.00		
FCM effectiveness	Male	85	107.14	9107.00	5452.000	0.945
	Female	129	107.74	13898.00		

#### 4.8.2 The Kruskal-Wallis Test for Age Groups

To compare the mean scores of effective communication, as well as FCM effectiveness among different age groups of the participants, it was found that the mean rank for effective communication was higher among participants from 57-65 years followed by 27-36 years. For FCM effectiveness, 47-56 years had the highest mean rank followed by 57-65 years. The Kruskal-Wallis Test found, however, that the mean ranks were not significantly different ( $p=0.860$ ,  $p=0.571$  respectively). This means that age was not a significant variable for effective communication and FCM effectiveness, having no crucial influence on the dependent variables. This indicated that the applicable age group of the respondent was of no consequence in deterring or aiding effective communication and FCM effectiveness. According to Hinton (2014), the Kruskal-Wallis test is applied when testing for notable variances between groups of an independent variable on a constant dependent variable. According to Rajhans (2012), effective communication is best established through a supportive organisational structure that promotes interactive relationships to build trust and motivate employees hence improving organisational performance.

**Table 4.5: Kruskal-Wallis Test output pertaining to Age groups**

	Participants Groups	Age N	Mean Rank	Chi- squared value	p-value
Effective communication	21-26	10	91.70	1.307	0.860
	27-36	63	108.28		
	37-46	68	106.99		
	47-56	43	104.94		
	57-65	30	115.97		
	Total	214			
FCM effectiveness	21-26	10	75.75	2.924	0.571
	27-36	63	108.40		
	37-46	68	107.45		
	47-56	43	111.86		
	57-65	30	110.07		
	Total	214			

### 4.8.3 The Kruskal-Wallis Test for Education Level

To determine if the education level has an impact on effective communication, as well as FCM effectiveness, the Kruskal-Wallis test was performed. The results found no significant mean rank differences among different levels of education of the participants ( $p > 0.05$ ), thus indicating that the level of education was not a persuading variable for effective communication and FCM effectiveness.

As posited by Helyer and Lee (2014), higher education alone is not sufficient and needs to be supplemented by work experience in the workplace, stating that qualifications alone does not enhance employability. This infers that work experience plays a crucial part in the work place and hence provides an understanding of the results of the study, that education levels were not a significant factor towards effective communication and FCM effectiveness

**Table 4.6: Kruskal-Wallis Test output pertaining to Education Level**

	Highest Level of Education	N	Mean Rank	Chi-squared value	p-value
Effective communication	Grade 12	29	117.00	3.601	0.308
	Diploma	82	112.46		
	Undergraduate Degree	35	91.59		
	Postgraduate Degree	68	105.65		
	Total	214			
FCM effectiveness	Grade 12	29	100.09	3.981	0.264
	Diploma	82	118.12		
	Undergraduate Degree	35	102.81		
	Postgraduate Degree	68	100.26		
	Total	214			

	Grade 12	29	86.02		
	Diploma	82	113.87		
	Undergraduate Degree	35	112.59		
	Postgraduate Degree	68	106.37		
	Total	214			

#### 4.8.4 The Kruskal-Wallis Test for Department or Division

To determine if a Department or Division within the Organisation had an impact on effective communication, as well as on FCM effectiveness, the Kruskal-Wallis test was performed. The results did not find a significant difference of the mean rank among the different Departments or Divisions within the Organisation ( $p > 0.05$ ) with regards to effective communication and FCM effectiveness, therefore the department or division within which the participant performed their duties had no bearing on effective communication and FCM effectiveness.

**Table 4.7: Kruskal-Wallis Test output pertaining to Department or Division**

	Department or Division within the Organisation	N	Mean Rank	Chi-squared value	p-value
effective communication	Biodiversity	56	92.63	6.666	0.083
	Eco-Tourism	43	119.92		
	Executive Management	17	126.91		
	Administration	98	107.18		
	Total	214			
FCM effectiveness	Biodiversity	56	89.88	7.662	0.054
	Eco-Tourism	43	116.70		
	Executive Management	17	128.68		
	Administration	98	109.86		
	Total	214			

#### 4.8.5 The Spearman's Correlation Test for Relationship between Financial Control Measures Effectiveness and Effective Communication

Spearman's correlation test was conducted to determine the relationship between FCM effectiveness and effective communication. The study found significant correlation exists between FCM effectiveness and effective communication ( $r=0.654$ ,  $p<0.01$ ). This meant that those who were positive about effective communication were also positive about FCM effectiveness, corroborating that effective communication of FCMs can lead to effective application of FCMs, thus achieving the goal for the proper implementation of FCMs.

**Table 4.8: Spearman's correlation output between Effective Communication and FCM Effectiveness**

	Effective communication	FCM effectiveness
Effective communication	1,000	.654**
		0,000
FCM effectiveness	.654**	1,000
	0,000	

#### **4.9 Summary**

The research results confirm that the organisation has achieved their goal of effective communication, training and understanding, regarding FCMs, with a positive view that FCMs aids and acts as a tool towards effective financial management, however the review of the organisational IAR reflects a distinctly disparate outcome, (EKZNW, 2017). The analysis of the audit report has revealed shortcomings, in the manner in which the organisation administers its' business transactions, exposing non-compliance for the rules and regulations in place, (EKZNW, 2017).

Although the research proved that a significant correlation exists between FCM effectiveness and effective communication, the correlation alone is insufficient to ensure effective implementation and needs further supplementation to achieve a positive and compliant result. It can thus be inferred that the colossal impediment in achieving the objectives of FCMs, is contingent upon, not only the appropriate communication, training and understanding of FCMs, which align to the PFMA and Treasury regulations, but also upon other factors such as vigorous implementation, monitoring and evaluation of such FCMs.

Effective financial management is dependent upon adequate FCMs in place, as well as compliance to these control measures, to ensure that financial resources function at an optimal level hence the attainment of sound financial management.

## **Chapter 5: Conclusion and Recommendations**

### **5.1 Introduction**

The fundamental endeavour of the study was to obtain empirical data that examined the effect of FCMs on financial management within EKZNW. The goal of the research was aligned to three key areas, namely, to ascertain the level of communication and understanding of FCMs as well as to determine whether FCMs enhances effective performance of participants and to establish the functions of FCMs in relation to the overall financial management of the organisation. All results pertaining to the research were found to be positive however inconsistencies arose upon analysis of the IAR of the organisation. The analysis of these reports focussed on financial management, highlighting disparities when compared to the research results.

### **5.2 Conclusion**

The research was built on the foundation that sought to uncover whether or not the communication of FCMs were effectively imparted to the participants. The participants' positive response, in this regard, was indicative of the high level of awareness and comprehension of FCMs. Further development of the research included an investigation into the purpose of FCMs to enhance effective performance, as well as to explore the functions of FCMs as a tool towards effective financial management.

Participants' demographics proved to have no influence on the largely positive outcome, although each area of the study did demonstrate a small percentage of gaps and weaknesses. The positive outcome of the initial phase in the research was not mirrored by the analysis of the annual audited reports, wherein vast variations were exhibited, for example, the findings reflected that participants have recognised that FCMs are adequate, whilst the AGSA have documented a lack of FCMs based upon non-compliance. This brings into question whether the FCMs within the organisation are in fact inadequate or whether they are adequate but not effectively applied. Other examples of these disparities included the positive responses from participants regarding the promotion of adherence to FCMs, whilst the audit report espouses a lack of adherence to FCMs in place.

### **5.3 Implications of this Research**

The results of the research provided invaluable and holistic insight into the areas of strengths and weaknesses, wherein EKZNW can benefit by intensifying approaches to strengthen its' weaknesses, and augment its' strengths, thereby sealing in the gaps.

#### **5.3.1 Lack of Adherence to Financial Control Measures**

The study uncovered that whilst majority of the sample population were satisfied with their knowledge and understanding of FCMs, the role it played towards effective financial management and the positive effects of compliance to the control measures in place, this was insufficient to ensure the adherence to FCMs, thus impeding on the successful financial management of the organisation .

Comparing the positive results of the study findings to the contrary results of the audit findings, wherein extensive irregularities within EKZNW are highlighted, denoted that the organisation requires a set of stringent implementation tools and techniques, to alleviate the exposure to the rising irregularities, simultaneously mitigating the risks associated to the non-adherence of FCMs in place. This included and is not limited to fraud and corruption, fruitless and wasteful expenditure, the mismanagement of financial resources and so forth.

#### **5.3.2 Intensification of Financial Control Measures and Training**

The study further suggested that there is a lack of FCMs within the organisation, due to only a third of the population agreeing that FCMs within EKZNW were adequate. This was supported by the analysis of the annual audit reports, confirming that the organisation needs to intensify existing FCMs and develop new FCMs where required.

Majority of the sample population responded positively to receiving sufficient and adequate training however, considering the comments found within the IAR, it is evident that the scope of training and education of the relevant stakeholders should be broadened and not limited to merely ensuring understanding in terms of following

the rules. The training should be extended to include the critical impact of non-adherence, such that the level of accountability is clearly and unambiguously understood and appreciated, emphasising the vital role of FCMs towards the effective financial management of the organisation.

### **5.3.3 Leadership Advancement**

The study further emphasised that FCMs positively enhanced financial management however the results within the IAR reflected that existing FCMs were insufficient and needs to be supported by the presence of more prevalent leadership, to ensure and enforce measures of remedial directives. The onus of leadership is not only to oversee and control, but also to promote appropriate actions that talk to the deficiencies found within the organisation. The support and encouragement of leadership to ensure that wrongdoings are viewed in a serious light, by imposing corrective measures as a consequence of error, translates into organisational accountability, thus consequently restoring the conformity towards FCMs, ultimately positively affecting the financial management and performance of EKZMW.

The implementation of corrective action within the organisation can benefit all stakeholders, as proper reporting, free from material misstatement, instils a measure of trust pertaining to the effective use of state funding, and also has the power to aid the organisation to attract further investors, cultivating future success and long term sustainability.

### **5.4 Limitations of the Study**

The limitations and challenges of the research study were:

- (1) Time delays due to the sample population taking too long to complete and submit their responses, with some participants refraining from submission altogether;
- (2) The possibility of participants not being entirely honest is a very real factor that is difficult to confirm, but has been considered a likely occurrence, especially when considering disparities when comparing the results of the study with the company reports;

- (3) The study was limited to the quantitative data collection method, however additional methods of data collection, for example mixed methods, could have not only improved the scope of the study, but also produced more in-depth results;
- (4) The partial experience of the researcher compared to well-versed researchers, limited the extent to which the study could have been expanded.

## **5.5 Recommendations to solve the Research Problem**

Sound financial management is based on the responsible and ethical manner in which financial resources are expended. The actions that promote successful, effective financial management involves suitable planning, controlling, organising and monitoring pertaining to all activities related to the utilisation of financial resources. The journey of convalescence within EKZNW begins by accepting the current flaws and sources of weakness within the organisation. The study has established that the organisation is governed by prescripts and as such, there are FCMs in place that speaks to the rules and regulations. The study further indicated that the organisation has succeeded in ensuring that FCMs are effectively communicated and understood.

The study results reflect that FCMs can be used to effectively manage finances however the comments found within the IAR indicates that the effectiveness of FCMs is fully dependent upon adherence, as non-adherence of these FCMs have led to poor management of financial resources, emphasising that there is a need for corrective steps to be taken, focusing on implementation and monitoring of FCMs to ensure compliance. It is thus recommended that the organisation consider the following recommendations to facilitate remedial transformation:

### **5.5.1 Formulation of a Task Team and Tightening of Controls**

The organisation could devise a task team specifically aimed at ironing out audit comments pertaining to deviations from policies. This task team should comprise of members from the internal audit division, together with members from within the finance division, as the core function of both divisions are to ensure adherence to FCMs.

The team should be put together in a strategically planned manner such that there is minimal interruption to their normal daily duties, devoting their full attention to unpacking and investigating the findings, whilst simultaneously highlighting the gaps and making recommendations to improve and tighten FCMs. This can be achieved through lean management and a specific time frame allocated to the task team, thus ensuring stringent but practical deadlines, with timeous implementation for corrective action and prompt reinstatement into their former day-to-day responsibilities.

The team can delve into each of the deviations as reported by the AGSA, providing critical information to management for appropriate decisions and actions to be taken. This translates into zero costs for the organisation, in line with the cost cutting measures as set out by Treasury, as well as ensuring the objective set out in terms of FCMs enhancing financial management and performance, are achieved.

### **5.5.2 Accountability**

The findings positively reflected that FCMs allows for systematic and consistent processes thus aiding the task team in uncovering information relating to the deviation of policies and procedures. These deficiencies should be reviewed by the managers, in consultation with the leaders, so that appropriate action can be taken.

The process of holding staff accountable for their indiscretions needs to be instilled by the leadership of the organisation, using the tools available to the organisation, by way of training, counselling, warnings and disciplinary actions, where deemed necessary. This can aid in creating a level of order and mindfulness, to positively influence the adherence to the guidelines and directives, with minimal costs to the organisation, as these tools are currently in existence. The resultant effect alluding to FCMs promoting reliable financial reporting and enhanced financial viability.

### **5.5.3 Performance Management**

Presently, employees within the organisation are privy to an automatic annual performance increase, however the implementation of performance management, although at a cost, can save the organisation in the long run with regards to there no longer being a blanket performance incentive given to all employees, but rather

individual assessments of each employee, with the possibility of a reduction in costs, as only high performing employees will be awarded a performance increase. The knock-on effect is that high performing employees will be more cognisant of ensuring FCMs are adhered to as they feel incentivised to ensure adherence, conformity and higher productivity.

#### **5.5.4 System Upgrades and Re-configuration**

The financial transactions within EKZNW are dispersed throughout the province of KwaZulu-Natal, whilst financial reporting is completed at the Head Office (HO), in Pietermaritzburg. The organisation is therefore equipped with a fully integrated information technology (IT) system that facilitates for easy and quick processing of financial transactions, which allows for the elimination of delays in processing, which can be hindered by the geographical spread of the organisation.

The downside to this is that the process of checks and balances are limited, as confirmation of full compliance is limited to field staff, and can only be fully verified once received by the HO Finance Department. The organisation could look into re-configuring the system, to incorporate mandatory fields that talk to FCMs, thus creating barriers that denies further processing unless all required information is inputted. This in effect will positively impact on effective financial management and performance of the organisation, eliminating costly errors that the organisation is currently exposed to. The cost of such an exercise is minimal when compared to the cost of purchasing a new system or the cost of financial mismanagement, especially considering that the organisation has a fully-fledged IT division, that are able to support this change process.

#### **5.5.5 Centralisation of Financial Staff**

Currently, the processing of financial transactions are completed by various divisions within the organisation, that each have their own Financial Administrators and Financial Controllers. These Financial Administrators and Controllers, who report to non-financial Managers, filter through their relevant transactions to the financial division for further processing and recording. It is at this point, when transactions are reviewed by the finance staff members, that issues of non-compliance are detected, however, as the setbacks are only discovered after the

funds have been expended, there is no option for resolution and the only alternative is for the finance department to record and report on these issues of non-compliance.

The organisation should change the reporting structure such that all Financial Administrators and Controllers fall under the finance department, albeit dispersed to other divisions within the organisation. In re-arranging the reporting structure, Financial Administrators and Controllers will be directly accountable to the finance department, headed by the Chief Financial Officer. In this way, when requested to process transactions by the non-financial Managers, Financial Administrators and Controllers won't feel pressured into heeding instructions that do not conform to FCMs, in fear of insubordination. Implementation of this restructure can afford the organisation a more controlled environment in which FCMs can be complied with and thus enhancing the financial management and performance of the organisation. This strategy merely involves the restructuring of the organogram within the organisation, with no additional costs.

#### **5.5.6 Finance Roadshows and Training**

The finance department of the organisation should co-ordinate annual roadshows aimed at keeping all staff within the HO and the regions informed of any of the anomalies that have been detected and the corresponding changes that have been effected to tighten controls, such that these occurrences are minimized, with the aim of complete avoidance. These roadshows also build relationships as well as improve communication and understanding of FCMs. It can act as a support structure in promoting adherence to FCMs thus enhancing financial management and performance. The cost of such an exercise is minimal, as the organisation has appropriate infrastructure in place to accommodate such events.

#### **5.6 Recommendations for future Studies**

The focus of the study involved FCMs and the effect it has on financial management however, the study also unveiled the distressing effects of non-compliance and touched on areas that require further examination, as follows:

- (1) The role that leadership could play through adjustments in their attitude towards non-compliance, delving into the level of influence leadership can have in enforcing FCMs to support effective financial management. The resultant effect being the transformation of the organisational culture to one of conformity through leading by example, and filtering this behaviour down to the different levels, thus reducing the occurrences of anomalies by adhering to FCMs in place.
- (2) The results of the study indicate that FCMs acts as preventative, detective and corrective tools and thus consideration should be given for further investigation into the level of adequacy and possible gaps in FCMs, specifically within the Supply Chain Management (SCM) department, as this is the spending hub of the organisation and the source of irregular expenditure.
- (3) A study pertaining to the impact that FCMs have on the SCM processes could be very useful to unpack the reasons for irregularities and the effects on the service delivery of the organisation, borne by the limitations that comes from FCMs. This sets the tone to investigate the practicality of certain FCMs such that tighter controls can be in contrast, more accommodating, thus allowing FCMs to enhance, and not adversely impede, on the financial management of the organisation.
- (4) A comparative study between similar organisations could yield beneficial results pertaining to key areas of financial management, indicating variants in FCMs that either impede or support effective financial management, so that these results can be used as a benchmark, aimed at improving FCMs.
- (5) The use of the mixed methods research methodology, wherein a combination of both the qualitative and quantitative approaches are used, would be beneficial towards providing a broader perspective on the problem, elevating the comprehensiveness of the study.

## **5.7 Conclusion**

The data collected has a two-fold effect, in that it provides the basis for affirming that FCMs affects financial management positively, but also provides a window into the support and infrastructure that is required in order for this positive relationship

to flourish. FCMs are proven to be very valuable and can aid in the support of effective financial management, as it provides suitable guidelines to manage financial resources. It is the basis upon which an organisation can ensure effective controls and safeguard the monetary resources of an organisation from falling prey to vulnerabilities such as fraud and corruption.

The results of the study provided an optimistic view that FCMs positively influence effective financial management.

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## **APPENDICES**

### **Appendix 1: Survey Introductory Letter**

Dear respondent,

Thank you for accepting my request to participate in my MBA dissertation survey which delves into the effects of financial control measures on financial management.

Please be advised that the survey will take approximately thirty minutes and participation is of your own volition, with no obligation attached.

You have the right to withdraw from your participation, should you, in any way or form, feel uneasy.

This survey relates to questions about the company that you work for, your knowledge and understanding of financial control measures and the effects of your job in relation to financial control measures as well as your view regarding the manner in which this affects financial management.

The results of this survey will go towards my final year MBA dissertation under the supervision of Dr M. Hoque from the University of KwaZulu-Natal , Graduate School of Business and Leadership.

All responses will be coded and attest to the fact that your responses will be treated with the strictest of confidence.

The final dissertation will be made available to all participants, via email, should you so wish.

Thank you for your time, support, patience and participation, it is much appreciated.

Yours sincerely

Shamanthree Padayachee

Student No : 9151109

## Appendix 2: Questionnaire

THE EFFECT OF FINANCIAL CONTROL MEASURES ON FINANCIAL MANAGEMENT:  
A CASE OF EZEMVELO KZN WILDLIFE

### 1. Personal Data

1.1. Name (not compulsory)					
1.2. Gender	MALE			FEMALE	
1.3. Age Category	21 - 26	27 - 36	37 - 46	47 - 56	57 - 65
1.4. Highest level of Education	Grade 12	Diploma	Undergraduate Degree	Postgraduate Degree	
1.5. Nature of Employment	Temporary	Contract		Permanent	
1.5. Years of Experience	< 5 Years	5 - 7	7 - 10	> 10 Years	
1.5. Post Level	Senior Management	Middle Management	Junior Management		
1.6. Previous Sector before my current position (where applicable)	Public Sector	Private Sector		Other	
1.7. Department & Division	Biodiversity	Eco-Tourism	Executive/Management	Administration	

### 2. Closed Questions

Please read the statements carefully. Indicate your applicable choice with an "X"

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.1 Financial control measures are necessary to do my job.					
2.2 I am fully aware of the financial control measures in place within my work place.					
2.3 I have received full training on the financial control measures in place.					
2.4 I believe financial control measure needs to be strictly adhered to.					
2.5 Financial control measures addresses all aspects of financial transactions within my duties.					
2.6 There are stringent checks to ensure that financial control measures are adhered to?					
2.7 Financial control measures contribute towards performing my duties more effectively.					
2.8 Financial control measures provide me with the necessary guidance needed to execute my tasks.					
2.9 Financial control measures assists me to be more systematic in performing my duties.					

2.10 Financial control measures allows me to ensure consistency in my processes.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.11 Financial control measures ensures that financial reporting is reliable.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.12 Financial control measures promotes the proper segregation of duties.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.13 Financial control measures ensures the financial success of the organization	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.14 Financial control measures assists with the effective management of finances	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.15 Financial control measures acts as a preventative tool against mismanagement of finances	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.16 Financial control measures acts as a detective tool against mismanagement of finances	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.17 Financial control measures acts as a corrective tool in the management of finances.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.18 Financial control measures are needed for the organization to achieve its' financial management objectives	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.19 Financial control measures are needed for the organization to achieve its' organisational objectives	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2.20 A lack of financial control measures adversely affects the financial management of the organization.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

### 3. General

3.1 Financial control measures are consistent throughout the organisation	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.2 Financial control measure are suitably communicated to all levels of staff.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.3 I am fully aware of the importance of financial control measures.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.4 I promote the adherence of financial control measures	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
3.5 Financial control measures assists the organization to be financially viable.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

### Appendix 3: Informed Consent Letter

## UKZN HUMANITIES AND SOCIAL SCIENCES RESEARCH ETHICS COMMITTEE (HSSREC)

### INFORMED CONSENT RESOURCE

Dear Valued Colleague,

My name is Shamanthree Padayachee (Charmaine) from the finance department at Head Office, Queen Elizabeth Park,  
Tel 033 8451716, email [charmaine.pillay@kznwildlife.com](mailto:charmaine.pillay@kznwildlife.com).

My research forms part of my dissertation as a requirement for the completion of my Masters degree in Business Administration (MBA).

My supervisor's details are as follows;

Dr Muhammed Hoque

University of KwaZulu-Natal

Graduate School of Business and Leadership

Office No.32: Ground Floor

E-mail: [Hoque@ukzn.ac.za](mailto:Hoque@ukzn.ac.za)

Tel: 031-260 8690

You are being invited to consider participating in a study that involves research on the financial control measures and financial management currently in practice at Ezemvelo KZN Wildlife. The aim and purpose of this research is to study the effectiveness of financial control measures and its' corresponding effect on financial management. The study is expected to enroll two hundred and twenty participants in total, from each division within head office, as well as twenty participants from each of our four main resorts, namely Giants Castle, Didima, Ntshondwe and Hilltop. It will involve contact with participants via email and thereafter submission of questionnaires via email and/or personally, as preferred by the participants. The duration of your participation if you choose to enroll and remain in the study is expected to be ten minutes for completion of the questionnaire with the study concluding by end November 2017. The study is funded by the researcher.

The study does not involve any risks and/or discomforts. We hope that the study will create benefits resulting in long-term financial sustainability for the organization through recommended improvements in control measures and strategy for the organization.

There is no risk or compensation involved in the study.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number HSS/0406/017M).

In the event of any problems or concerns/questions you may contact the researcher at 033 8451716 or 084 4468 566 or the UKZN Humanities & Social Sciences Research Ethics

Committee, contact details as follows:

**HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION**

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557- Fax: 27 31 2604609

Email: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

Participation in this research is voluntary and participants may withdraw participation at any point. In the event of refusal/withdrawal of participation the participants will not incur penalty or loss of benefit to which they are normally entitled. The participants will not experience any negative consequence should the participant wish to withdraw from the study. The participant would need to send an email notification for orderly withdrawal.

Confidentiality of personal information will be managed and maintained by the researcher in an access controlled, with only the researcher and the supervisor having access to the information. As per university guidelines, research will be stored for five years and thereafter shredded and destroyed.

## Appendix 4: Participation Consent Letter

### PARTICIPANT CONSENT

I \_\_\_\_\_ have been informed about the study entitled  
The effect of Financial Control Measures on Financial Management:  
A case of Ezemvelo KZN Wildlife.

I understand the purpose and procedures of the study being to study the effectiveness of financial control measures and its' corresponding effect on financial management

I have been given an opportunity to answer questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

I have been informed that there is no compensation and that the study bears no risk of loss or injury.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher on 033 8451716 or 0844468566.

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact:

#### **HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION**

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557 - Fax: 27 31 2604609

Email: [HSSREC@ukzn.ac.za](mailto:HSSREC@ukzn.ac.za)

\_\_\_\_\_  
Signature of Participant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Witness  
(Where applicable)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Translator  
(Where applicable)

\_\_\_\_\_  
Date

## Appendix 4: Ethical Clearance



22 August 2017

Mrs Shamanthree Padayachee (9151109)  
Graduate School of Business & Leadership  
Westville Campus

Dear Mrs Padayachee,

Protocol reference number: HSS/0406/017M

Project title: The effect of Financial Control Measures on Financial Management: A case of Ezemvelo KZN Wildlife (EKZNW)

### Approval Notification – Amendment Application

This letter serves to notify you that your application and request for an amendment received on 10 August 2017 has now been approved as follows:

- Change in Supervisor

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for period of 3 years from the date of original issue. Thereafter Recertification must be applied for on an annual basis.

Best wishes for the successful completion of your research protocol.

Yours faithfully

  
.....  
Dr Shenuka Singh (Chair)

/ms

cc New Supervisor: Dr Muhammad Hoque  
cc Academic leader Research: Dr Emmanuel Mutambara  
cc School administrator: Ms Zarina Bullyraj

---

Humanities & Social Sciences Research Ethics Committee

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Website: [www.ukzn.ac.za](http://www.ukzn.ac.za)



Founding Campuses:  Edgewood  Howard College  Medical School  Pietermaritzburg  Westville

## Appendix 5: Turnitin Report

The effect of Financial Control Measures on Financial Management : A Case of Ezemvelo KZN Wildlife (EKZNW)

### ORIGINALITY REPORT

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