

To Explore how Enterprise Resource Planning System is Enhancing Internal Financial Control in NGOs: A Case of Cedar Foundation in Mwanza Tanzania

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Abstract— *The study aims to assess how an organisation deploys ERPs' availability in ensuring effective internal controls to ensure effective financial decision-making, the importance for organisations to achieve their objectives. To achieve this the study put in place four objectives; to evaluate how management commitments can influence an effective internal control in NGOs, evaluate their effectiveness through the use of an ERP, assess how best operations cycles and procedures can be improved by systems to ensure improved internal controls while understanding the shorting during the implementations.*

It is believed that the systems have the capabilities of deployment in most major functions of the organisations and therefore ensures faster and accurate decision-making also protect and reduce mismanagements of the donor funds. The study seeks to assess ERPs usefulness to stakeholders in the organisation finances use and coordination

The significance of the study is that it can be used by the organisation in making better financial decisions, improve their efficiency and effectiveness and also by the authorities and the professional organisation to improve the reporting. The project will be of significant importance to the NGOs across Tanzania, their management, staff beneficiaries, regulatory authorities such as TRA and the registrar of NGOs, scholars and current and potential donors

The study reviews pieces of literature such as, the internal control systems, Enterprise Resource Planning System as a tool of controls, internal control environments and activities and monitoring and controls, Four interlinked theories that are used in the study include, the contingency theory, diffusion theory, System theory of management Diffusion theory and technology acceptance model which is the underpinning theory in the study

The research design is the qualitative and exploratory approach. The data collection techniques are interviews both structured and semi-structured and observation while thematic analysis is also used, where purposive sampling is used. The case study is Cedar foundation based in Isamilo, Nyamagana, Mwanza Tanzania where the respondents are interviewed after purposive sampling

The study got a 100% response rate during the interview, data were analysed through coding to generate various themes where the study found that ERPs when employed in the organisation helps to fulfil the organisation control needs, establishing the control environment, make it easy to assess risks, creates control ability that can monitor and mitigate risks while ensuring data security while engaging management. Other findings include ease facilitation of the audit process, financial conflict resolution, following of the accounting standards ensuring flexibility and adaptability of the organisation

The study recommends that should there be any organisation that is struggling with their internal controls they should consider setting up an ERP system, which should be done after taking into consideration the costs and benefits they will enjoy.

Keywords— Internal Controls, Enterprise Resource planning Systems, Monitoring, Decision Making, Efficiency & Effectiveness

I. INTRODUCTION AND BACKGROUND

With increased globalization and advancement in technology, most businesses aim at improving their market share, staff productivity and profitability while lowering costs and implementing business process changes through the implementation of integrated business applications (Ali K. H., 2013). One of the most outstanding systems for the activities is enterprise resources planning (ERP) which ensures full integration of all company's operational systems. The provision of real-time operational and financial data access by the ERP system provides a streamline of management structure and creation of a more flexible, democratic and flatter organization. An increasing need for better direction and management of service organizations, operations management researchers and practitioners have adopted the ERP system in their operational system.

EPR application helps the organization integrate business processes and information flow. ERP integrates different departments functions and monitors transactions between them and in a single package. (Alshubiri, Ahsan , & Mohamed, 2019) Besides, the software integrates the business functions and data into a single system making it easier for management and coordination. The system also is invaluable in gathering and transmitting data between an organization's various online applications to ensure the management of various business processes in dashboards and KPIs. With increased technological advancement to meet the needs of modern businesses, ERP systems increase the development to provide valuable business data, especially for the financial departments and human resources management.

In several ways, organizations played an important role in global and national economic and social development. Concerning economic and social development, organizations promoted the "fullest participation of all people" and facilitated a more equitable distribution of the benefits of globalization. They contribute to sustainable human development and have an important play in combating social exclusion

From the above benefits, it's clear that organisations are important ingredients in the social-economic development of the Country's economy. Tanzania had experienced rapid growth of Non-Governmental Organisations. This rapid

growth had set in complexities in running of NGOs societies. This, in turn, called for the adoption of appropriate internal control systems to enhance smooth operations.

II. LITERATURE REVIEWS

Eniola (2020) defines internal control as the procedure by the organization's board of directors and management in providing judicious assertion regarding the attainment of reporting, operational and compliance objectives. A review of the literature on internal control systems indicates that reveals that the American document titled Internal Control-Integrated Framework, published in 1992 is used often as a reference framework and in various circumstances referred to as COSO. Committee of Sponsoring Organizations of the Treadway Commission (COSO) is derived from the committee that initiated the reference framework (Karagiorgos, Drogalas, Christodoulou & Pazarskis, 2006). Since then, COSO inputs have grown into many parts of internal control. The committee is currently appreciated globally for the vital guidance on the corporate governance critical issues of enterprise risk management, cooperate governance, financial reporting, fraud and business ethics. The operation of an organization and the influence of the employee consciousness depends on the control environment. Dimitrijevic, Stancic, & Milovanovic (2015) states that any internal control system is a product of the control environment in which organizational disciplines and structure are established. Internal control systems are seen as a way that ensures achievement of an organisation's objectives through operational that are practical and efficient, reliable financial reporting, and compliance with laws, regulations and policies by ensuring the integrity and help the financial and accounting meet operations and productivity targets (Ama & Akram, 2018)

With the increased globalization and advancement in technology, many companies tend to integrate their internal and external operation to enhance a unit operation of an organization through the use of ERP (Dumitru et al., 2013). ERP software is a tool used for the information integration necessary for accounting, distribution, and human resources. Accounting, process, distribution, and human resources departments utilize ERP software, which combines their data into a single computing system (Hwang, 2011). The adoption of enterprise systems by the business

world may be the most significant advance incorporate information technology use in the 2000s (Karimi, 2017). ERP systems are designed to handle the demand for application program integration across several business operations or processes in a processing corporation, such as sales, accounting, and process. A variety of business applications can use a shared database that acts as an integrating mechanism.

According to Karimi (2017), a company's future performance is determined by its operational efficiency or capacity to implement institutional goals successfully. Organizational outcomes include several characteristics such as business model productivity, efficiency, and production. The degree of expertise that a company's executives have when it comes to implementing strategy determines its performance to a considerable extent—the essence of leadership as a conditional agreement between the manager and subordinates. Given the frequent difficulties in accomplishing organizational goals, leaders' tactics must be adaptable enough to allow change (Puthuruthy, 2021). The company's success is also dependent on its employees, who are an essential element of the organization and constitute a team that works together to achieve the organization's goals.

Serhan & El Hajj (2019) states that cognitive maturity in both teams and leaders is typically regarded as crucial for good organizational efficiency. Mental, cognitive, and emotional intelligence (EI) transformational leadership, a particular test that assesses a leader's capacity to focus on creativity and encourage it among their team members, is linked to organizational performance and management requirements (Hwang, 2011). This is often referred to as the Guideline's leadership. It places an excessive amount of reliance on the leadership, where leaders understand how to delegate some leadership responsibilities to team members while also allowing them to develop new ideas (Hwang, 2011).

According to Puthuruthy (2021), ERP systems will be, at least in principle, the main factors in a seamless integration of activities across functional areas, as well as enhanced workflow, normalization of diverse business practices, improved supply chain management, accurate inventory accounting, and order management. ERP was introduced at a period when process development and data quality were significant strategic concerns. Because of the stress on supply chain management and the evolution of information technology, enterprise-wide integration is now required (Puthuruthy, 2021). ERP has become a "must-have" technology for practically any company looking to increase its competitiveness in recent years with over 60% of

businesses have implemented or planning to deploy a bundled ERP system today (Serhan & El Hajj, 2019).

AlMuhayfith & Shaiti (2020) states that a survey of enterprises implementing ERP systems and their influence on management practices provides a variation in some of these advantages. Enhanced flexibility in information creation, more outstanding report quality, increased integration of accounting programs, and improved judgments based on timely and trustworthy accounting information are among the most frequently rated perceived advantages. According to Puthuruthy (2021) evidence, businesses anticipate ERP systems to increase their company's performance. As a result, even if two implementations are based on the same generic software packages, it is very improbable that they would have similar needs or implications. While the prospective advantages can be defined, predicting the actual benefits of deploying an ERP system can be tricky (Koech, 2014).

Many executives are sceptical about ERP systems' ability to provide value and competitive benefits (Meroka, 2015). The primary motive for companies is to achieve their goals and become more successful. Many people consider ERP systems to be a dream come true, and they are used to increase corporate effectiveness in most situations. Some studies had revealed instances when the implementation failed and the influence on organizational performance was negative (Serhan & El Hajj, 2019). ERP systems, on the other hand, are large and sophisticated, with varying implementation outcomes. On the other hand, effectiveness is multi-faceted and difficult to quantify. It covers the organization's strategic, operational, human resource, and structural features.

According to the literature, assessing the advantages and risks of ERP still is the main strategic priority for implementing firms (Karimi, 2017). ERP adopters are looking for various advantages, including improved stakeholder performance, efficiencies such as increased productivity, inventory optimization, and data integration capabilities. In his study on "Assessment of the effect of enterprise resource planning on performance of organisations within the agro-processing industry in Kenya," Koech (2014) found that firms that are internally predisposed to ERP adoption and implemented the software often exhibit increased organizational capacities, improved innovation in their products and commercial dependence on the essential customers. In contrast, firms with the main focus on networking and partnership with others often get the idea of ERP adoption from other companies or externally. Unfortunately, for the inclined businesses, there are less favourable environmental, organisational and

technological conditions to facilitate the implementation of ERP.

With the increased investment in time, money and resource in ERP projects, there is increased stakeholders' performance within the organization after adoptions. According to the study by Meroka (2015) on "Effects Of Enterprise Resource Planning System On Stakeholders Performance: A Case Study Of Safaricom Limited" she found that user satisfaction with ERP and business process optimization had a beneficial influence on stakeholders' performance and, as a result, on the firm's performance. They believe that the strategic objective behind ERP implementation and organizational performance have an excellent empirical link.

The theory that underpins the study is the Technology Acceptance Model which was developed by Fed Davis developed this model in 1989. It explains how users of the technology will come to accept it and how they will use it based on the ease of use and the usefulness of the technology (Surendran, 2013). The proponents of this theory believe that technology is consistently implemented to improve and facilitate employees to work and ensure better performance (Parvari, Anvari, Mansor, Jafarpoor, & Parvari, 2015). However, after employees have learned a particular way of doing things, they tend not to accept change. The purpose of the theory is to help to predict if the staff of the organisation will accept the automation and, if not, what modification must be carried out of the system to ensure that it gets universal acceptance by the users (Rahimi, Nadr, Afshar, & Timpka, 2018). Perceived usefulness is how the user will believe that technology will improve his performance while the expected ease of using the extent to which the effort will be required.

Various studies have shown how ERPs has led to employee's turnover and job satisfaction. This is because it is a behaviour intention theory. How an individual act depends on the perceived attitude; therefore, this theory will be instrumental in this study to help understand how the employees in organisations have reacted to the change of technology and how it will affect their performance in ensuring that there are sufficient internal controls.

III. RESEARCH METHODOLOGY

The research design is qualitative, this is because this is investigative research. This method is generally used to understand the factual data needed to answer the research questions; opinions are usually formed on views, perceptions, and attitudes. It offers visions to different problems and helps develop concepts linked to the variables to form hypotheses or theories (Hammarberg, Kirkman, & Lacey, 2016).

Internal financial controls involve collecting and analyzing more than non-numerical data to understand opinions, concepts, and experiences. It was used to gather in-depth insights into a problem or generate new ideas for research.

An exploratory approach was used because the research explored the existing conditions and procedures through observation and interviews. As a whole, this research design facilitated a better understanding of the role of ERPs in internal financial controls in NGOs. These organizations need proper reporting as they depend on well-wishers to fund their activities. In most cases, it is only proper reporting that will win the goodwill of the donors.

Hence explorative qualitative design best fits the study, especially to understand what kind of ERP is used to ensure controls are being applied, how are they involved, what challenges affect the success of such controls and what policies need to be adopted to strengthen the controls used.

The study was conducted in the United Republic Of Tanzania, Mwanza City, In Cedar Foundation Tanzania, located in Isamilo. Cedar Foundation Tanzania is an International Non-Governmental Organisation registered in Tanzania but partners with other partners sister organisations in Europe and Australia. The organisation suited the study because of having international status. The international organisation requires strict financial controls. Therefore the study was interested in understanding how the organisation have achieved the standard since being incorporated in Tanzania in 2014

This being a qualitative study, Non-Probability sampling for example Judgemental or Purposive is adopted. Purposive is used in the study because of specific perspectives that the study examined and then sought out research participants who covered that full range of perspectives. (Etikan & Bala, 2017) For instance, what internal controls are in place, what technology does the organisation have to ensure that the controls are effective, adequate, and why the study sought to interview only those mandated staff with the daily finance responsibilities. Including every stakeholder in the organisations may lead to a study missing out on an essential aspect of the controls; for example, a human resource may not know the exact financial controls and procedures.

The only data collection method employed in this study was interviewing. Semi-structured interviews are used under interviews where key questions help define the areas to be explored allow the study to diverge and pursue the various internal controls and how techniques are applied in the organisation internal financial controls (Brown & Danaher, 2019).

The study adopted four criteria of interviews techniques. First, depending on the projected sample size, which is 15,

the study employed either individuals or groups interviews; secondly, to get the right response, the study looked at how ERPs is effective when it comes to internal controls issues, and due to the nature of the research, the study is qualitative, structured and semi semi-structured in nature.

This study employed thematic analysis to analyse the data collected. The data was analysed by Taguette Software, Taguette is an open-source web-based free document tagging system that works best with qualitative study, The system highlights words sentences and paragraphs and tags them to create codes with common themes or ideas and patterns that identify the meaning repeatedly. The nature of the study adopted the deductive approach of thematic analysis. In contrast, preconceived themes were considered to understand the use of technology and the best way in which technology is applied to enhance controls. However, inductive analysis was also considered from the data collected to determine the theme.

The following are the steps followed during data analysis based on the thematic approach (Akinyode & Khan, 2018)

IV. FINDINGS

Internal control procedures in the organisation such as authorisation and approval, segregation of duties and reconciliations and reviews of the documents, security of the assets, adhering to the policies and procedures, taking responsibilities as stated in the manuals of (International Auditing and Assurance Standards Board (IAASB), 2019) can only be made better when an enabling environment supports such procedures. Internal control systems' role in the achievement of the organizations' goals. Internal control systems were an important tool for the accomplishment of goals and objectives. Internal Control processes were designed and effected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of an entity's objectives. These findings are in line with the study by Joseph, Albert, & Byaruhanga (2015)

The stated internal control process is better when the organisation deploys the use of a system. It establishes a well-coordinated internal control environment that ensures efficiency and places the organisation in a position where they can identify them and mitigate the risks that may affect the organisation's performance. Internal control environment established procedures this was also concluded by Turedi & Celayir (2018) while Sabbar, Al-Dulaimi, Alalawi, & Rashid (2018) in their study found internal control environment ensures integrity, ethical values in an operational cycle, Effective Internal control systems go a long way in ensuring compliance with accounting policies, state and international laws. Internal controls helped to

ensure that the co-operative societies complied with the international accounting standards, financial reporting and management standards as well as the international auditing policies and standards.

Such findings are in line with the results of Alemu (2020). In his study, he states that internal controls promote effectiveness, reduce data loss risks, and ensure that the management is operating in harmony. The finding that systems make the organisation work better than the traditional books is in line with the study of Yunis, El-Kassar, & Tarhini (2017). A well utilises system will therefore be in place to facilitate and improve the organisational control needs.

The use of a system in an organisation ensures that there are no undesirable deviations. If any, they are corrected, and the data and financial reports are given out are of the intended quality. These are finding that there is effective monitoring and controls, which are in line with the study of Badoo, Hammond, & Oppong (2020)

The finding on how the organisation searched, developed, implemented and maintained the use of the system in their daily operation are in line with the four interdependent theories used in the study; for instance, the ERP as a system came to the organisation as a contingent factor. According to Fred Fielder who developed contingency theory in 1960 believed that contingent factor will spread and get adopted from one place to another, this finding is still in line with the find of Islam & Hu, (2012) who agrees that when there is a known how that can better the organisation and benefits the organisation performance, then such idea will move from place to place as organisation desires efficiency and effectiveness.

Analysis of how the organisation put in place the system is in line with the second supporting theory of diffusion, which was developed by EM Rodgers in 1962, who also believed in the idea movement and gaining momentum from one place to another, this is in line with the finding of the study that the knowledge of having a system in place was to be in line with the need of donors and funders of the organisation and also to comply with the changes that have taken place in their environment where computing technology and system have been the new order of the day. In the knowledge diffusion model, the organisation can be rated, early adopter.

Consequently, setting up the system for use, training users and maintaining the system to ensure that it remains the tool of trade and means of communication and coordination is aligned to the third theory in the study, the system theory of management. Ludwig von Bertalanffy developed this theory in 1960 proposed the integration of different parts to ensure that they all function as a unit. Analysis of the

finding shows that all the functions and departments in the organisation and interlinked by the system.

The finding of how the organisation came to realise the benefits and how the system has made their work much easier is in line with the last theory of the study. Fred Davis developed this technology acceptance model in 1989. The system users came to accept the system after several resistance attempts, then later realised the ease of use after commitment and training on the system. This finding is also in line with the result of Surendran (2013). System implementation, if not properly accepted by the employees, may lead to employee turnover.

V. CONCLUSION AND RECOMMENDATION

The first three objectives of the study were to assess the types of internal control systems enhanced by ERPs in the organisation. Thematic analysis qualitative study was used to analyse the data collected through interviews of the 15 members of the management team revealed that there were internal control systems this was before and after putting the system in place it became better. Appropriate internal controls, when fully implemented through the appropriate use of current technology, would ensure organization success-that is, they would ensure achievement of basic objectives or will, at the least, ensure survival. This is because such controls were designed to avoid bottlenecks in the organizations and ensure that the set goals were achieved. The findings show that the organisation is now more complaint, they have better financial reporting systems, and there is increased productivity and effective documentation. Such results are in line with the study of Ama & Akram (2018).

The organisation should fully implement internal controls systems per organisation policy. No system of internal controls is foolproof; however, if the organisation desires to improve on the effectiveness and efficiency of the internal controls, they should consider moving away from the traditional books and put in place an Enterprise Resource Planning system.

The use of the System will therefore ensure robust internal control systems can be evident by high financial performance, reduce risks facing the assets of the organisation better control environment, as well as minimising loss in terms of combating fraud and theft, proper management engagement, efficient audit process ensured by data security and adhering to the accounting standards

Any inadequacy in a control system is a deficiency in effective and efficient internal financial controls. For example, failure to process accurate data thoroughly and

timely manner expose the organisation to potential inefficiency. The likelihood of the organisation achieving its objectives, therefore limited and inherent in all internal control systems, includes the realities that decision-making judgments can be faulty and that breakdowns can occur because of simple errors or mistakes. The design of an internal control system must reflect the fact that there are resources constraints, and the benefits of controls must be considered relative to their costs.

The study would therefore give the following recommendation

The organisation should consider acquiring and implementing installing computer-based systems train and educate employees on the importance pertaining how systems can aid in need of implementation of internal control systems policies and procedures to enhance efficiency and effectiveness and create awareness through educating employees and customers about the existence of the ICSs through the use of technology within the organization.

The study further recommends that the governing bodies possibly supported by the audit committee should ensure that the internal control system is periodically monitored and evaluated. The organization's management can execute the actual assessment.

A staff person who is sufficiently independent of those responsible for the system, such as the internal auditor, could provide additional assurance on the effectiveness and cost-efficiency of the internal control system.

A cost-benefit analysis should be carried out to ensure that the management understands how much they are going to spend on the system and the expected benefits they will earn from the system and ensure the system in place should cater exclusively to the organisations need. There should be no partial implementation where some functions are put in the system while other remains

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