EFFECTS OF INTERNAL CONTROL SYSTEMS ON FINANCIAL PERFORMANCE IN AN INSTITUTION OF HIGHER LEARNING IN UGANDA

A CASE OF UGANDA MARYTRS UNIVERSITY

A POSTGRADUATE DISSERTATION
PRESENTED TO
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2008-M102-20074

DECLARATION

I **Sssuuna Pius Mawanda** hereby declare that this is my original work and has never been presented for any academic award in any University.

Signed…………………………… Date: …………………

Ssuuna Pius Mawanda

APPROVAL

This is to certify that this dissertation by **Ssuuna Pius Mawanda** entitled "Effects of Internal Control Systems on Financial Performance in an Institution of Higher Learning in Uganda" has been written under my supervision and is hereby approved for submission for a Master of Business Administration Degree of Uganda Martyrs University.

…………………………………….   Date: …………………
Moses Kibrai

Uganda Martyrs University

DEDICATION

I dedicate this book to my son Andrew Pius Kiseka, my Parents; Gerald & Daisy Mawanda, and my Aunt Caroline Nassiiwa.

ACKNOWLEDGEMENT

I take this opportunity to thank all people who made a contribution in my academic life so far.

I would like to express heartfelt gratitude to my supervisor, Moses Kibrai, whose tireless efforts have made this dream a reality. Moses you restored hope in me when I felt hopeless, you invoked the hitherto hidden abilities in me; a reason I will always walk with my head high. No amount of words can express my sincere gratitude for your unending support during the research period. May the good Lord reward your efforts.

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I take this opportunity to thank my entire extended family for their love, care and encouragement to me. I am particularly indebted to my son; Andrew Pius Kiseka, whose time was greatly, compromised during the MBA studies. Special tributes go my parents Gerald & Daisy Mawanda, my Aunts Caroline Nasiiwa, & Theo Zalwango

Lastly, my warm regards and blessings go to all of those who have made a positive contribution in my life. May the good Lord bless you all.

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ASTRACT

The study investigated and sought to establish the relationship between internal control systems and financial performance in an Institution of higher learning in Uganda. Internal controls were looked at from the perspective of Control Environment, Internal Audit and Control Activities whereas Financial performance focused on Liquidity, Accountability and Reporting as the measures of Financial performance. The Researcher set out to establish the causes of persistent poor financial performance from the perspective of internal controls.

The research was conducted using both quantitative and qualitative approaches using Survey, Correlation and Case study as Research Designs. Data was collected using Questionnaires and Interview guide as well as review of available documents and records targeting basically Deans, Associate Deans, Heads of Departments, Management Committee members and Finance and Accounts staff as respondents from a population of 270 Uganda Martyrs University staff. Data was analyzed using the Statistical Package for Social Scientists where conclusions were drawn from tables, figures from the Package.

The study found that management of the institution is committed to the control systems, actively participates in monitoring and supervision of the activities of the University, all the activities of the Institution's activities are initiated by the top level management, that the internal audit department is not efficient, is understaffed, doesn't conduct regular audit activities and doesn't produce regular audit reports although the few reports produced by the internal audit department address weaknesses in the system. It was further revealed that there is a clear separation of roles, weaknesses in the system are addressed, and there is a training program for capacity building in the institution. However, the study also found out that there is lack of information sharing and inadequate security measures to safeguard the assets of the University. It was also noted that there isn't enough cash to meet intended University goals, that the fees charged to students are not appropriate to cover costs, that all fees meant to be remitted to the University are not collected. It was however, revealed that all revenues and expenditures are properly classified, and that assets of the University have generally increased. The study established a significant relationship between internal control system and financial performance.

The investigation recommends competence profiling in the Internal Audit department which should be based on what the University expects the internal audit to do and what appropriate number staff would be required to do this job. It also recommends that the institution establishes and manages knowledge/information management system to enable all parties within the institution to freely access and utilize the official information. There should be a strategy improve the generation of additional finances for the University.

The Study therefore concludes that internal control systems do function although with hiccups and that there is a significant relationship between internal control systems and financial performance in an Institution of higher learning.

LIST OF ABBREVIATIONS

OAG-   Office of Auditor General

ACCA-   Association of Chartered Certified Accountants

UMU-   Uganda Martyrs University

IFRS-   International Financial Reporting Standards

CPD-   Contuinuing Professional Development

ERP-   Enterprise Resource Planning

SOX-   Sarbanes- Oxley Act

COSO-   Committee of Sponsoring Organisations

SAS-   Statement of Auditing Standards

ABA-   Ammerican Bar Association

AICPA-   American Institute of Certified Public Accountants

ICPAU-   Institute of Certified Public Accountants of Uganda

IIA-UK-   Institute of Internal Auditors- United Kindom

SME-   Small and Medium Size Entity

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1.0 Introduction

Internal controls refer to the measures instituted by an organization so as to ensure attainment of the entity's objectives, goals and missions. They are a set of policies and procedures adopted by an entity in ensuring that an organization's transactions are processed in the appropriate manner to avoid waste, theft and misuse of organization resources. Internal Controls are processes designed and effected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of the financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations (Mwindi, 2008). It is worth noting that internal controls only provide reasonable but not absolute assurance to an entity's management and board of directors that the organization's objectives will be achieved. "The likelihood of achievement is affected by limitations inherent in all systems of internal control" (Hayes *et al*., 2005).

Organizations establish systems of internal control to help them achieve performance and organizational goals, prevent loss of resources, enable production of reliable reports and ensure compliance with laws and regulations.

1.1 Background to the study

There is a general perception that institution and enforcement of proper internal control systems will always lead to improved financial performance. It is also a general belief that properly instituted systems of internal control improve the reporting process and also give rise to reliable reports which enhances the accountability function of management of an entity. Nevertheless,

available Literature still allude/point out that in spite of elaborate system of controls in organizations, financial performance has been elusive in most of these organizations (OAG, 2010).

This study will be guided by "The Agency Theory" as initially put across by Jensen & Meckling, (1976) and later expounded on by Gerrit Sarens & Mohammad J. Abdolmohammadi, (2010). Gerrit & Mohammad theory also has connotations with the Theory of firm articulated by Nicolai J. Foss *et al.* According to the agency theory a company consists of a nexus of contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling those resources (Jensen & Meckling, 1976). Agency theory posits that agents have more information than principals and that this information asymmetry adversely affects the principals' ability to monitor whether or not their interests are being properly served by agents. Furthermore, an assumption of agency theory is that principals and agents act rationally and use contracting to maximize their wealth. A consequence of this assumption may be the 'moral hazard' problem (Jensen & Meckling, 1976), indicating that in an effort to maximize their own wealth, agents may face the dilemma of acting against the interests of their principals. This will be expounded later during the literature review in Chapter two (2) of the study. .

This Theory was chosen for this study simply because "Internal control is one of many mechanisms used in business to address the agency problem" (Jensen and Payne 2003) and again "studies have shown that internal control reduces agency costs" (Abdel-khalik 1993; Barefield et al. 1993).

In the study, Internal control systems were construed to mean " a process effected by the entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the categories; reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations." (Ray & Kurt; 2001) While financial performance was considered in terms of measures like profitability (using absolute and relative measures), liquidity (using liquidity ratios like current ratio, acid test ratios, the ease with which the entity settles its financial obligations) and Accountability (in terms of financial accountability) (ACCA- Managerial Finance Paper 8; 1998; and Panday;1996) . According to Dixon et al (1990), appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. On the other hand Stoner (2003), refers to performance as the ability to operate efficiently, profitability, survive, grow and react to the environmental opportunities and threats. For purposes of the study we adopted Ray and Kurt's definition of internal control systems. In as much as Internal control Systems are wide and numerous, for the sake of this study, Internal control systems were limited to; the Control Environment, Internal Audit, and Control activities whereas Financial performance was looked at basically from the three perspectives of Liquidity, Accountability and Reporting.

In Uganda Martyrs University, financial performance is one aspect that has not been given the attention it deserves. University staff have in a number of cases been given university resources and have either failed to account for the resources entrusted to the them or have not made the necessary accountabilities in time. University auditors have noted cases where funds are advanced to UMU centres but six months elapse without the responsible officers providing the necessary accountability.

Accountability needs to be accurate and timely so as to aid decision making. It should be noted that International Financial Reporting Standards (IFRSs) emphasize timely production of financial reports. Ideally end of year financial statements should be produced within three months following the end of the period to which the financial statements relate. With Uganda Martyrs University, this has never been the case. Financial statements have often been produced after more than six months.

1.2 Problem statement

Uganda Martyrs University has been in existence for over 15 years. Originally formed by foresighted and committed Bishops of Uganda under Uganda Episcopal Conference, the University has enjoyed continued support from the founders. Their continued involvement in the affairs of the Institution in their supervisory capacity has ensured continuity and faster rise, growth and prosperity to the extent of becoming one of the leading yet youngest University in the country and the region at large.

The University has since its inception had management of the highest qualifications, caliber and dedication. Management meets regularly (weekly) to review the affairs of the Institution and to direct the strategic path of the University and to ensure continued goal congruence.

Systems have evolved over time and all the departments and units of the institution have undergone positive transformations. Internal controls have been put in place to ensure safe custody of all university assets; to avoid misuse or misappropriation of university assets and to detect and safeguard against probable frauds.

The university employs world class professionals to fill all the keys departments and units. This is ensured by the transparent and open system of selection and recruitment aided by the ably staffed Human Resource department of the institution. All departments and units are adequately staffed with qualified and competent staff. Continuous on job training and Continuing Professional Development courses (CPDs) have always been given greatest priority with great budget allocation for these trainings.

The University records and accounting systems have been refined overtime. The records managers match internationally recognized professionals.

The University accounts and records are audited by professionally trained and recognized auditors with international reputation. The University has always had an internal audit department to help in compliance with the internal policies and procedures.

However despite all the above efforts, the University still struggles with Liquidity problems, financial reports are not made timely, accountability for the University financial resources is still wanting, frauds and misuse of institutional resources have been unearthed and a number of decisions made have not yielded the expected results. This research will therefore attempt investigate the persistent poor financial performance from the perspective of internal controls which has hitherto been ignored.

1.3 Purpose or General Objective

The purpose of this research is to establish the relationship between internal control systems and financial performance in an Institution of Higher Learning in Uganda.

1.4 Objectives or Specific Objectives

Internal controls in an organization are normally instituted to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of the financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. These will ultimately translate into improved financial performance. The study will therefore attempt to establish the relationship between internal control systems and improvement financial performance in an Institution of Higher Learning in Uganda. In particular the researcher will focus on the following specific objectives:

a) To examine the functionality of Internal Control systems in an Institutions of Higher Learning in Uganda

b) To examine financial performance of an Institution of Higher Learning in Uganda

c) To examine the relationship between internal control systems and financial performance in an Institution of Higher Learning in Uganda.

1.5 Research Questions/hypothesis

To achieve the above desired objectives the following research questions will be used:

i) What is the functionality of Internal Control Systems in Institutions of Higher Learning in Uganda?

ii) What is the financial performance of Institutions of Higher Learning in Uganda?

iii) What is the relationship between internal control systems' functionality and financial performance in an Higher Institution of Learning in Uganda?

1.6 Research Hypothesis:

The following research hypotheses is basically derived from the available literature but refined to suit the scenario at hand:

H1: Control Environment Vs Financial Performance.

There is a relation between the control environment and the financial performance of Institutions of Higher Learning in Uganda.

H2: Internal Audit Vs Financial Performance

An effective internal audit function is related with the financial performance of Institutions of Higher Learning in Uganda

H3: Control Activities and Financial Performance.

Functionality of Internal Control activities and financial performance of higher Institutions of Learning are related.

1.7 Scope of the study

The research will focus on the effectiveness internal control systems in Uganda Martyrs University. Uganda Martyrs University has several campuses, centers and affiliated institutions, the research will however focus on Nkozi main centre alone. This is mainly due to the fact the majority of the other centers are just coming up and the internal controls implemented at the other centers of UMU are a replica of the controls at the main center.

1.8 Justification

Financial performance is one area that is given a lot of prominence all over the world, it has been widely researched. A lot of literature has been written on financial performance, and External

auditors normally place a lot of emphasis Internal controls as measure to ensure sustainable and improved financial performance, however, it is the perception of the researcher that there are still gaps in the research so far done. This study will therefore, try to establish the linkage between internal controls and improved financial performance as measured by liquidity, accountability and financial reporting.

1.9 Significance of the study

The results of the study will help identify gaps within the systems of internal control in Institutions of Higher Learning in Uganda. It is also the researcher's belief that invaluable benefits to management and those charged with governance in Institutions of Higher Learning will emerge on how to streamline the systems of internal controls thus ensuring improved financial performance and ultimately ensure attainment of the Institutional objectives. The study will also add to the existing knowledge bank regarding internal controls

1.10 Conceptual Framework

Figure 1: Conceptual framework


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┌─────────────────────────────┐          ┌─────────────────────────────┐
│ INDEPENDENT VARIABLE        │          │ DEPENDENT VARIABLE          │
│ Internal controls:          │ ──────►  │ Financial Performance:      │
│ • Control Environment       │    ▲     │ • Liquidity                 │
│ • Internal Audit            │    │     │ • Accountability            │
│ • Control Activities        │    │     │ • Reporting                 │
└─────────────────────────────┘    │     └─────────────────────────────┘
                                    │
                        ┌───────────┴──────────────┐
                     (  INTERVENING VARIABLES       )
                     (  • Governing council policies )
                     (  • National Council for Higher)
                     (    Education                  )
                     (  • Ministry of Education      )
                        └──────────────────────────┘
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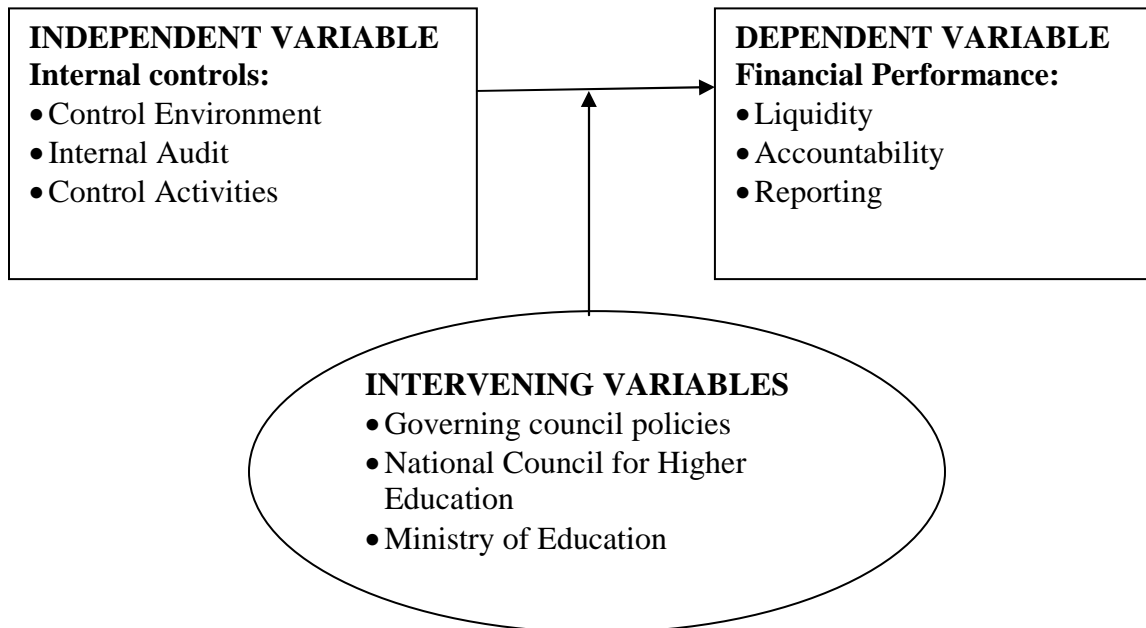
Source: *Developed from Literature review*

From the above Conceptual framework, it is clear that Internal controls as an Independent variable (as measured by the Control Environment, Internal Audit and the Control Activities) affects Financial Performance a dependent variable (as measured by Liquidity of an Entity, Financial Accountability and Financial Reporting). However, there also moderating factors like Policies established by the Governing council, guidelines established by National Council for higher Education and Framework governing higher Institution of learning as established by the Ministry of Education and Sports.

1.11 Limitations

The major limitation of the study is that a lot of research has been done on Financial Performance, but the Researcher wanted to deviate from the obvious. There is a general perception that the study has been around for some time. The curiosity of the Researcher was to answer the question; do the systems really work as expected?

The other limitation was the belief that the research may never be read, thus people may not get the benefit of the study. It is therefore the Intention of the Researcher to write papers out of the research and present them in conferences.

1.12 Chapter Summary

The chapter started with an introduction in which the concept of Internal Control systems was put into perspective, this was followed by the background to the study in which we brought out the general perception that Institution of systems of internal control will always lead to improved performance, giving rise to improved reporting and also enhance the accountability function of management. The Chapter proceeded with the problem statement seeking the establish the persistence of poor financial performance in Uganda Martyrs University despite continued support from the founders, having management of the highest qualification, caliber and dedication, putting in place internal controls, employing world class professionals , and having Auditors of International repute. The Chapter handled the purpose of the study which is establishing the relationship between internal control systems and financial performance. Objectives of the study were determined as; determining the functionality of Internal Controls systems in an Institution of Higher Learning, Examining

the performance of an Institution of Higher Learning in Uganda and examining the relationship between Internal control systems and financial performance of an Institution of Higher Learning in Uganda.

The chapter handled Research questions which are basically derived from the Research objectives. The research hypothesis was handled in which it is believed that there is a relationship between the control environment and the performance of institutions of higher learning, that an effective internal audit department is related with financial performance of institutions of higher learning, and that functionality of internal control activities and financial performance in institutions of higher learning are related.

The scope was determined as covering Uganda Martyrs University main campus though the results are assumed to be applicable to other centers of UMU as well as other Institutions of Higher Learning. The chapter tackled the justification and significance of the research, where the justification was to determine the relationship between Internal controls and improved financial performance whereas the significance of the research was to help Institutions of higher learning and those charged with governance in determining the link between Internal controls and financial performance. A diagrammatical representation linking internal controls (in particular the control environment, internal audit and control activities) and finance performance was done. Lastly the chapter handled limitations which basically included the fact that the study has been widely done before and that the research may never be read.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The research was intended to assess the effect of internal controls on financial performance with emphasis in Institutions of higher learning. The review of available literature therefore attempted to establish whether there is a correlation between Internal Control systems as an Independent variable and financial performance as a dependent variable. The review particularly focused on Control environment, Internal Audit and Control activities as the main components of Internal Control. The other components of internal control were ignored for purposes of this research. The review also examined financial performance and in particular focusing on Liquidity, Accountability and Reporting. All other financial performance measures were ignored for purposes of the study. The review examined the common systems of internal controls employed by organizations. The review also tried to determine the main objectives systems of internal control are normally intended to achieve.

The ultimate objective of this review was therefore to examine the relationship between internal controls systems and financial performance. The review examined the theory surrounding systems of internal control and the methods used by previous researchers in dealing with internal control systems.

2.2 Theoretical Framework
The Agency Theory

Agency Theory describes firms as necessary structures to maintain contracts, and through firms, it is possible to exercise control which minimizes opportunistic behavior of agents. Accordingly, Barlie and Means (1932) posit that in order to harmonize the interests of the agent and the

principal, a comprehensive contract is written to address the interest of both the agent and the principal. They further explain that the relationship is further strengthened by the principal employing an expert to monitor the agent. This position is also supported by Coarse (1937) who maintains that the contract provides for conflict resolution between the agent and principal, the principal determines the work and agent undertakes the work. He however, proposes that the principal suffers shirking which deprives him or her from benefiting from the work of the agent. Nevertheless, the theory recognizes the incomplete information about the relationship, interests or work performance of the agent described as adverse selection and moral hazard. Coarse (1937) explains that moral hazard and adverse selection affects the output of the agent in two ways; not doing exactly what the agent is appointed to do, and not possessing the requisite knowledge about what should be done. This therefore, affects the overall performance of the relationship as well as the benefits of the principal in form of cash residual.

Other related reviews include; The Sarbanes-Oxley Act of 2002 (SOX) which requires companies to report on the effectiveness of their internal controls over financial reporting as part of an overall effort to reduce fraud and restore integrity to the financial reporting process
John J. Morris .(2011) asserts that software vendors that market enterprise resource planning (ERP) systems have taken advantage of this new focus on internal controls by emphasizing that a key feature of ERP systems is the use of "built-in" controls that mirror a firm's infrastructure. They emphasize these features in their marketing literature, asserting that these systems will help firms improve the effectiveness of their internal controls as required by SOX.
Internal control is one of many mechanisms used in business to address the agency problem. Others include financial reporting, budgeting, audit committees, and external audits (Jensen and

Payne 2003). Studies have shown that internal control reduces agency costs (Abdel-khalik 1993; Barefield et al. 1993), with some even arguing that firms have an economic incentive to report on internal control, even without the requirements of SOX (Deumes and Knechel 2008). Their argument assumes that providing this additional information to the principal (shareholder) about the behaviour of the agent (management) reduces information asymmetry and lowers investor risk and, therefore, the cost of equity capital. Other research has found that weaknesses in internal controls are associated with increased levels of earnings management (Chan et al. 2008; Ashbaugh *et al.* (2008). Earnings management is the agency problem that motivated SOX legislation in the first place, specifically earnings manipulation by Enron, WorldCom, etc. Internal controls have played a major role in moderating the agency problem in corporations for many years. Accordingly, Samson et al. (2006) document several internal control procedures used by the Baltimore and Ohio Railroad as early as 1831.

During the 1980s, several high-profile audit failures led to creation of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), organized for the purpose of redefining internal control and the criteria for determining the effectiveness of an internal control system (Simmons 1997). They studied the causal factors that can lead to fraudulent financial reporting and developed recommendations for public companies, independent auditors, educational institutions, the Securities Exchange Commission (SEC), and other regulators (COSO 1985). The product of their work is known as the COSO Internal Control—Integrated Framework (Simmons 1997).The framework also points out that controls are most effective when they are "built into" the entity's infrastructure (COSO 1992,) and further states that "built in controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick response to changing conditions" (COSO 1992)

At the turn of the century, another group of corporate scandals resulted in enactment of the Sarbanes-Oxley Act of 2002 (SOX) which, among other things, requires a formal report on the effectiveness of internal controls. The COSO framework plays a key role in compliance because Section 404 of the Act requires companies to include in their annual report, a separate management report on the company's internal control over financial reporting and an attestation report issued by a registered public accounting firm.

John J. Morris. (2011) separates internal controls into those that are general (entity-wide) controls from those that are specific (account-level) controls. He believes that if management was overriding control features in order to manage earnings, then one would expect to find more Internal Control Weaknesses related to general controls, even if the specific (account-level) controls are effective. This type of behaviour should be uncovered during the audit process since this is an area of concern specifically identified in Auditing Standard No. 5, Paragraph 24, which states that "entity-level controls include controls over management override." On the other hand, a stronger argument could be made that if general controls are in place and working, then one would expect to find less Internal Control Weaknesses related to general controls.

In their publication Whittington and Pany (2001), attempt to explain the meaning, significance of Internal Controls, and the Components of a Company's internal controls. They also attempt to explain the relevancy of internal controls in large scale business organizations. In their book while borrowing the definition of the Committee of Sponsoring Organizations (COSO); Internal Control- Integrated Framework, Whittington & Pany.2001 define Internal control as "a process effected by the entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories;

reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations." They emphasize that internal controls is a process and not an end in or of itself. They note that internal controls provide reasonable but not absolute assurance about the attainment of an entity's objectives. Gupta, (2001) also acknowledges that internal controls can only provide reasonable assurance that management objectives will be achieved. This is basically due to the inherent limitations of internal controls

In the Executive Summary of "Enterprise Risk Management-Integrated Framework" 2004 by the Committee of Sponsoring Organizations (COSO, 2004), of the Treadway Commission, Internal controls have been incorporated into policies, rules and regulations to help organizations achieve their established objectives. This is in line with Pany, Gupta and Hayes' assertion that internal controls are meant to help an organization achieve its objectives. The COSO commission was partly instituted in response to a series of high profile scandals and business failures where stakeholders (particularly Investors) suffered tremendous losses. This study however differs in that it is done for an institution that is not ailing though there are reported incidences of scandals and financial misfeasance. The end results should therefore aid the preventive mechanism rather than being reactionary. Entities exist to provide value to its stakeholders but are normally face with uncertainty. Uncertainty presents risks and opportunities.

2.3 Actual Review of related Literature

2.3.1 Internal Controls systems and financial performance

According to Hayes *et al*., 2005 internal control comprises five components; the control environment, the entity's risk assessment process, the information and communication systems, control activities and the monitoring of controls. However, for purposes of this study, the research will narrow down to only three components of the internal control system. These are;

the control environment, internal audit and control activities. The other components of the internal control systems will be held constant.

Gupta (2001) drawing from Statements of Standard Auditing Practices No. 6 (SAP 6) defines Internal control as "the plan of organization and all the methods and procedures adopted by the management of an entity to assist in achieving management objectives of ensuring as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of accounting records and the timely preparation of reliable financial information".

It is therefore worth noting from the above that; properly instituted systems of internal control will ensure; completeness of all transactions undertaken by an entity, that the entity's assets are safeguarded from theft and misuse, that transactions in the financial statements are stated at the appropriate amounts, that all assets in the company's financial statements do exist, that all the assets presented in the company's financial statements are recoverable and that the entity's transactions are presented in the appropriate manner according to the applicable reporting framework (ACCA- Audit and Assurance Services)

Internal control is the term generally used to describe how management assures that an organization does meet its financial and other objectives. Internal control systems not only contribute to managerial effectiveness but are also important duties of corporate boards of directors. (Verschoor; 1999).

Hitt, Hoskisson, Johnson, and Moesel (1996) argued that there are two types of major internal controls associated with the management of large firms, particularly diversified firms, which have an important effect on firm innovation, these are; strategic controls and financial controls. Strategic controls entail the use of long-term and strategically relevant criteria for the evaluation

of business-level managers' actions and performance. Strategic controls emphasize largely subjective and sometimes intuitive criteria for evaluation (Gupta, 1987). The use of strategic controls requires that corporate managers have a deep understanding of business-level operations and markets. Such controls also require a rich information exchange between corporate and divisional managers (Hoskisson, Hitt, & Ireland, 1994).

On the other hand, financial controls entail objective criteria such as return on investment (ROI) in the evaluation of business-level managers' performance. They are similar to what Ouchi (1980) and Eisenhardt (1985) referred to as outcome controls. Thus, top-level managers establish financial targets for each business and measure the business-level managers' performance against those targets. Such an approach can be problematic when the degree of interdependence among business units is high. Thus, emphasis on financial controls requires each division's performance to be largely independent.

As a firm grows especially through acquisition, it also grows in complexity and the number of units that corporate executives must oversee and manage (thereby increasing their spans of control). Clearly, each acquisition increases corporate managers' need for information processing, sometimes dramatically so. These changes make it difficult for corporate managers to use strategic controls. To reduce information-processing demands, they may change their emphasis from strategic to financial controls. (Michael A. Hitt, et al)

The three major categories of management objectives comprise; effective operations, financial reporting and compliance (Hayes et al., 2005). Effective operations are about safeguarding the assets of the organization. The physical assets like cash, non physical assets like receivables, important documents and records of the company can be stolen, misused or accidentally destroyed unless they are protected by adequate controls. The goal of financial control requires

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accurate information for internal decision because management has a legal and professional responsibility to ensure that information is prepared fairly in accordance with applicable accounting standards. Organizations are equally required to comply with many laws and regulations including company laws, tax laws and environment protection laws.

The authoritative 1994 *Principles of Corporate Governance* of the American Law Institute recommends that "every large publicly held corporation should have an audit committee that would review on a periodic basis . . . the corporation's internal controls . . ."

According to Verschoor, (1999), approximately three-quarters of the 500 largest publicly held U.S. corporations voluntarily make a public assertion of management's responsibilities for properly reporting financial results and also maintaining an effective system of internal control. These management statements on internal control are contained in the company's annual report to shareholders. He asserts that; virtually all of these companies report using the same strategies to execute management's internal control responsibilities. These include references to segregation of functions, programs of selection and training of personnel, the results of an internal auditing function, oversight from the audit committee of the board of directors, and the work of the company's external auditors.

Verschoor believes that management declarations about internal controls represent a management commitment and are not just a promotional statement.

2.3.1.1 Control Environment

Whittington and Pany (2001) note that the control environment sets the tone of the organization by influencing the control consciousness of people. They further assert that control environment is viewed as the foundation for all the other components of internal control. Control environment factors include; integrity and ethical values of personnel responsible for creating, administering,

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and monitoring the controls, commitment and competence of persons performing assigned duties, board of directors or audit committees (especially the extent of their independence from management, experience & stature), management philosophy and operating style (in terms of their aggressiveness or conservativeness which may determine the level of risk they may take on), and Organizational structure (which may be a well organized structure that provides for proper planning, directing and controlling operations or a disorganized structure that may only serve to confuse the key players by creating unclear roles). Control environment has several factors, however, for purposes of this research, the review will focus on Management philosophy and operating style, the integrity and ethical values of personnel that create and administer controls, and audit committees and board of directors. For purposes of the study, board of directors will be represented by the Governing council and the various committees of Council. , Whittington and Pany also believe that these factors set a basis upon which the other internal control components can be built. They also provide a framework within which the other components operate. However, these assertions have not always held true, since management in organizations has always overridden these controls, the lack of mentoring has always led to collapse of controls. The independence of audit committee has largely been theoretical in most organizations. Boards of directors have on several occasions had very little time for company affairs, implying that their supervisory role has always been wanting. It is equally worth noting that most of the board members' selection is largely political and a reflection of the political allegiance. They most of the cases lack the experience and exposure to determine the strategic direction of the organization. Board of directors, ought to supervise the management of an entity, but it has always turned out that Board members merely implement recommendations of the management committee of an institution.

The audit committee, as a subcommittee of the board of directors, plays a role in protecting the owners' interests by monitoring management's actions, in terms of financial reporting, risk management and internal control (DeZoort *et al*., 2002; Spira, 2002). On the other hand, an active audit committee could consider the internal audit function as a necessary source of information to execute its monitoring responsibilities (Raghunandan *et al*., 2001; Sarens *et al*., 2009; Scarborough *et al*., 1998), thus the audit committee may push for better staffed internal audit functions.

The study by Wallace & Kreutzfeldt (1991) was among the first to demonstrate the importance of the control environment in explaining the existence of an internal audit function. More recently, Goodwin-Stewart & Kent (2006) provided evidence that the existence of an internal audit function is related to the level of commitment to risk management. Recent case studies on internal auditing in Belgium illustrate the importance of the control environment when studying internal auditing practices. Sarens & De Beelde (2006a, 2006b) found that certain control environment characteristics (e.g., tone-at-the-top, level of risk and control awareness, extent to which responsibilities related to risk management and internal controls are clearly defined and communicated) are significantly related to the role of the internal audit function within an organization. The tone-at-the-top refers to a company's ethical values, management's philosophy and operating style (Cohen *et al*., 2002) which are reflected by the company's code of conduct or code of ethics.

Based on Sarens & De Beelde (2006), we assume that when the company pursues integrity and clear ethical values reflected in a formal code of conduct/ethics, the internal audit function will take on greater importance. This is because the internal audit function is often seen as a way of

translating and communicating the tone-at-the-top throughout the company (Sarens *et al*., 2009). Therefore, management is more likely to invest in a relatively larger internal audit function.

The American Bar Association (ABA) directors' guidebook states that "an important aspect of the board's responsibility, often referred to the audit committee, is oversight of the corporation's policies and procedures regarding compliance with law and significant corporate policies."

Internal control systems not only contribute to managerial effectiveness but are also important duties of corporate boards of directors. Accounting literature likewise emphasizes the importance of an organization's integrity and ethical values in maintaining an effective control system (Verschoor, 1999).

A focus on integrity and ethical values was the principal contribution of *Internal Control—Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (on fraudulent financial reporting.)

To trigger independence of auditors, the American Institute of Certified Public Accountants (AICPA) Auditing Standards Board issued Statement on Auditing Standards (SAS) No. 78. This statement requires auditors to perform procedures on every audit to enable them to understand their client's control environment including integrity and ethical values. In other words, auditors are specifically required to determine whether their clients' ethical controls are operating. SAS No. 78 points out that ethical values and other elements of the control environment permeate the culture of an organization and affect the strength of all other controls

2.3.1.2 Internal Audit and Financial performance.

Whittington & Pany (2001) suggest that internal auditing is performed as part of the monitoring activity of an organization. It involves investigating and appraising internal controls and the

efficiency with which the various units of the organization are performing their assigned functions. An Internal Auditor is normally interested in determining whether a department has a clear understanding of its assignment, is adequately staffed, maintains good records, properly safeguarding cash, inventory & other assets and cooperates harmoniously with other departments . The internal auditor normally reports to the top management.

Gupta (2001) on the other hand asserts that "Internal audit is an independent appraisal function established within an Organization to examine and evaluate its activities as a service to the organization". The objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities. According to Gupta "the scope of internal audit is determined by management". This may however, impair the internal auditor's objectivity and hampers his independence, it is quite hard to report negatively on someone who determines the scope your work.   Although at a Seminar organized by the Institute of Certified Public Accountants of Uganda (ICPAU), Sebbowa, 2009 in his presentation "The role of Internal Audit function in Organizations", states that "Independence is established by organizational and reporting structure" and that "Objectivity is achieved by an appropriate mindset".

Sebbowa, 2009 also defines "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes".

He further mentions the principles of Internal audit to include; Integrity, Objectivity, Confidentiality and Competency.   However, given that Internal Auditors are appointed by management, report to management, and are employees of an organizations, their objectivity is usually highly compromised.

In accordance to Institute of Internal Auditors (IIA-UK; 1997), independence is applicable to all categories of auditors. This means the opportunity granted to the auditors to report directly to the top authority. Woolf (1986), says, although an internal auditor is an employee of the enterprise and cannot therefore be independent of it, he should be able to plan and carryout his work as he wishes and have access to the highest level of management. However, Millichamp (1993) says, effective internal audit should be carried out by an independent personnel though they are employees appointed by management, for them to work efficiently, they should have scope to arrange priorities and activities have un restricted access to records, assets and personnel

According to Bhatia (2003), Internal Auditing is the review of operations and records sometimes undertaken within the business by especially assigned staff. It's also an independent appraisal function established within an organization to examine and evaluate the effectiveness, efficiency and economy of managements control system (Subramaniam, 2006). Its objective is to provide management with re-assurance that their internal control systems are adequate for the need of the organization and are operating satisfactorily (Reid & Ashelby, 2002). It is a component of the internal control system set-up by management of an enterprise to examine, evaluate and report operations of accounting and other controls. The quality and effectiveness of internal audit procedures in practice are necessary since internal auditors cover a wide variety of assignments, not all of which will relate to accounting areas in which the external auditor is interested. For example, it's common these days for internal audit to undertake the extensive and continuous task of setting management goals and monitoring its performance (Woolf, 1996).

Emasu (2010) notes that "The effectiveness of internal audit function partly depends on; legal and regulatory framework, placement of the function and its independence, existence of audit

committees, resources allocated to the function and professionalism of internal audit staff". It is however a bitter reality that internal audit departments are rarely adequately facilitated.

Regarding the size and facilitation of the Internal Audit Function, Gerrit and Mohammad (2010), found evidence in support of the monitoring role of the Internal Audit Function. They specifically, found evidence that management ownership is positively related to the relative size of the Internal Audit Function, which is inconsistent with traditional agency theory arguments that predict a negative relationship, but more in line with recent studies on earnings management. This finding suggests that increased management ownership may influence the board of directors to support larger Internal Audit Functions to allow them to closely monitor managers' performance. It is also plausible that management with higher share ownership is motivated to invest in larger Internal Audit Function for better monitoring of earnings and for signalling to the board of directors that, despite their high stake in earnings, they are convinced that appropriate use of resources has to be assessed on a regular basis.

Gerrit and Mohammad also believe that the proportion of independent board members to have a negative effect on Internal Audit Function size. This finding may indicate a substitution effect, which means that independent board members may be considered as an alternative monitoring mechanism to the Internal Audit Function. They further assert that the control environment has a significant effect on the relative size of the Internal Audit Function. Specifically, a supportive control environment characterized by formalized integrity and clear ethical values, a high level of risk and control awareness, the perception that risk management is important and the fact that responsibilities with respect to risk management and internal control are clearly defined is associated with a relatively larger Internal Audit Function.

Using a US sample, Wallace & Kreutzfeldt (1991) found that companies with internal audit departments are observed to be significantly larger, more highly regulated, more competitive, more profitable, more liquid, more conservative in their accounting policies, more competent in their management and accounting personnel, and subject to better management controls. Carey *et al*. (2000) found that agency variables do not explain the voluntary use of internal audit by Australian family firms. More recently, a study by Goodwin-Stewart & Kent (2006), using a sample of Australian listed companies, shows that the existence of an Internal Audit Function is positively associated with firm size and commitment to risk management.

Sarens & De Beelde (2006) also show that the risk and control awareness have an influence on the scope of the Internal Audit Function. These results suggest that when management is aware of risks and control activities, they are more likely to understand the role of the Internal Audit Function in monitoring risk and control activities, thus it is more likely that they will support a relatively larger Internal Audit Function (Sarens & De Beelde, 2006a; Selim & McNamee, 1999).

Meigs et al (1988) holds that there must be a strong internal control system and the internal auditor must verify the operations of the system in much the same way, as the external auditor. It involves the investigation, recording, identification and review of compliance tests of control, they also argued that effective internal audit procedures provide sufficient relevant and reliable evidence in order to detect and prevent fraud.

Kochan (1993), considers auditing procedures in one company and describes steps taken in implementing a quality assurance system, she discusses the use of internal audits as an essential part of ISO 9000 certification process. Boakye-Bonsu (1999) asserts that internal audit procedures are seen as ends in themselves rather than a means towards a specific objective, with

such an approach our rambler would undoubtedly get lost. Internal audit procedure is a form and content manual that includes audits notes and responsibilities, documentation standards, local reporting standards and targets, training requirements and expectations and performance measures and indicators (Watts, 1999). Effectiveness is the achievement of goals and objectives using factor measures provided for in determining such achievement. However, it has been traditional in internal auditing that determination of internal auditing effectiveness can be accomplished by evaluating the quality and effectiveness of internal auditing procedures that result in determination by the internal auditors of the character and the quality of effectiveness of the auditee's control operations and if the auditing procedures are effectively carried out, then the evaluative results are positive (Dittenhofer, 2001). Maitin (1994) says efficiency and effectiveness of internal audit procedures is not a simple task, successful operation is governed by the extent to which the element of internal audit procedures receive attention which include; expertise, independence, objectivity and totality. Effectiveness of internal audit procedures is a measure of the ability of the programme to produce a desired effect or a result that can be qualitatively measured (Harvey, 2004). Zabihollah (2001) argues that, there should be effective internal audit procedures to ensure reliability of financial statements, operational reports, safeguarding corporate assets and effective organizational controls. Benston (2003) further supplements that perception and ownership, organization and governance framework, legislation, improved professionalism and resources were identified as functions in the public sector derived from the effectiveness of the internal audit procedures. How far internal audit procedures succeed in their effort of effectiveness is mainly judged by three factors that include; frequency of irregularities committed by the staff in the organization in form of errors or fraud, the

promptness with which such irregularities are detected by the authorities and the planning which

makes possible repetition of such irregularities in future more difficult (Reid & Ashelby, 2002).

Earnest and Young (1995), the work of the internal auditor should appear to be properly planned,

controlled, recorded and reviewed. Examples of the due professional care by the internal auditor

are the existence of an adequate audit manual, general internal audit plans, procedures for

controlling individual assignments and satisfactory arrangements for reporting and following up.

2.3.1.3 Control Activities

Ray and Pany (2001) also mention Control activities as another component of Internal controls.

They note that control activities are policies and procedures that help ensure that management

directives are carried out. Controls activities in an organization basically comprise; performance

reviews (comparing actual performance with budgets, forecasts and prior period performance),

information processing (necessary to check accuracy, completeness and authorization of

transactions), physical controls (necessary to provide security over both records and other

assets), and segregation of duties (where no one person should handle all aspects of a transaction

from the beginning to the end).

The last component of internal control according to Ray and Pany is monitoring. This is aimed at

ensuring that the internal controls continue to operate as intended. This can be achieved through

ongoing monitoring or separate evaluations. Separate evaluations are non routine monitoring

activities such as period audits by the internal auditors.

2.3.2 Financial performance

According to Stoner (2003), performance refers to the ability to operate efficiently, profitability,

survive grow and react to the environmental opportunities and threats. In agreement with this,

Sollenberg & Anderson (1995) asserts that, performance is measured by how efficient the enterprise is in use of resources in achieving its objectives. It is the measure of attainment achieved by an individual, team, organization or process (EFQM, 1999).

Hitt, *et al* (1996) believes that many firms' low performance is the result of poorly performing assets (businesses). Low performance from poorly performing assets is often related to strategic errors made in the acquisition process in earlier years. For example, some firms acquire businesses with unrealistic expectations of achieving synergy between the acquired assets and their current sets of assets. A common reason for such errors is managerial hubris (Roll, 1986) or overvaluation of managerial capability in the acquisition process.

Measures of financial performance

According to Dixon *et al* (1990), appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. Kotey & Meredith (1997) contends that, performance is measured by either subjective or objective criteria, arguments for subjective measures include difficulties with collecting qualitative performance data from small firms and with reliability of such data arising from differences in accounting methods used by firms. Kent (1994) found out that, objective performance measures include indicators such as profit growth, revenue growth, return on capital employed.

Financial consultants Stern Stewart & Co. created Market Value Added (MVA), a measure of the excess value a company has provided to its shareholders over the total amount of their investments. This ranking is based on eight more traditional aspects of financial performance including: total return for one and three years, sales growth for one and three years, profit growth for one and three years, net margin, and return on equity. Verschoor however, mentions other financial measures to include value of long-term investment, financial soundness, and use of

corporate assets. He also talks of non financial performances measures to include; innovation, ability to attract, develop, and keep talented people, quality of management, quality of products or services, and community and environmental responsibility.

Hitt, et al., (1996) mention accounting- based performance using three indicators: return on assets (ROA), return on equity (ROE), and return on sales (ROS). Each measure was calculated by dividing net income by total assets, total common equity, and total net sales, respectively.

Survival

According to Kotler (1992), strong performer firms are those that can stay in business for a good number of years. Dwivedi (2002) also found out that, the ability of a firm to survive in business in an indicator of good financial performance.

Richardson, Sonny & Suzan (1994) found out that, 38 active British businesses went into liquidation in the third quarter of 1992 and in 1991 a total of 21,827 businesses failed compared to 15,051 in 1990. However in Uganda, about 90% of Ugandan SMEs collapse within 3 years Katuntu (2005). This is therefore an indicator of poor financial performance.

2.3.2.1 Liquidity

Hitt, *et al* (1996) mention current ratio (current assets/current liabilities) as a standard measure of liquidity in organisations. Baysinger, (1989) also emphasized the importance of current ratio as a measure of an organisation's liquidity. Other measures of Liquidity according to ACCA and Panday (1996) are; Acid test ratio (i.e. Current Assets less Inventory/Current Liabilities).

2.3.2.2 Accountability
According to Hayes, et al., 2005, Managers need regular financial reports so as to make informed decisions. Reporting (particularly financial reports) is one way through which managers make

accountability for the resources entrusted to them. Emasu (2010) asserts that Accountability can be political, social or financial accountability.

2.3.2.3 Reporting

Whittington & Pany (2001), talk about the comprehensiveness of internal controls in addressing the achievement of objectives in the areas of financial reporting, operations and compliance with laws and regulations. They further note that "Internal control also includes the program for preparing, verifying and distributing to the various levels of management those current reports and analyses that enable executives to maintain control over the variety of activities and functions that are performed in a large organization"

They mention internal control devices to include; use of budgetary techniques, production standards, inspection laboratories, employee training and time & motion studies among others.

According Bakibinga 2001, corporate law requires a divorce between ownership and management of an entity. Owners normally entrust their resources in the hands of managers. Managers are required to use the resources entrusted to them in the furtherance of the entity's objectives. Managers normally report to the owners on the results of their stewardship for the resources entrusted to them through a medium called financial statements. It is these financial statements that reveal the financial performance of an entity.

John J. Morris (2011) believes that Enterprise Resource Planning systems provide a mechanism to deliver fast, accurate financial reporting with built-in controls that are designed to ensure the accuracy and reliability of the financial information being reported to shareholders.

2.4 Conclusion

From the Literature review, several researchers seem to concur that there is a relationship between Internal Control Systems and financial performance of an organization. These conclusions will however be confirmed or dispelled after empirical evidence has been obtained from the research.

CHAPTER THREE
METHODOLOGY

3.0 Introduction

This Chapter focuses on the methods that were used to collect data and analyze it. It greatly concerns the research design, the population that was studied, the sample selection procedures and sampling techniques used, data collection, methods of verifying reliability and validity of data and methods, matters regarding ethics and the limitations of the methodology used as well as the conclusions drawn from the methodologies used.

3.1 Research design

The study was conducted using a combination of Research designs particularly Surveys, Correlation and Case study. Survey (according to Oso and Onen, 2008) "present an oriented methodology used to investigate population by selecting samples to analyze and discover occurrences". The same Authors explain Correlation as the determination of whether or not and to what extent an association exists between two or more variables. They also note that case study is "an Intensive descriptive and holistic analysis of a single entity or a bounded case".

Survey was used for its economy, rapid data collection and ability to understand a population from a part (Oso and Onen, 2008). Correlation was used as a means of trying to examine the relationship between internal control systems and financial performance. Case study was used since UMU was chosen as a representative of an institution of higher learning where results of the study can be replicated and applied to other Institutions of higher learning. Case study was

also chosen because the study focused on the main campus as a representative of other UMU centers.

3.3 Study Population

The study will focus on finance and finance related departments of the University targeting particularly Finance and Accounts personnel, Deans, Associate Deans and Heads of Departments of the University. The University has a 270 full time staff (UMU HR 2010). Currently Finance and Accounts offices have 14 members of staff (UMU HR 2011). All these are expected to be interviewed. The financial management process of the University involves a cross section of individual and most importantly the departmental heads of the university (especially during the budgeting process). This was basically due to the decentralized policy adopted by the University. The Units of analysis therefore included all Deans, Associate Deans, Department heads, and Finance and Accounts staff of the University.

3.4 Area of the study

The study focused on UMU main campus and focusing particularly of internal controls (particularly control environment, internal audit and control activities) operated at the main campus.

3.5 Sample size and Sampling Selection techniques

The study basically targeted top and middle level management members because they are the Custodians of Internal control. Accordingly, all departmental heads were targeted as respondent, however, greater emphasis was laid on capturing members in Finance and Finance related offices. The objective was to interview at least 75% of the departmental heads and all staff in finance and accounts related offices. The researcher therefore used purposive sampling

techniques in selecting Interviewees with an option of replacing those who didn't wish to respond to the Researcher's plea.

Purposive sampling is where the Researcher consciously decides who to include in the sample. It was used simply because the study was targeting basically custodians of the internal control systems. It also ensured that only people with relevant information are sampled.

3.6 Data source & methods of data collection

Data was collected using both primary and secondary data collection techniques. Primary data was gathered basically through structured questionnaires and interviews with "Key informant members" Secondary data on the other hand was gathered through review of available financial records like Audited Financial Statements, Auditors Management letters and other University Publications. The Researcher also used a combination of structured questionnaires and interviews. According to Oso and Onen, (2008) questionnaires are a data collection technique in which the respondents respond to the number of items in writing. Questionnaires were chosen simply because of the time limitation and partly because the Research was dealing with an elite community (respondents).

Interviews were the other data collection technique used by the Researcher. They were used as a way of supplementing the questionnaires already filled, but at the same time they would enable the Researcher probe further into the responses given in the questionnaires especially given the importance of the research and the specialized nature of the topic under study.

Data was basically collected from Deans, Associate Deans, Departmental heads or their Assistants, Management Committee members, Finance and Accounts staff.

3.7 Data Management and analysis

The study targeted departmental heads, management committee members and finance and accounts personnel to form Units of analysis. The collected Data was fed into computer programs (using particularly the Statistical Package for Social Scientist with the help of an Expert) for easy analysis and interpretation of results.

The data was analyzed using both statistical and narrative methods. Correlation was used as a way of assessing the relationship between internal controls and financial performance. Narrative analysis was used to explain the qualitative results of the survey.

3.8 Reliability and Validity

The reliability was ensured by testing the instruments for the reliability of values (Alpha values) as recommended by Cronbatch, (1946). Cronbatch recommends analysis for Alpha values for each variable under study. According to Sekaran 2001 Alpha values for each variable under study should not be less than 0.6 for the statements in the Instruments to be deemed reliable. Consequently, all the statements under each variable were subjected to this test and were proven to be above 0.6.

The validity of the data collection instruments was done with the help of an Expert (the Researcher's Supervisor) to edit the questionnaire and the Interview guide. The Researcher forwarded the structured Questionnaire to Supervisor who is an expert in the area covered by the research for editing and reviewing.

Table 1: 3.1: Reliability table

Constructs	Alpha Values
Control Environment	0.88
Internal Audit	0.83
Control Activities	0.87
Liquidity	0.70
Accountability	0.72

The table above (3.1) reveals that all the variables have Alpha Values above 0.6 mark recommended by Sekaran. Therefore all the variables in the instrument are deemed reliable.

3.9 Ethical consideration

Ethical considerations were taken into consideration by first seeking authorization the top management of the University. Questionnaires were structured in such a way that there was no mention of the Interviewee's name. A statement as to the strict confidentiality with which data will be held was expressly stated in the questionnaire. Further, responding was optional, basically explaining the reason for replacing respondents who didn't wish to respond as mentioned in the "Sample Size and Sample Selection techniques" above. Ethical considerations were also taken care of by the researcher briefing the respondents as to the purpose of the research, their relevance in the research process, and expectations from them.

3.10 Limitations

The study Research has the following Limitations:

- Study area. The study was conducted using one Institution; Uganda Martyrs University (case study), with an assumption that the results can be replicated and applied to any other Institution of higher learning yet institutions differ. Some Institution are Government owned, other are private, some are formed with a profit motive yet other are not. It was not economically feasible nor operationally possible to study all institutions

of higher learning, thus culminating into the choice on institution (Uganda Martyrs University) so as to have an in-depth understanding of effects of internal controls systems on the financial performance of institutions of higher learning. This however does not vitiate the results of the study since almost all institutions of higher learning seem to have similar or related objectives and have the same clientele

- Sample size used. The Researcher used Deans, Associate deans, Heads of departments and staff in Finance and Finance related offices yet the University has several staff, implying that valuable information could have been left out among the un-sampled staff members. The time allocated to the study could not permit inclusion of other staff who are not directly involved with Internal control systems of the institution, even though some of them could have had very valuable information in the area under study. It is however presumed that a greater proportion of the unsampled staff's ideas were captured through their representation by the Deans, Associate deans, Departmental heads, Management Committee members and Finance and Accounts staff members, especially given that the mentioned staff are the custodians of internal controls or are the ones greatly involved with the Internal control systems of the institution.

- The design of the research is cross section, implying that it is short term in nature. It is therefore likely not to capture an in-depth understanding of the situation.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the output of data analysis. The presentations are in form of tables and statements. The presentation is according to the objectives of the study and the hypotheses generated.

4.1 Quantitative data presentation and discussions

The background information of respondents was deemed necessary because the ability of the respondents to give satisfactory information on the study variables greatly depends on their background. The background information of respondents solicited data on the samples and this has been presented below categorized into; gender, education levels, position held, age and length of service in the organization.

4.1.1 Gender characteristics of respondents

The study examines and describes the gender details of respondents in this study and details of their respective gender is presented in table 4.1 below

Table 2: 3.2: Gender characteristics of respondents

Gender	Frequency	Percent
Male	23	60.5
Female	15	39.5
Total	**38**	**100.0**

Source: Primary data

Table: 4. 2 above reveals that 60% of the respondents were males and 40% were female. This could indicate that there are still low levels of employment of females in institutions of higher learning in Uganda. The findings represent the views of the two sex groups about internal control

systems and financial performance in institutions of higher learning. This was necessary for the study to get a balanced picture of the respondents' views.

4.1.2 Education characteristics of respondents

Details about the education levels of respondents were obtained and the results are revealed in table 4.2 below;

Table 3: 4.3: Education Levels of Respondents

Qualification	Frequency	Percent
Diploma	2	5.3
Bachelor	7	18.4
Masters	23	60.5
PhD	5	13.2
Other	1	2.6
Total	**38**	**100.0**

Source: Primary data

In table 4.2 above, it can be revealed that majority of respondents who are also the employees show that they hold masters degree, followed by bachelors, PhD, diplomas and others in the orders of 60%, 18%, 13%, 5% and 3% respectively. This means that the respondents are adequately qualified persons academically.

4.1.3 Description of the Positions of respondents in the Institution

The study sought and obtained details about the positions held by the respondents in the Institution for purposes of understanding their role in the variables of study. Details of the respondents and their positions are shown in table 4.3 below;

Table 4: 4.3: Position held in the organization

Position held	Frequency	Percent
Mgt Committee Member	1	2.6
Departmental Head	21	55.2
Associate Dean	5	13.2
Finance and Accounts Staff	10	26.3
Total	37	97.4
System	1	2.6
Total	**38**	**100.0**

The analysis results in table 4.3 show that majority of respondents in this study are Heads of departments (21), followed by Accounts and Finance staff (10), then associate deans (5), and management committee (1). These represent 55%, 26%, 13% and 3% respectively.

From the above description, it can be revealed that the majority of the respondents in this study are those directly responsible for or directly involved the implementation of the Internal Control System. Therefore, their responses are deemed to reflect what actually takes place in the institution.

4.1.4 Description of age groups of respondents

The study obtained details about the age groups of the respondents for purposes of understanding their age and possibly the experience they possess in their respective positions. Details of the findings are shown in table 4.4 below;

Table 5: 4.4: Age Groups of Respondents

Age Group	Frequency	Percent
18-25	2	5.3
26-35	9	23.7
36-45	18	47.4
46-55	6	15.8
56+	3	7.9
Total	**38**	**100.0**

Source: Primary data

From the description above it is clearly evident that the majority of the respondents are in the age bracket of between 36-45, followed by 26-35, 46-55, 56+ and 18-25 in the orders of 47%, 24%, 16%, 8% and 5% respectively. It can therefore be concluded that the majority of the respondents are in the most productive age brackets of their life and are reasonably experienced (assuming that an average Ugandan starts work at the age of 23 years).

4.1.5 Longevity of service

The study investigated the length of period in years served by the respondents in the institution and the findings are presented in table 4.5 below.

Table 6: 4.5: Length of Service in the Institution

	Frequency	Percent
1 - 3 years	14	36.8
4 - 6 years	10	26.3
7 - 10 years	8	21.1
10+ years	6	15.8
Total	**38**	**100.0**

Source: Primary data

In table 4.5 above, it can be revealed that majority of respondents have worked in the Institution for the period 1-3 years (14), followed by 4-6 years (10), then 7-8 years (8), and lastly, over 10 years (6). These represent 36.8%, 26.3%, 21.1%, and 15.8% respectively. This could also show that majority of the respondents have worked in the Institution for less than 10 years, as per the illustration.

4.2 Examining the functionality of Internal Control systems

The study sets one of its objectives to critically analyze and reveal how the Internal Control Systems of the Institution actually performs, and details are presented in the descriptive statistics shown by the values of the respective means and standard deviations of the key empirical references. Details of these analyses are shown in table 4.6 below;

4.2.1 Descriptive statistics on Internal Control systems.

Table 7: 4.6: Mean and Standard deviation of Control Environment

	N	Min.	Max.	Mean	Std. Deviation
Accounting & Financial mgt system	38	2	5	4.08	.882
Management Commitment	38	2	5	3.71	.984
Management's close Monitoring	38	2	5	3.24	.943
Management providing feedback	37	1	5	2.78	1.004
Correction of errors in the system	38	1	5	3.21	.935
Management Integrity	38	1	5	3.29	1.137
Ethical values	38	1	5	3.11	1.034
Independent audit committee	38	1	5	3.08	1.124
Council independence and its committees	38	2	5	3.66	.878
Valid N (list wise)	37				

Source*: Primary data*

In table 4.6 are details of the measures of effectiveness of the control environment under different key statements obtained from the respondents. The statements have been ranked in terms of their means and standard deviations so as to deduce meaning out of the results. Therefore, the details of the table are discussed under sub headings of the corresponding statements tested.

4.2.1.1 Accounting and Financial management system

The study (as reflected in table) found that the respondents seem to agree that the Institution has an accounting and financial management system in place with a mean value of 4.08 which appears to be close to the maximum rank of 5. This shows that they generally agree about the existence of an accounting system. However, the corresponding standard deviation also revealed a significant value of 0.882. This also shows that there is a clear variation in the responses provided by the respondents about the existence of the accounting and financial management system. Having an accounting and financial management system as reflected by the above results is in line with John J. Morris' advocacy for an Enterprise Resource Planning system that deliver fast and accurate financial reports with inbuilt controls necessary to ensure accuracy and

reliability of information being reported to Shareholders. It is also an indication that Whittington and Pany's requirement of preparing, verifying and distributing reports to the various management levels is achievable.

4.2.1.2 Management commitment on the operations of the system

From the table 4.6 above, respondents seemed to agree that management is committed to the operation of the Accounting and Financial management system as reflected by the mean value of 3.7 which is tending towards the maximum point of 5. However, a significant standard deviation of 0.984 suggests varied responses regarding management's commitment to the Accounting & Financial management system. Management commitment to the operations of the Accounting and financial management system rhymes with Whittington and Pany's assertion of the control environment setting the tone of the organization and influencing the control consciousness of everyone in the organization. It supports the assertion by Whittington and Pany that control environment (especially management philosophy and operating style) is the foundation for all other components of internal control. Management's commitment to the operations of the internal control system is also supported by Verschoor, (1999) where he notes that "Internal control systems not only contribute to managerial effectiveness but are also important duties of the corporate boards of directors". Therefore management commitment to the operations of the system is a fulfillment of their obligation as highlighted by Verschoor.

4.2.1.3 Monitoring implementation of Internal Control system

In Table 4.6 above, respondents provided their understanding in regard to how management closely monitors implementation of the controls and their perceptions show mean of 3.24, implying that they agree with the statement. But since the mean appears so close to the actual

average, then the need to closely focus on the variation. Thus, a standard deviation of 0.943 suggests significant differences in responses as regards management's monitoring of implementation of internal control system. The finding is in line with Wallace & Kreutzfeldt (1991), Goodwin-Stewart & Kent (2006), and Sarens & De Beelde (2006) all of whom advocate for management (control environment) as the cornerstone for an effective internal control system. Sarens & De Beelde in particular emphasize the "tone at the top, the level of risk and control awareness" as critical to the success of an internal control system.

4.2.1.4 Provision of feedback to junior officers

The results as reflected in table 4.6 show a mean of 2.78. This is below the mean average, implying that respondents disagree as to the statement regarding feedback to junior officers regarding the operation of the system. Consequently, a greater standard deviation figure of 1.004 raises concerns regarding the feedback given to junior officers regarding the operations of the accounting and financial management system. The figure of standard deviation further reveals that the respondents had varied opinion about feedback and this could also mean that besides disagreeing about feedback, they could also be in disagreement with the type of feedback provided by management. The results are at odds with Whittington and Pany (2001)'s requirement for management to include programs for preparing, verifying and distributing reports and analyses to various level of management to enable them maintain control over a variety of activities.

4.2.1.5 Measures taken to correct Errors in Accounting and Financial management system

The results of the survey in table 4.6 suggest that respondents seem to agree that appropriate action is normally taken by management to correct misfeasance in the operations of the system,

although the standard deviation of 0.935 provided by the same respondents suggests that they possess varied understanding about the aspect of the measures taken to correct any weaknesses in the controls. This could also imply that measures taken are sometimes, not communicated or formal. Management's action to correct misfeasance in the system is an indication of management's commitment to the operation of the internal control system. This is a general (entity-wide) control advocated for by John J. Morris (2011). This can as well be classified as a strategic control advocated for by Hitt, Hoskisson, Johnson and Moesel (1996).

4.2.1.6 Management Integrity

The results of the survey as revealed by Table 4.6 suggest that management acts with Integrity. This is evident when the mean of respondents as computed by the system is well above the average (i.e. 3.29). Nevertheless, the corresponding standard deviation of 1.137 suggests that respondents had a significant variation in responses on management integrity in the execution of their role; a highly contentious issue. However, this could also be construed to imply that respondents might not have clearly understood the dimensions of integrity in this context. The results in this section are in tandem with Whittington and Pany (2001)'s assertion where they talk of the control environment to include factors like integrity and ethical values of persons responsible for creating, administering controls. This can also be likened to "the control environment setting the tone of the organization by influencing the control consciousness of people" stipulated by Cohen *et al.*, (2002).

4.2.1.7 Ethical values in management decisions

The analysis results in table 4.6 reveals that to some extent, ethical values are upheld in all management decisions as reflected by a mean value slightly above average, 3.11. However, even

then the respondents seemed to have varied in their responses regarding ethical values in all management decisions as revealed by a standard deviation of 1.034 (shown in figure 4.6) Upholding ethical values in management decisions is in line with Cohen *et al.* (2002) where he state that "the tone at the top refers to a company's ethical values, management's philosophy and operating style" which are reflected in the code of conduct or code of ethics.

4.2.1.8 Objectivity and independent of the audit committee

The analysis of results in Table 4.6 reveal a mean of 3.08, implying that the respondents were slightly in agreement in regard to the objectivity and independence of the Audit committees. However, a standard deviation of 1.124 reveals a significant variation in the opinions which could also relate to not clearly understanding the role of the committee. Audit Committee's independence is in line with Whittington and Pany (2001)'s requirement for audit committees to be independent from the management of an institution and to possess the requisite experience and status. The independence and objectivity of the audit committee also rhymes well with (DeZoort *et al.*, 2002; & Spira, 2002)'s statement that "the audit committee, as a subcommittee of the board of directors, plays a role in protecting the owners' interests by monitoring management's actions, in terms of financial reporting, risk management and internal control"

4.2.1.9 Independence of Governing council and its committee

The results of the survey as reflected in Table 4.6 revealed that the governing council and its committees are independent of management as shown by a mean of 3.66, even though there were variations in responses to this test as revealed by the standard deviation of 0.878. However, the variations in responses do not show a big movement from the mean. This finding is also in line with DeZoort *et al.*, (2002); and Spira, (2002)'s statement that the audit committee, as a

subcommittee of the board of directors (Governing Council), plays a role in protecting the owners' interests by monitoring management's actions, in terms of financial reporting, risk management and internal control. This role can only be effectively executed if governing council and all its subcommittees are independent. The governing council's independence was also highlighted by the American Institute of Certified Public Accountants (AICPA) through its Auditing Standards Board through the issuance Statement on Auditing Standards (SAS) No. 78.

4.2.2 Descriptive statistics on Internal Audit.

Table 8: 4.7: Mean and Standard deviation of Internal Audit

	N	Min.	Max.	Mean	Std. Dev.
Existence of Internal Audit Department	38	2	5	4.00	.900
Sufficiently staffed Internal audit dept	38	1	4	2.55	.921
Conduct regular internal audit activities	38	1	5	2.79	1.069
Report addresses weaknesses	38	2	5	3.13	.844
Regular reporting of weaknesses	38	1	5	2.92	1.050
Management discusses Internal audit reports	38	1	5	3.11	.894
Appropriate recommendations for improvement	38	1	5	3.34	1.072
Internal auditor visits upcountry centres	37	1	4	2.68	.852
Internal auditor issues upcountry reports	38	1	4	2.66	.878
Degree of autonomy from management	38	1	5	3.08	.882
Valid N (list wise)	37				

Source: Primary data

In the Table 4.7, the researcher set out to examine the internal audit function (another component of the internal control system) as a way of examining the functionality of the internal control system. The test statements were equally ranked in terms of their mean and standard deviation as a way of interpreting the results. The details of the survey in this regards are discussed under the sub headings of the corresponding statements tested as follows;

4.2.2.1 Existence of internal audit department

From the results in table 4.7, it is clearly evident that respondent were almost in total agreement as to the existence of the Internal audit function in the Institution as reflected by a mean value of

4.0 which is tending towards maximum value of 5 (i.e. strongly agreeing). However, the standard deviation of 0.9 suggests variations in responses by the various respondents. Virtually all the writers (reviewed) underscore the importance of an internal audit department in helping an organization achieve its objectives. Notable among these are Subramaniam, (2006), Reid & Ashelby, (2002) and Millichamp (1993) among others. Therefore the finding is in tandem with the reviewed literature.

4.2.2.2 Internal Audit sufficiently staffed

Results of the survey in table 4.7 show a mean of 2.55 which is below the average; this suggests that respondents don't believe that the internal department is sufficiently staffed.

However, a standard deviation of 0.921 suggests varied responses as to whether the internal audit department is sufficiently staffed. The understaffing in the internal audit department could be compensated for by an active and independent Council and its Sub Committee. This is what Gerrit and Mohammad (2010) refer to as "a substitution effect, which means that independent board members may be considered as an alternative monitoring mechanism to the Internal Audit Function".

4.2.2.3 Internal audit staff conduct regular internal audit activities in the Institution

From the results of the survey as reflected by Table 4.7, respondents seem to disagree as to whether the Internal audit staff conduct regular internal audit activities. This is revealed by a mean of 2.79 which is below the average of 3. However, a standard deviation of 1.069 suggests a significant variation in the responses generated by the respondents. This means that the internal auditor's role of examining and evaluating the effectiveness, efficiency and the economy of the management control system as advocated by Subramaniam, (2006) may not be achieved. This is

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however in contrast with findings 4.2.1.2 "Management commitment on the operations of the system" and 4.2.1.3 "Monitoring implementation of Internal Control system"

4.2.2.4 Internal audit report addresses weaknesses in the internal control system

Results of the survey as reflected in table 4.7 suggest that Respondents agree that the Internal audit reports address weaknesses in the internal control system. This is revealed by a mean of 3.13, although the standard deviation of 0.844 seems to suggest variation in the responses generated for the test. This therefore confirms Whittington and Pany (2001)'s suggestion that "internal auditing is performed as part of the monitoring activity of an organization". This is also in line with Gupta (2001) assertion that "the objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities".

4.2.2.5 Internal audit reports are produced regularly

Results of the study in table 4.7 suggest that staffs are not sure as to whether internal audit reports are produced regularly. This is revealed by a mean value of 2.92 which is slightly below the average. However, a significant standard deviation of 1.05 which suggests that in as much as staffs are not sure as to whether internal audit reports are produced regularly, they varied greatly in their responses. This could also imply that the staffs might not be aware of audit reporting schedule since they are submitted directly to the vice chancellor, management committee or audit committee of council. The finding does not augur well with Sebbowa (2009)'s suggestion that internal auditing is a consulting activity designed to add value and improve an organization's operations. This therefore means that Zabihollah (2001)'s assertion of internal audit procedures ensuring reliability of financial statements, operational reports, safeguarding corporate assets and effective organizational controls may not be achieved.

4.2.2.6 Management discusses internal audit reports frequently

From the survey, as reflected in table 4.7, it can be deduced that respondents slightly agree that management discusses internal audit reports frequently, this is revealed by a mean value of 3.11, although the standard deviation under the same test revealed a variations in responses generated. Management discussing internal audit reports is an indication of management commitment. It reaffirms Wallace & Kreutzfeldt (1991)'s finding that companies with internal audit functions are well run entities, are more competent in their management and accounting personnel and are subject to better management controls. This is also in line with Earnest and Young (1995)'s statement that the work of the internal auditor should appear to be properly planned, controlled, recorded and reviewed.

4.2.2.7 Internal auditor makes appropriate recommendations to management

From table 4.7 above, respondents seem to marginally agree with statement regarding internal audit recommendations to management regarding improvement in system of control as reflected by the mean value of 3.34. However, a significant standard deviation figure of 1.072 reveals varied responses from the respondents on the same, implying that they have different opinions about this role played by internal auditor. This could also infer as to whether the internal auditor makes appropriate recommendations for management to improve. The finding is in agreement with Gupta (2001)'s statement that "the objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities".

4.2.2.8 Internal audit department visiting up country centers

From the results of the survey as reflected in table 4.7 above, respondents did not agree about the internal auditor visiting up-country centers. This is revealed by a mean value of 2.68. It worth

noting that in as much as the respondent disagreed with the Internal auditor's visit to up country centers regularly, they were tending towards the average value of 3, implying that to some extent the respondents were not sure as to whether the Internal auditor visits up country centers regularly. However, a standard deviation of 0.852 suggests varied responses over the control. Therefore Gupata's statement of "the objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities" may not hold true in this respect.

4.2.2.9 Internal audit issuing audit reports on upcountry centers

The results of the survey as revealed by table 4.7 in this regard suggest a disagreement by respondents as to whether the internal auditors issues reports on upcountry centers regularly. This is shown by a mean value of 2.66. This is in tandem with the revelation in 4.2.2.8 where respondents didn't agree that the internal auditor visit up country centers regularly. A closely similar standard deviation of 0.878 seems to emphasize the respondents' observation in 4.2.2.8, implying those respondents are equally not sure as to whether the internal auditor issues upcountry reports regularly. This finding therefore seems to suggest a failure by the internal audit function in its monitoring role alluded to by Whittington and Pany (2001).

4.2.2.10 Degree of independence of internal audit department

The results of the survey as reflected in table 4.7 suggest those respondents are indifferent as to the internal auditor's independence from management. This is revealed by a mean value of 3.08. However, a standard deviation of 0.882 reveals that there were varied responses from the respondents as to the independence of the internal auditor from management. This does not rhyme with Gupta (2001) Millichamp (1993) and Sebbowa (2009) who advocate for independence of the internal auditor in the execution of his/her duties.

4.2.3 Descriptive statistics on Control activities

Table 9: 4.8: Mean and standard deviation of Control Activities

	N	Minimum	Maximum	Mean	Std. Deviation
Clear separation of roles	38	1	5	3.42	1.244
Employees' work checked by others	36	1	5	3.08	.906
Appropriate supervision by senior staff	38	1	5	3.47	.893
Corrective action taken to address weakness	38	1	5	3.21	1.119
Staff trained to implement system	38	1	5	3.34	.938
Well developed Chart of Account	37	1	5	3.35	1.060
Information accessed with consent of senior staff	36	1	5	2.97	.971
No expense is incurred in excess of budgeted	37	1	5	3.05	.998
Variance reports generated with explanations	37	1	5	2.89	1.197
Security systems safeguards Assets	37	1	5	2.51	1.096
Valid N (list wise)	34				

Source: Primary data

In the table 4.8 above the researcher set out to examine the functionality of the internal control systems in an Institution of higher learning using control activities as an internal control component. The results were analyzed used mean and standard deviations so as to drawing conclusions from the survey. The results are discussed under the various headings of the statements tested. These are discussed as follows;

4.2.3.1 Separation of roles within the Institution

The results of the survey as reflected in table 4.8 suggest that respondents agree there is a clear separation of roles while executing finance and accounting functions. This is shown by a mean of 3.42. However a significant standard deviation of 1.244 is a clear manifestation of varied responses from respondents as far as clear separation of roles is concerned. This is in line with Ray and Pany (2001)'s "suggestion of segregation of duties" such that no one person should handle all aspects of a transaction from the beginning to the end.

4.2.3.2 Internal checks within the Institution

To results of the survey as reflected in table 4.8 suggest that respondents were indifferent as to whether every employee's work is checked by others as revealed by the mean value 3.08. However, a standard deviation of 0.906 reveal varied responses from the respondents interviewed as far as checking other employees' work is concerned. The lack of internal checks within an institution is at odds with Whittington and Pany's recommendation of "information processing" in which he recommends checks to ensure accuracy and completeness of information being processed.

4.2.3.3 Supervision by senior staff

The table 4.8 reveals that respondents agree that there is appropriate supervision of junior staff by their seniors. This is revealed by a mean value of 3.47, though it is not significantly far from the "not sure" position. The standard deviation of 0.893 reveals that there were varied responses from the respondents interviewed. The lack of supervision by senior staff is an indication of deficiencies in strategic controls as advocated for by Hitt, Hoskisson, Johnson, and Moesel (1996) which if not addressed may lead to material internal control weaknesses.

4.2.3.4 Action taken to address weaknesses

The results in table 4.8 above reveal that respondents agree that corrective action is normally taken to address weaknesses as shown by a mean value of 3.21. This value is close to the midpoint position, implying that respondents were almost not sure as to whether corrective action is taken to address weaknesses. However, a significant standard deviation of 1.119 shows that there are very varied responses as far as responses to this control test was concerned. Action being taken to address weaknesses in the system is an indication of the commitment to system by

management as recommended by Sarbanes-Oxley Act of 2002 (SOX). This is the commitment referred to by Whittington and Pany (2001)

4.2.3.5 Staffs are trained to implement Accounting and Financial management system

Table 4.8 reveals that respondents agree that staffs are trained to implement Accounting and financial management system and this is shown by a mean value of 3.34. However, this seems close the midpoint of 3 implying that the respondents do seem to appreciate internal control activities. Nevertheless, a standard deviation of 0.938, however suggests varied responses from respondents as far as staff training in the implementation of accounting and financial management systems are concerned. Staff being trained in the use of Accounting and Financial management system is an indication of the commitment to the effectiveness of systems of internal control. It is what Verschoor, (1999) recommended as "programs of selection and training of personnel".

4.2.3.6 A well developed chart of account

The results in table 4.8 suggest that respondents agree to a small extent that the Institution has a well developed chart of accounts. This is revealed by a mean of 3.35. However a significant standard deviation of 1.06 suggests that there were varied responses as far as this test concerned. Having a well developed Chart of Account is both a strategic control and a financial control referred to by Hitt, *et al;* (1996)

4.2.3.7 Restriction of access to valuable information

The results in table 4.8 indicate that respondents were almost indifferent as whether "it is impossible for one staff to have access to all valuable information without the consent of senior staff. This is revealed by a mean value of 2.97, which is very close to the "not sure" position

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although the standard deviation of 0.971 indicates the respondents varied greatly as far as this test was concerned. This may be an indication of lack of segregation of duties which may impact on the reliability of financial reports referred to by Whitttington and Pany.

4.2.3.7 Controls over expenditure

The results in table 4.8 above revealed that respondents were not sure as to whether controls are in place to exclude incurring expenditure in excess of allocated funds. This is revealed by a mean value of 3.05 which is very close the average of 3 (i.e. the not sure position). However, the deviation of 0.998 suggests varied responses to the test from the respondents interviewed. The finding could be a failure in the monitoring aspect referred to by Hayes, et al (2005)

4.2.3.8 Departmental budgets review

The results in table 4.8 suggest that respondents disagreed with the test statement that "departmental budgets are reviewed with actual expenditure compared with budgets and explanations for the variances obtained". This is revealed by a mean value of 2.89. However, in as much as respondents disagreed with the test statement, they were tending towards the "not sure" position of 3. The standard deviation of 1.197 over the same test suggests varied responses from the respondents interviewed. The failure by the Institution to provide budget reviews is at odds with Ray and Pany (2001)'s recommendation for "performance reviews" where he recommends comparing actual performance with budgets, forecasts and prior period performance.

4.2.3.9 Security system on safeguard of Institutional assets

The results of the survey as reflected in table 4.8 suggest that respondents disagree with the security system ability to identify and safeguard assets of the Institution. This is revealed by a

mean value of 2.51. However, a significant standard deviation of 1.096 suggests that respondents varied greatly in their responses to the test statement. The failure by the system to identify and safeguard assets of the institution does not augur well with Ray and Pany (2001)'s recommendation for "physical controls" (necessary to provide security over both records and other assets.

4.3 Examining the financial performance of Institutions of Higher Learning

This section answers objective two of the study. Financial performance of institutions of higher learning was examined by analyzing data collected under dimensions of financial performance and computing for the mean and standard deviation of the responses to the statements categorized under liquidity, accountability and reporting. Details of these analyses are shown in table 4.9 below;

4.3.1 Descriptive statistics on Financial Performance

Table 10: 4.9: Mean and standard deviation of Liquidity

	N	Min.	Max.	Mean	Std. Dev
Enough cash to meet obligations	37	1	5	1.97	1.213
Fees charges appropriate.	37	1	4	2.59	.956
Fees dully collected	36	1	5	2.64	1.046
Outstanding fees dully paid	37	1	5	2.97	1.142
Valid N (list wise)	36				

Source: Primary data

4.3.1.1 Cash availability within the Institution

From the information revealed by table 4.9, respondents believe that the Institution doesn't have enough cash to meet its obligations effectively as and when they fall due. This is revealed by a mean value of 1.97. However, a significant standard deviation value of 1.213 under the same test revealed varied responses from the respondents interviewed. The lack of cash does not rhyme with Verschoor. (1999)'s assertion of "financial soundness" as a measure of performance.

4.3.1.2 Appropriateness of Institution's fees structure to cover costs

From table 4.9, it can be revealed that the fees charged by the Institution are not appropriate to cover the costs of running the courses. This is shown by a mean value of 2.59 although the standard deviation of 0.956 under the same test revealed varied responses from the respondents. This has implications on the financial soundness of the Institution and it may hinder investment as mentioned by Verschoor. (1999).

4.3.1.3 Management collects all University fees

From the information collected from respondents according to table 4.9, it clear that all University fees are not dully collected. This is revealed by a mean value of 2.64. However, a standard deviation of 1.046 reveals varied responses from the respondents interviewed over the same test. The information revealed could be an explanation as to the inadequacy of the cash position of the institution as revealed by the finding under 4.3.1.1 (Cash availability within the Institution). This means that the financial soundness alluded to by Verschoor (1999) may not be achieved.

Table 11: 4.10: Mean and Standard deviation of Accountability

	N	Min.	Max.	Mean	Std. Deviation
System identifies Grant receipts & expenditure.	37	1	5	3.00	1.054
Assets have increased over time	37	1	5	3.00	1.130
Valid N (list wise)	37				

4.3.1.5 Institution's accounting system adequately identifies the receipts and expenditure of the grant contracts

From table 4.10, it is clearly evident that, respondent were indifferent as to whether the Institution's accounting system adequately identifies receipts and expenditures of grant contracts.

This is revealed by a mean value of 3.00 which is the "not sure" position according to the Likert scale. However, the standard deviation of 1.054 reveals that, respondents varied in their responses to the test.

4.3.1.6 The University's asset base

The results in table 4.10 reveal that respondents were not sure as to whether the University's assets have increased over time. This is shown by a mean value of 3.00. However, a significant standard deviation of 1.130 reveals that in as much are respondents were not sure in their responses, they varied greatly in their responses to test statement. This casts doubt on the financial soundness referred to by Verschoor (1999)

4.4 Relationship between Internal Control systems and financial performance

This section answers objective three of the study. The relationship between internal control systems and financial performance in an institution of higher learning in Uganda was investigated using control environment, internal audit and control activities as dimensions for internal control systems while liquidity, accountability and reporting were for financial performance.

Table 12: 4.11: Pearson's Correlation analysis

		1	2	3	4	5	6
1	Control environment	1					
2	Internal Audit	0.217^{*}	1				
3	Control Activities	0.301^{**}	0.502^{*}	1			
4	Liquidity	0.294^{**}	0.091^{*}	0.291^{**}	1		
5	Accountability	0.338^{*}	0.447^{**}	0.411^{**}	0.094^{**}	1	
6	Reporting	0.276^{**}	0.389^{**}	0.299^{**}	0.179^{**}	0.266^{**}	1

** $\sigma=0.01$ (correlation is significant at 0.01 level (2-tailed)
* $\sigma=0.05$ (Correlation is significant at 0.05 level (2-tailed)
***Source**: Primary data*

The correlation table presents the relationship between dimensions of Internal Controls measured by control environment, Internal audit and control activities against Financial performance, measured by liquidity, accountability and Reporting. The results show that all the dimensions relate positively.

Specifically, control environment relates positively with liquidity, accountability and reporting (r = 0.294, p < 0.01; r = 0.338, p < 0.01; r = 0.276, p < 0.01) respectively. These suggest that the control environment relates positively with financial performance.

Figure 2: Relationship between Internal control systems & financial performance
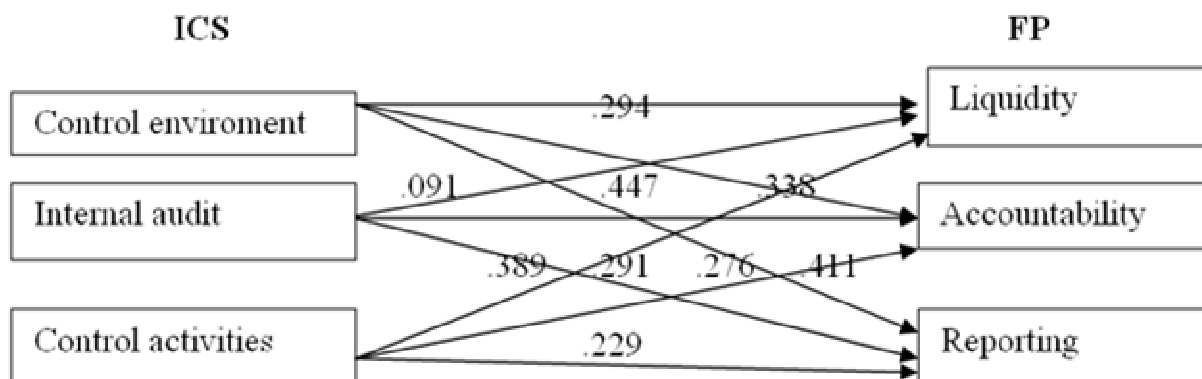
4.4.1 Control environment is related with financial performance

Table 4.11 above shows that the control environment is positively related to liquidity with r = 0.294 and standard error, p < 0.01, the control environment is positively related with accountability with r = 0.338 and standard error, p < 0.01, and the control environment is positively related to reporting with r = 0.276 and p < 0.01. The results seem to agree with Whittington and Pany's assertion of the control environment setting the tone of the organization. The control environment (as reflected by the audit committee) is what DeZoort *et al*., (2002)

referred to as "protecting the owners' interests by monitoring management's actions, in terms of financial reporting, risk management and internal control". Owners' interests can only be protected through accountability and reporting. This suggests that the Control environment is related with financial performance and therefore hypothesis one (**H1**), *there is a relationship between the control environment and financial performance of institutions of higher learning in Uganda* is accepted.

4.4.2 Internal audit and financial performance.

The results in table 4.11 indicate a positive relationship between internal audit and liquidity with $r = 0.091$ and $p < 0.01$, internal audit is positively related to accountability with $r = 0.447$ and $p < 0.01$, and positively related to reporting with $r = 0.389$ and $p < 0.01$.

These results seem to agree with Sebbowa (2009) where he notes that "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes". This is also in line with Whittington and Pany assertion that "internal auditing is performed as part of the monitoring activity of an organization". Since there is a positive relationship between the internal audit function and the dimensions of financial performance; liquidity, accountability and reports, hypothesis two (**H2**); *an effective internal audit function is related with the financial performance of institutions of higher learning in Uganda* is accepted.

4.4.3 Internal Control activities and financial performance.

Results in table 4.11 above indicate a positive relationship between internal control activities as a component of internal control systems with liquidity, r = 0.291 with a standard error, p < 0.01. Internal control activities further relate positively with accountability, r = 0.094 with a standard error, p< 0.01 and with reporting, r = 0.299 with a standard error, p < 0.01. This seems to agree with Ray and Pany (2001)'s belief that "control activities are policies and procedures that help ensure that management directives are carried out". Therefore, internal control activities affect financial performance, thus hypothesis three (**H3**), *Functionality of internal control activities and financial performance of higher institutions of learning are related* is accepted.

Table 13: 4.13: Multiple Regressions

Variable	Standard Coefficients (B)	t-test	Sig	R^2	Adj. r^2	F	Sig.F
		2.166	0.031	0.214	0.201	35.910	0.000
Control environment	0.2709	2.058	0.000				
Internal Audit	0.1982	3.521	0.000				
Control Activities	0.1527	2.710	0.000				

Source: Primary data

Table 4.12 above illustrates that, the independent variable (Internal Control Systems), through its dimensions; control environment, internal audit and control activities) explains the variation in the dependent variable up to 20.1 % as denoted by adjusted R^2 value in the table.

Similarly, considering the dimensions of internal control systems in this study, control environment seems to provide better explanation in the variation in the dependent variable by a standardized coefficient of 0.2709 followed by internal audit 0.1982 and control activities 0.1527, respectively. The results seem to re-enforce the correlations established under the

correlation table 4.11. This finding further confirms the explanation given under the correlation analysis.

4.5.0 Qualitative data presentation

Interview guide results:

In trying to assess the effect of Internal Control systems on financial performance in Institutions of higher learning, the researcher conducted a number of interviews with key informant members of the Institution. These included both top level and middle level management members. Results of the Interview are summarized below under the various questions asked

4.5.1 The position of officers interviewed

This study conducted face-to-face interviews so as to strengthen the quantitative data collected from questionnaires. Focus was put on the following positions; Internal auditor, Chief Finance Officer, Director Human Resources, Deans and Coordinators of projects, Heads of department, Associate Deans and Center Coordinators. The management team constitutes both top level and middle level managers who are directly involved in implementation of the institution's policies.

4.5.2 Systems of Internal control

The research examined and interviewed a number of key informants as to whether the organization operates systems of internal control and as to whether the Internal Audit supports it. The respondents seem to agree that the internal auditor role is supporting systems of internal control. They also concur that the internal auditor advises management. He further gives assurance to management that the systems of internal control put in place are functioning.

Similarly, they believe that the Institution operates a system of internal control; implementing strategic plans and measuring actual performance against budgets, stating priorities and implementing them on an annual basis through the budgeting process, ensuring policies and procedures are followed in all financial operations of the University, safeguarding assets through the maintenance of a fixed assets register and updating it regularly. They also note that they participates in the budgeting process, sanctioning expenditures and at times acts as Dean when delegated to act.

Additional support points that, the institution appoints the right people for the right positions, drafting policies, and enforcing policies through staff. Watching over and ensuring quality control through module writing, assessing modules, vetting exams, supervising staff, clearly guiding staff, and evaluating courses, authorization of expenditure, sanctioning expenditures, and supervision of other staff

However, they contend that although the Institution has some internal controls, there are gaps in those controls. For instance, there is lack of close monitoring of project bank accounts, overseeing and approving project accountabilities and project expenditure (ensuring project all expenditures were budgeted for and incurred for genuine project expenditure). They also posit that they prepare budgets although they seem to feel that budgets are never followed.

4.5.3. Effectiveness of systems of internal control

The respondents believe that some of the systems do function. They gave reasons for the non-functioning of other areas of the system to include; fewer staff in the departments meant to enforce controls, such that the few staff available are overloaded with work, lack of monitoring of the functioning of the systems of Internal control, lack of adequate supervision. For instance, a

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responsible officer only signs requisitions but without greatly getting involved in the monitoring of the entire payment system, this seems to weaken the controls in the process. In addition, there is a communication gap between managers and this consequently affects the process of budgeting, management of funds and eventually reporting. Further still, it is still possible for line managers to get their budgets approved by donors without the involvement of those charged with the responsibility of managing funds. They further contend that this makes prioritizing project expenditures difficult and thereby creating more conflict in opinion.

They also brought out another issue of internal borrowing whereby, those in charge of funds sometimes borrow project funds without the consent of those who coordinate the Projects thereby creating mistrust within the Institution. They therefore propose that budget managers (project coordinators) need to be furnished with regular information about the financial status of their projects. This sometimes creates impression that there are no funds yet there might be funds lying idle in the Institution for project activities. They also propose that the communication between line managers should be effective so as to improve their relationship.

They pointed out that there is laxity by top management in enforcing the controls. For instance; the budgets are never adhered to. They believe that there is lack of commitment to the effectiveness of the system. This is evidenced by the laxity in scrutinizing expenses especially project funds. Much scrutiny is done on University expenses which is not the case with project expenses. They further pointed out that there is lack of control over the income by the faculties and departments and allot of unnecessary and wasteful expenditure as well as failure to have clear priorities.

In a related concern, they pointed out that, lack of appropriate controls would lead to the Institution losing a lot of money. Other concerns relate to understaffing in some departments and

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other employees lacking awareness of the need for systems of internal controls. This however, can be addressed by mentoring, short term training and guidance by senior managers.

4.5.4 Main measures of financial performance

The staff believe that the following are the main measures of financial performance; Liquidity by meeting the day to day obligations as and when they fall due, e.g. salaries, statutory obligations, creditors, value for money e.g. in procurement process, buying genuine products. In addition, they consider assets utilization or maximizing value of the Institution's assets as some of the measures of financial performance. Further still, the ability to set up endowment funds by investing funds in assets that generate funds to support development activities of the Institution. Others believe that having balanced budget, discipline budget process, setting priorities and following them strictly, continuous budget reviews, proper accountability guidelines issued and monitored. Other measures include; infrastructure development, ability to acquire scholastic materials, level of motivation of lecturers.

4.5.5 Fund availability

The respondents agree that availability of funds is critical in implementing the Institution's activities, for instance; conducting research. While they also pointed out other critical measures which include; Assets utilization, Investment made by the University to avoid having idle funds on the University bank account, meeting the critical needs of the University for example; good salaries, Laboratories, Housing, Library. Others stress that the best measure is to ensure research and publications are done, this is an academic institution whose performance should be measured by the number of publications made in a year, number of students' enrollment, number and

quality of lecturers (e.g. education levels of lecturers, their experience, and publications), and quality of products (students) produced.

4.5.6 Ability to pay bills

In regard to the Institution's ability to meet its obligations, the respondents seem to think that the Institution is sound and has met its obligations appropriately. They support this by the following; it has operated uninterruptedly without much financial stress implying that it is sound, it has operated consistently and has realized a steady growth over the years, it has managed to pay its staff promptly and up to date, the University has not accumulated much outstanding obligations. Other support include that the University has liquidity, but that it also incurs some unnecessary expenditures, thus constraining the available cash. They also think that management sometimes fails to prioritize their expenditures, as well as failure to collect some of the funds due to the University. They also pointed out that the expansion plan that the University has adopted is constraining the available funds in the University. However, the group seem to suggest that the University doesn't have enough liquidity to meet obligations as and when they fall due for the following reasons; the nature of the business is cyclical; without regular cash flows throughout the year and cash flows depend on the academic time table, over dependence on tuition, laxity in controls, spending beyond what some departments/ faculties generate, inadequate planning, and excessive and unplanned expansions.

4.5.7 Accountability procedure

The respondents gave their opinion on the effectiveness of the accountability procedure and supported their position by citing some key examples which are presented below; they believe that, the Accountability process is not adequate and their reason being that some staff take the

process for granted. Some line managers noted that they have never been asked for accountability for money given to them especially after implementing the activities. They also pointed out that the problem of accountability is related with lack of a comprehensive finance manual that stipulates clearly what has to be done in regard to accountability. They also pointed out lack of supervision and follow up of accountability related issues. However, they equally support that other instances regarding accountability seem to be adequate and these include; improving transparency in the system, and procurement process.

4.5.8 Reporting procedure

The respondents seem to have mixed opinions regarding the Institution's position on reporting. Others believe that the institution has adequate reporting system (the reporting in the Institution is gradually improving) while others think the reporting system is not any better (lack of regular reports; senior managers do not ask for reports from their juniors, similarly, line managers also fail to ask for regular reports and with sanctions in case this is not adhered to)

CHAPTER FIVE

SUMMARY FINDINGS, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter presents summaries of the study findings as per the study objectives, conclusions based on those findings and recommendations which are based on both the study findings and other relevant literature considered necessary and vital to be used in future to improve the study situation.

5.1 Summary findings

This part presents the summarized results and interpretation (findings) based on the study objectives as established at the beginning of the study.

5.1.1 Functionality of the internal control system

The study found out that management of the institution is committed to the controls of the University and they actively participate in monitoring and supervision of the activities of the University. The study also reveals that all the activities of the Institution are initiated by the top level management. On the effectiveness of the internal audit, the study found out the internal audit department is not efficient, doesn't conduct regular audit activities and doesn't produce regular audit reports. They however, agree that the few reports that are produced in the department address the weaknesses in the system. The study also found that the internal audit department is understaffed and this could be one of the reasons for not producing reports as expected. Regarding control activities, the study found that, there is a clear separation of roles, supervision of activities by senior staff, weaknesses that are realized are addressed, and there is a training program for capacity building in the institution. However, the study also found out that

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there is lack of information sharing in the University and also no security measures are put in place to safeguard the assets of the University.

5.1.2 The financial performance of the Institution

The study found out that the Institution does not have enough cash to meet its intended goals, and that the fees that the University charges on the students are not appropriate to cover the costs. The study further reveals that all the fees that are supposed to be remitted to the University are not collected. However, it was also found that all revenues and expenditures are properly classified, and that assets of the University have generally increased.

5.1.3 Internal control system and financial performance

The study examined and established a significant relationship between internal control system and financial performance. This relationship was examined through the dimensions of internal control systems and that of the financial performance selected for this particular study. The dimensions of internal control systems (control environment, internal audit, and control activities) were linked to the dimensions of performance (liquidity, accountability, and reporting). Details show that control environment is linked to liquidity ($r = 0.294$, $p \leq 0.01$), control environment is also linked to accountability ($r = 0.338$, $p \leq 0.05$), and control environment is related with reporting ($r = 0276$, $p \leq 0.01$).

Similarly, the study found that internal audit as a dimension of internal control system, is related with all the dimensions of financial performance in the following details; internal audit and liquidity are related ($r = 0.091$, $p \leq 0.01$), internal audit is related with accountability ($r = 0.447$, $p \leq 0.01$), and internal audit and reporting have significant relationship ($r = 0.389$, $p \leq 0.01$).

In addition, control activities as a dimension of internal control system and all the dimensions of financial performance are related; control activities and liquidity are related (r = 0.291, p ≤ 0.01), control activities and accountability are related (r = 0.411, p ≤ 0.01), and control activities and reporting are related (r = 0.299, p ≤ 0.01).

5.2 Conclusions

Based on the findings of the study, it is concluded that the institution has an effective internal control system as supported by the study findings of clear separation of roles, supervision, training, and commitment of management. However, there are challenges in the implementation of controls especially considering that the audit function is not well extended to the upcountry centers which clearly has affected their efficiency as revealed by this study

On financial performance of the institution, the study concludes that the liquidity position of the University is not appropriate, details of which are directly in the study, although the study reveals an improved assets value as well as classification of its revenues and expenditures.

The final conclusion of this study is that there is a significant positive relationship between internal control system (control environment, internal audit, and control activities) with financial performance (liquidity, accountability, and reporting).

5.3 Recommendations

Since it was evident in the study, that the staffing level in the internal audit department is not adequate to cover the entire University set up, evidenced by not conducting regular audit

activities, not operating efficiently as well as their reports not being regular, the study therefore recommends competence profiling which should be based on what the University expects the internal audit to do and what appropriate number staff would be required to do this job.

The study also recommends that the institution establishes and manages knowledge/information management system within the institution so as to enable all parties within the institution to freely access and utilize the official information.

The study also recommends that the institution establishes a strategy for improving the generation of additional finances for the operations of the University. This could be done through writing projects, other competitive endeavors which are directly aimed at winning funds for the University.

Finally, the study recommends that there should be a deliberate attempt to conduct a study which establishes the relationship of management's commitment based on factors that are external to the University such as behavioral issues of the students, financial stress of parents, and information technology.

5.4 Suggestions for further research

1. The influence of ICT on the effectiveness on internal control system
2. The effect of cultural and behavioral factors on the performance of a higher institution of learning

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APPENDICES

Appendix One: Questionnaire:

Uganda Martyrs University
Academic/Administrative Staff Questionnaire

Dear Respondent, My name is **Ssuuna Pius Mawanda.** I am currently carrying out a study for the purpose of writing a dissertation as a requirement for the award of Master of Business Administration and Management of Uganda Martyrs University. The topic of study is EFFECT OF INTERNAL CONTROL SYSTEMS ON FINANCIAL PERFORMANCE IN AN INSTITUTION OF HIGHER LEARNING IN UGANDA. You have been selected to participate in this study due to the importance of your information in the study. The information you provide will only be used for the purpose of this study and will be treated with utmost confidentiality. Please feel free and answer all the questions truthfully.

Section A

RESPONDENT'S BACKGROUND
1. Gender (Please tick appropriately)
    1. Male
    2. Female
2. What is your highest level of education?
    1. Certificate/Diploma
    2. Bachelor
    3. Masters
    4. PhD
    5. Other (Specify)…………………………………………………………………...
3. What position do you currently hold in the Organization/Institution that you work for?
    1. Management Committee member
    2. Departmental head or Dean of the Faculty
    3. Former Dean or Departmental head
    4. Associate Dean
    5. Finance and Accounts staff
4. In what age bracket do you fall? (Circle where appropriate)
    1. 18-25
    2. 26-35
    3. 36-45
    4. 46-55
    5. 56+
5. For how long have you served in your organization/Institution?
    1. 1-3 years
    2. 4-6 years
    3. 7-10 years
    4. 10+ years

Section B:

To examine the functionality of Internal Control systems of Institutions of Higher Learning in Uganda

Please rank the following statement on likert scale ranging from strongly disagree to strongly agree

Where;

       1= strongly disagree
       2= disagree
       3= not sure
       4= agree
       5= strongly agree

Statements	1	2	3	4	5
Control environment	1	2	3	4	5
Our institution has an accounting and financial management system					
Management is committed to the operation of the system					
Management closely monitors implementation of Internal control systems in our institution					
Management provides feedback to the junior officers about the operation of the system					
Appropriate measures are taken to correct misfeasance in operation of our Accounting & Finance Management System					
Management acts with a great degree of integrity in execution of their roles					
Ethical values are upheld in all management decisions					
Our Institution has an objective, independent and active audit committee					
Our governing council and its committees are independent of management					
Internal audit	1	2	3	4	5
Our institution has an internal audit department					
Our internal audit is sufficiently staffed					
Internal audit staff conduct regular audit activities in our institution					

Internal audit report address weaknesses in our internal control system					
Internal audit reports are produced regularly					
Management discusses internal audit reports frequently					
Internal auditor makes appropriate recommendations for management to improve					
Internal audit department visits up-country centers often times					
Internal auditor issues Up-country reports regularly					
Internal auditor performs his duties with a greater degree of autonomy and independence from management					
Control activities	**1**	**2**	**3**	**4**	**5**
Our institution has clear separation of roles					
Every employee's work check on the others					
There is appropriate supervision by senior staff on the work of their juniors					
Corrective action is taken to address weaknesses					
Staff are trained to implement the accounting and financial management system					
Our Institution has a well developed Chart of Account					
It is impossible for one staff to have access to all valuable information without the consent of senior staff					
Controls are in place to exclude incurring expenditure in excess allocated funds					
Departments have budget reviews where actual expenditure is compared with budgeted expenditure and explanations for the variances given					
Our security system identifies and safeguard Institutional Assets					
Financial performance	**1**	**2**	**3**	**4**	**5**
Our institution has enough cash to meet its obligations effectively (as and when they fall due)					
The fees charges by our institution is appropriate to cover the costs of running the courses					
All University fees are dully corrected					
Outstanding fees are dully paid in time (before students sit for exams)					
Our Institution's Accounting system adequately identifies the receipts and expenditure of grant contracts					
The University's asset base has greatly increased over time					

Section B:

To examine financial performance of Institutions of Higher Learning in Uganda

6. In your opinion, what do you consider to be the best measures for collecting fees from students?

7. Do you think the University charges appropriate fees for its programmes?

Section C:

To examine the relationship between internal control systems and financial performance in Institutions of Higher Learning in Uganda

8. In your opinion, do you think there is a relationship between internal control systems operated by your organization and financial performance?

Appendix Two: Interview Guide

Effect of internal control systems on financial performance in institutions of higher learning in Uganda

Interview Guide:

Dear Respondent:
My name is **Ssuuna Pius Mawanda.** I am currently carrying out a study for the purpose of writing a dissertation as a requirement for the award of Master of Business Administration and Management of Uganda Martyrs University. You have been selected to participate in this study due to the importance of your position in the Institution. The information you provide will only be used for the purpose of this study and will be treated with utmost confidentiality. Kindly help me generate solutions to the following Questions:

1. What is your position in the Institution?

2. What management level do you occupy by virtue of your position in the Institution?

3. In your opinion, does the Institution operate systems of internal controls? If so how does your role support it?

4. Are the systems of internal controls referred to in 3 above functioning as they are intended to?

5. In your opinion, what would you consider to be the main measures of financial performance in an Institution of higher learning?

6. In your opinion is having enough money the best measure of performance of University? What would be the other measures you would consider appropriate?

7. In your opinion, do you think your institution has adequate liquidity to meet its obligations as and when they fall due? Any reasons to explain the situation.

8. In your opinion, is the Accountability process adequate in your organization? Give reasons.

9. How would you rate the reporting process in your organization?

Thanking you for your participation.