

**INTERNAL CONTROLS AND FINANCIAL PERFORMANCE OF THE OIL INDUSTRY
IN SOUTH SUDAN: A CASE STUDY OF SUDD PETROLEUM
OPERATING COMPANY**

BY

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DECLARATION

IJames Mut Wichar hereby declare that the research is my own original work and a result of my effort in the study conducted in Sudd petroleum Operating Company. It has not been submittedanywhere for any award or examination to any institution of learning.

Sign..... Date.....

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(Student)

;

APPROVAL

I certify that this research has been done under my supervision and has been submitted for examination with my approval as a university supervisor.

Sign..... Date.....

Associate Professor E.B Mugerwa (PhD)
(Supervisor)

DEDICATION

I dedicate my research report to elder brother Chidong Nath Kuolang whose first contribution in my academics life won't be forgotten and again to my mother Nyakueka Zeyier Thiep for their moral, commitment to my upbringing including educational support May almighty accord you reasonable value.

ACKNOWLEDGEMENT

In the first case I would like to accord gratitude to almighty God who has accorded me all I possess. Have a mercy lord.

I wish to however still first and foremost to express the great deal that I owe to my supervisor Professor E.B Mugerwa (PhD), whose suggestions and patience helped me greatly to bring this project to a successful completion. God bless you

I am profoundly grateful to all these personalities who assisted in various ways to make this project a successful. Their names are:

Mary Nyakun Walang: wife.

Tek Wichar Kuolang: brother.

Mayai Wichar Kuolang: brother.

Kuol Mut Wichar: elder son.

May almighty God bless your contributions

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LIST OF ACRONYMS

- ICS Internal Control Systems
- SPOC Sudd Petroleum Operating Company
- GPOC Greater Pioneer Operating Company
- JOC Joint Operating Company
- EPSA Exploration and Production Sharing Agreement
- DPOC Dar Petroleum Operating Company
- NGOs Non Governmental Organizations
- CEO Chief Executive Officer
- ISA Internal Standards Audit
- SPSS Statistical Package for Social Scientists
- UK United Kingdom

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ABSTRACT

The purpose of the study was to examine the role of internal controls and financial performance in the oil industry in South Sudan; it is based on Sudd Petroleum Operating Company (SPOC). The study objectives were to examine how Sudd Petroleum Operating Company ensures efficient budgeting for effective financial performance. To assess how Sudd Petroleum Operating Company ensures segregation of duties for effective financial performance. To examine how Sudd Petroleum Operating Company safeguards its assets to enhance effective financial performance.

The data was collected through questionnaires that were hand delivered and self administered to 142 respondents who were the employees of Sudd petroleum operating company. The study employed a descriptive research design that was mainly quantitative with some qualitative functions. The analysis took into consideration the provisions undertaken in the determination for frequency and percentages.

From the study, I conclude that budgeting for the organization is still poor and has not fully enabled the organization performance to financial excellence. Sudd Petroleum Operating Company ensures segregation of duties for effective financial performance. The plan for segregation of duties existed with adequate planning though weaknesses in the implementation of the system of personnel management is present and hinder the effective management for the organization resources. On the third objective of establishing how Sudd Petroleum Operating Company safeguards its assets to enhance effective financial performance. The assets management plan exists though discrepancies in the assets base are not effectively managed in the control mix for the environment of the controls provided in the umbrella of the works.

The study recommends that there is need for creating a reliable measure in ensuring that the budget framework is followed. Sudd petroleum Operating Company need to always provide availability of internal audit personnel to ensure compliance to the internal controls that exist in their organization. The management of the oil companies should monitor and supervise the oil firms to ensure that the accountants comply with accounting regulations and requirement. Sudd petroleum Operating Company need to support the segregation of duties by establishing the audit committee.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

This study examines the role of internal controls in financial performance in the oil industry in South Sudan. It is based on a case study of Sudd petroleum operating company (SPOC).

The sample selected (SPOC) is significant because it gives a representation of the entire population among petroleum operating companies in South Sudan. The internal controls in the oil companies in South Sudan seem to be poor given the economic situation in the country and state of affair that have limited the full scale operation of the companies. The study is therefore important in that it has provided avenues that are significant to support the oil companies in full operations and functioning.

Amudo and Inanga (2009) argue that a sound internal control system helps an organization to prevent frauds, errors and minimize wastage. Custody of assets is strengthened; it provides assurance to the management on the dependability of accounting data eliminates unnecessary suspicion and helps in maintenance of adequate and reliable accounting records. Despite the fact that internal control system is expensive to install and maintain, the need design and implement an internal control system that gradually evolve over the years with the greatest development occurring at the beginning of 1940s. Not only have the complexities of the business techniques contributed to this development but also the increased size of business units which have encouraged the adoption of methods which while increasing efficiency of business, acts as a safeguard against errors and frauds.

Mawanda (2008), states that “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. Preparing reliable financial information is a key responsibility of the management of every public company. The ability to effectively manage the firm’s business requires access to timely and accurate information. Moreover, investors must be able to place confidence in firm’s financial reports if the firm wants to raise capital in the public securities markets. Management’s ability to fulfill its financial reporting responsibilities depends in part on the design and

effectiveness of the processes and safeguards it has put in place over accounting and financial reporting. Without such controls, it would be extremely difficult for most business organizations especially those with numerous locations, operations, and processes to prepare timely and reliable financial reports for management, investors, lenders, and other users. While no practical control system can absolutely assure that financial reports will never contain material errors or misstatements, an effective system of internal control over financial reporting can substantially reduce the risk of such misstatements and inaccuracies in a company's financial statement (Kaplan, 2008; Cunningham, 2004; INTOSAI, 2004).

Cunningham (2004) states that internal control systems begin as internal processes with the positive goal of helping a corporation meet its set objectives. Management primarily provides oversight activity; it sets the entity's objectives and has overall responsibility over the ICS. Internal controls are an integral part of any organization's financial and business policies and procedures. Internal controls consist of all the measures taken by the organization for the purpose of; protecting its resources against waste, fraud and inefficiency; ensuring accuracy and reliability of accounting and operating data; ensuring compliance with the policies of the organization; evaluating the level of performance in all organizational units of the organization. ICS are applicable to each organization in relation to key risks and are embedded within the operations and not treated as a separate exercise. ICS should be able to respond to changing risks within and outside the company and they are a means to an end, not an end itself.

Cunningham (2004), further states that Internal controls are effected by people not merely policy manuals and forms, but people functioning at every level of the institution. Internal control only provides reasonable assurance to the firm's leaders regarding achievement of operational, financial reporting and compliance objectives; promoting orderly, economical, efficient and effective operations; safeguarding resources against loss due to waste, abuse, mismanagement, errors and fraud. Internal controls lead to the promotion of adherence to laws, regulations, contracts and management directives and the development and maintenance of reliable financial and management data, and accurately present data in timely reports (Kaplan, 2008; Cunningham, 2004;INTOSAI, 2004).

A Treb (2003) state that internal control is a tool for ensuring that a firm realizes its mission and objectives. He further notes that much as internal controls are often thought to be the domain of accountants and auditors; it is actually management that has primary responsibility for proper controls. A critical element of any comprehensive Internal Control Systems is regular monitoring of the effectiveness of internal controls to determine whether they are well designed and functioning properly.

Financial Performance of an organization can be described in various form, such as; return on assets, return on sales, return on equity, return on investment, return on capital employed and sales growth (Chukwu, 2012). It is also a measure of the excess value a company has provided to its shareholders over the total amount of their investments. Harvey and Brown (2012) suggested that financial performance of an organization can be measured using objective criteria which include indicators such as profit growth, revenue growth, return on capital employed; and subjective measures like innovation, ability to attract, develop, retain talented people, quality of management, quality of products or services, community and environmental responsibility.

Internal control systems including internal audits are intended primarily to enhance the reliability of financial performance, either directly or indirectly by increasing accountability among information providers in an organization (Jensen, 2003). Internal control therefore has a much broader purpose such that the organization level of control problems associated with lower revenues, which explore links between disclosure of material weakness and fraud, earnings management or restatements. Internal controls provide an independent appraisal of the quality of managerial performance in carrying out assigned responsibilities for better revenue generation (Beeler et al, 1999).

The oil industry in South Sudan is a continuous process of oil management that was curved from the Sudan in the secession that saw South Sudan becoming an independent state. The oil industry in South Sudan has many operating companies among which Sudd Petroleum Operating Company is included. The company operates a high degree of business in South Sudan employing many people and involved in the oil exploration across the oil blocks found in South Sudan. The oil company despite the need for financial performance attainment has not fully attained mechanisms for internal controls that can generate financial performance. The government of South Sudan enforces the oil and gas companies in the country to work in form of

consortia or Joint Operating Companies (JOCs) to include Nilepet as a partner in all to safeguard the National interest. Apart from the exploration JOCs, there are three producing JOCs, namely Dar Petroleum Operating Company (DPOC), Greater Pioneer Operating Company (GPOC) and Sudd Petroleum Operating Company (SPOC) with different concession areas/blocks and share holders. After independence in July 2011, South Sudan came out with Petroleum Act 2012 and resized the previous Sudan-inherited blocks to suit the new State policies.

Sudd petroleum Operating Company is among the second oil producing companies in South Sudan only led by Dar Petroleum Operating Company that is a consortium of companies operated in South Sudan. The company contributes to 30% of the tax revenue collected from the oil companies operating in South Sudan hence, the company is being seen among that giants in the oil companies of south Sudan. The sample study (Sudd Petroleum operating Company) is significance because it represents a major representation in terms of resources and peoples in the oil companies in South Sudan furthermore the area has had several issues concerning the internal controls and in some areas of South Sudan the company branches have been closed due to poor financial performance.

According to Sudd Petroleum Operating Company (SPOC) financial and accounting manual (2015), the following are the objectives of the internal control in place.

1. To ensure efficient budgeting
2. To ensure sufficient segregation of duties.
3. To safeguard assets
4. To properly keep custody of important document
5. To ensure data protection back up
6. To verify document sequence
7. To ensure effective bank reconciliation.

This study examines how the following of the above internal controls are being achieved by Sudd petroleum Operating Company (SPOC).

1. To ensure efficient budgeting
2. To ensure sufficient segregation of duties.
3. To safeguard assets of the organization for effective financial performance.

1.2 Problem Statement

In spite of the internal controls in place, the financial performance of Sudd Petroleum Operating Company is poor. This is evidenced by the lack of implementation for policies framework such as separation of duties for authorization, custody and record keeping (Ministry of Finance South Sudan, 2016).

Generally, assigning different people the responsibilities of authorizing transactions, recording transactions, maintaining custody of related assets and reconciling accounts provides for more effective internal controls. Each employee should have specific job responsibilities, preferably defined in writing. Reassignment of specific duties within a process to other appropriate individuals can significantly help to mitigate risks in many cases. However, failing to properly segregate duties can result in a greater risk of errors or fraud.

The efficient budgeting of Sudd Petroleum Operating Company is also faced with the challenges of maintaining the employees who are not currently working due to the insecurity in the country.

According to (SPOC report 2017), there is limited compliance in financial reporting that has limited the financial evaluation and accountability in the Company. The low level of financial reporting has been attributed to inefficiency of staff that has failed auditing and accountability in the organization which has led to financial losses, errors and frauds. This further has reduced reliability in the operations of the companies.

The annual report of (SPOC, 2017) also notes that financial performance of Sudd Petroleum Operating Companies is frustrated by the tough economic situation. This provides a reference and the need for the researcher to conduct the study in regard to internal controls in order to avert the financial performance constraints and improve the financial performance of Sudd petroleum Operating Company. It was based on this reasons that the study was set to investigate the impact of internal controls on financial performance of Sudd petroleum Operating Company (SPOC)in south Sudan.

1.3 Purpose of the study

The purpose of the study was to examine the role of internal controls and financial performance in the oil industry in South Sudan; it is based on Sudd Petroleum Operating Company (SPOC).

1.4 Objectives of the study

Based on the objectives of internal control in the organization, the study makes the following objective.

- 1) To examine how Sudd Petroleum Operating Company ensures efficient budgeting for effective financial performance
- 2) To assess how Sudd Petroleum Operating Company ensures segregation of duties for effective financial performance.
- 3) To examine how Sudd Petroleum Operating Company safeguards its assets to enhance effective financial performance.

1.5 Research Questions

The following are the research questions to the study

- 1) How does Sudd Petroleum operating company ensures efficient budgeting for effective financial performance?
- 2) How does Sudd Petroleum Operating Company ensure segregation of duties for effective financial performance?
- 3) How does Sudd Petroleum Operating Company safeguard its assets to enhance effective financial performance?

1.6 Hypotheses

The following hypotheses guided the study.

Ho There is no significant relationship between internal control and financial performance in Sudd petroleum Operating Company (SPOC).

H₁ There is a significant relationship between internal control and financial performance in Sudd petroleum Operating Company.

1.7 Scope of the study

This study was conducted in Sudd Petroleum Operating Co. Ltd. is engaged in exploration, development and production of hydrocarbon resources in Block 5A of the Republic of South Sudan. The study is conducted in Sudd Petroleum Operating Company operated in South Sudan.

The study focuses on internal controls and financial performance in Sudd Petroleum Operating Company. It examined how Sudd petroleum operating company ensures efficient budgeting for effective financial performance, assessed how Sudd petroleum operating company ensures

segregation of duties for effective financial performance and examined how Sudd Petroleum Operating Company safeguarded its assets to enhance effective financial performance. It also explored the challenges faced in internal controls and financial performance of Sudd Petroleum Operating Company (SPOC).

The study focused on the period from 2010 to 2014. This reference period helped in establishing the effect of internal controls on financial performance of oil operating companies in South Sudan

1.8 Significance of the study

This study is expected to be significant to the following stakeholders- government of South Sudan, Management of the oil companies and researchers.

Government of South Sudan

The study has explored mechanisms through which the government may intervene to provide the monitoring aspects of the people. The study will explore the mechanisms through which financial performance of the companies exist that will form a basis for taxation.

Management of oil companies

The study may help the management of the oil companies in determining which internal controls techniques to use in order to ensure financial performance.

The management may facilitated in establishing a strong internal control environment for the organization that will facilitate in attaining a sound financial system coupled with realization of sufficient profits for supporting the businesses.

Researchers

This study has added knowledge to previous studies done on internal controls by primarily focusing on the oil sector. The study shall therefore serve as a reference for further research on the topic of internal controls and financial performance of oil industry in South Sudan.

The study may act as a source of literature for the scholars who intend to do research on internal controls and financial performance of the oil industry or any aspect related to internal controls.

1.9 Setting of the study

SPOC is a private limited liability company incorporated in the Republic of Mauritius (Company number: C108362) on 7 March 2012. SPOC is registered in Republic of South Sudan (Registration Number: 156) as a "Foreign Company Carrying on Business in South Sudan" in accordance with Chapter 9 of the New (Southern Sudan) Companies Act, 2003 on 30 April 2012.

SPOC manages the petroleum operations including exploration, development and production on behalf of the investing partners in South Sudan on a no profit, no loss basis. The main rights, duties and obligations of SPOC as an operator are set out in the relevant articles of the Exploration and Production Sharing Agreement (EPSA) and Joint Operating Agreement (JOA). SPOC is a joint operating company (JOC) appointed by Partners and Government of South Sudan as operator of Block 5A.

SPOC Partners, Petronas Carigali Nile Ltd., ONGC Videsh Ltd. And Nilepet Company Ltd., provide competent personnel (secondees) from their head office to assist and maintain the business processes of the Company. On a monthly basis, partners bill SPOC for manpower charges of secondees and related expenditures in accordance with Secondment Agreement. Payment terms of these charges are in accordance with the Secondment Agreements.

According to the Service Agreements & Work Order / Service Orders from SPOC, services provided by Contractor Parties to SPOC such as technical or other assistance provided by personnel (other than secondees) may be charged at agreed rates if specific work is requested. Vice versa, the services provided by SPOC to the Contractor Parties may also be charged. The contractual obligation of parties shall be specified in a Service Agreement.

SPOC due to the nature of its legal form and the nature of its operations does not capitalize fixed assets to the balance sheet. The cost of fixed assets is expensed in the period they are acquired. Fixed assets are expensed immediately at acquisition and as such SPOC does not depreciate its fixed assets. However, fixed assets register is maintained to monitor the Company's property plant and equipment and in accordance with Exploration and Production Sharing Agreement (EPSA).

Sudd Petroleum operating company is among the key companies operating in the oil industry of South Sudan. The company operates a high degree of business in South Sudan employing many people and involved in the oil exploration across the oil blocks found in South Sudan. The company is the second largest among the oil producing companies in South Sudan only led by Dar Petroleum operating Company that is a consortium of companies located in South Sudan's Northern Upper Nile. The company contributes to 30% of the tax revenue collected from the oil companies operating in South Sudan hence, the company is being seen among that giants in the oil business of south Sudan. The sample selected in the study is Sudd petroleum Operating Company. The government of South Sudan enforces the oil and gas companies in the country to work in form of consortia or Joint Operating Companies (JOCs) to include Nilepet as a partner in all to safeguard the National interest. Apart from the exploration JOCs, there are three producing JOCs, namely Dar Petroleum Operating Company (DPOC), Greater Pioneer Operating Company (GPOC) and Sudd Petroleum Operating Company (SPOC) with different concession areas/blocks and share holders. After independence in July 2011, South Sudan came out with Petroleum Act 2012 and resized the previous Sudan-inherited blocks to suit the new state policies.

1.10 Arrangement of the dissertation

The dissertation is made up of 9 chapters as mentioned below. Chapter 1 presents the introduction to the study, chapter 2 presents studies literature. It highlights literature survey, literature review and the conceptual framework, then chapter 3 Presents research methodology; it highlights research design and data collection while chapter 4 presents the demographic characteristics of the respondents, then chapter 5 presents data and analysis on the first objective, ensuring efficient budgeting for effective financial performance, chapter 6 Presents data and analysis on the second objective on segregation of duties for effective financial performance then chapter 7 presents data and analysis on safeguarding assets for effective financial performance. Chapter 8 Links the findings to literature review and suggest the very forward for internal controls and financial performance of Sudd Petroleum Operating company and chapter 9 Presents summary and conclusion to the study.

CHAPTER TWO

STUDY LITERATURE

2.1 Introduction

This chapter focuses on the impact of Internal Control Systems (ICS) in achieving financial performance of firms in view of what other scholars have studied. This chapter presents literature in the form of literature survey and literature review that has been done in line with the research objectives; it also presents the conceptual framework of the study.

2.2 Literature Survey

No research has been conducted on internal controls and financial performance of Sudd Petroleum Operating Company since its inception in 2012; however the following are some of the studies that have been conducted on South Sudanese oil industries in general.

Emily (2014) conducted a study on oil belongs to the South, 'land belongs to the community asserting control over natural resources in South Sudan using Sudd petroleum Operating Company as case study, the study examined the contradictions between economic and political objectives of Southern oil pipelines and explores connections between natural resources and state sovereignty in South Sudan. Furthermore, it examines localized land resource management challenges in the context of returnees, insecurity and the policy of 'land belongs to the community', where community rights to land trump other interests to the land. While rapid reform and nationalistic discourse surrounding natural resources can be expected during the process of state formation. He argue that certain narratives that have emerged regarding natural resource sovereignty and customary land access present certain practical challenges in the immediate term risking long-term political consequences. The study set to fill the theoretical and geographical gaps that need to be filled.

Lu De (2015) conducted a study on evaluating Environmental Impact Assessment Studies of Oil and Gas Projects in the Peruvian Amazon and specifically the role of government and non-government actors in the management of the oil resources in South Sudan. The findings revealed that some petroleum operating companies in South Sudan have voluntarily adopted management systems. However, these have not been translated into practice in the oil fields. This leaves the environmental conditions to continue to deteriorate as demonstrated by recent reports of oil leaks

and spills, inappropriate handling of produced water and mud pits, birth defects, people and animals getting sick and dying after drinking water purportedly contaminated by petroleum activities. The government issued the new regulations in 2015 to inject the force of law into their implementation, perhaps because of the failure of voluntary adoption of management systems. Even with this no research has been conducted in Sudd to explain the effect of internal controls on financial performance of the organizations.

Elke and Christine (2014) conducted a study on establishing the relationship between government, oil corporations, and local communities in South Sudan. Its area of study are the oil fields of Blocks 3 and 7 in Melut and Maban Counties, Upper Nile State, the largest oil producing area in the country, which has been less well studied than the older oil areas in neighboring Unity State. The study focused on the impact of oil investment on local livelihoods and its potential for provoking conflict, the study content that whilst the oil companies such as Sudd in Southern Sudan remained under the control of the central government, violence disappeared in relations with the communities during that period. However, the National Security service continued to mediate between the oil companies and the communities regarding compensation and community development projects. This remained so for some time after Independence. When the Government of the Republic of South Sudan replaced the Sudanese shareholder in the oil companies in late 2011, it handed over community relations to the South Sudanese Security Service direct copy of the Sudanese approach of shaping state society relations, imitating the autocratic model created by the Government of Sudan. There exists a theoretical gap in the study context providing an area of focal provisions.

Laura (2015) conducted a study on oil, conflict and media study of oil-related statements of the south Sudanese conflict parties. This study focuses on the role of oil in the South Sudan conflict in 2013–2014. The study consists of a description of the history of the conflict and a qualitative content analysis of the statements of the conflict parties, published in news websites Sudan Tribune and Bloomberg. The main conclusion is that oil has a role in the conflict: the government, which receives most of its revenues from oil, finances its war efforts with oil money, which has politicized the meaning of oil in the conflict context and made oil fields strategic targets to the rebels. Whether ensuring the access to oil money is a root cause of the conflict, needs to be researched further. Oil dependence of South Sudan is, however, a serious

problem which should be addressed once peace is restored. Regional and international actors involved in the South Sudanese oil industry are in the key position in pressuring the conflict parties to peace.

Bloomberg (2014) argued that the study undertaken in Sudd petroleum Operating Company reveal that the absence of a study on internal control and financial performance is not prevalent with limited focus on even financial performance of the organizations. The study ends with recommendations to political decision-makers, investors, and community representatives on how to tackle structural causes of exclusion and their inherent potentials for conflict. The main proposition is to expand and diversify the local livelihood options which rely mainly on oil revenues towards agricultural development and vocational training in technical, mechanic and construction skills required in sectors linked to the requirements of oil production.

2.3 Literature Review

2.3.1 Review of Theories

This study is guided by two theories namely; agency theory and contingency theory.

Agency theory; Shows the relationship between the principal and agent and the agent's responsibilities which include financial reporting, budgeting and providing any other additional information to the principal.

The contingency theory; on the other hand explains that organizations' behavior and functions are dependent on factors such as technology, culture and the external environment that the organizations operate. The theory reveals that internal controls are necessitated in the times of financial challenges to generate financial performance in the organization.

2.3.2 Review of Empirical Studies

Some of the scholars who have covered the area similar to the one put forward which are relevant in understanding the problem that is addressed in the study are shown below. Let me review some of them below as a way of deriving an appropriate model for the study.

Amaka (2012) conducted a study on the topic internal control and financial performance. The study determined the relationship between internal control activities measures to proper

accounting records. A survey research design was adopted for this research study and a sample size was selected using Yaro Yamane sampling technique as data used were obtained from both primary and secondary sources. Four research questions were formulated out of which three hypothesis were formulated using regression co-efficient analysis method at 5% level of significance and the Z table was also used for comparison between calculated value of significance B and table value. The finding from the analysis indicates that internal control measure management performance and is necessary for the growth and effectiveness of the organization.

Abdi (2015) investigated the impact of internal control activities on financial performance in Mogadishu private banks. The demographic profile of the respondents was age, gender, qualification and experience. The main objectives were to assess the functionality of internal control systems in Mogadishu private banks and to examine financial performance of private banks in Mogadishu. The study was based on 33 target population especially Accountants, finance directors, chief cashiers, internal auditors and managers of private banks in Mogadishu. Descriptive analysis was used. It administered questionnaire as a research instrument. The findings of this study reveal that majority of the private banks in Mogadishu had enough cash to meet its intended goals. Also there was clear separation of duties. This study suggests that the internal auditors performed their duties fast, efficiently and independently.

Mwakimasinde, Odhiambo and Byaruhanga (2014) investigated the effect of internal control activities on the financial performance of sugarcane out grower companies in Kenya. The study adopted a descriptive correlational survey design. All the sugarcane out grower companies were studied. Both the primary and secondary data was collected. Primary data was collected from the key informants from all the nine out grower companies in Kenya using questionnaires. Secondary data was extracted from annual reports, publications and document analysis. The key informant's method was used, hence, all the Finance Managers and heads of internal audit for every out grower company were selected to take part in the study. The data collection instruments were administered to all the nine sugarcane out grower institutions. The data was analyzed using statistical package for social scientists (SPSS) computer software version 19.0 to generate cumulative frequencies and percentages. The study found a positive significant effect of internal control system on the financial performance

Nyakundi, Nyamita and Tinega (2014) investigated the effect of internal control activities on financial performance among Small and Medium scale Enterprises in Kisumu city, Kenya; specifically assessing the relationship between internal control systems and return on investment; and establishing the level of business knowledge of an entrepreneur in internal control systems and its effect on financial performance. The sample was selected from the study population through stratified and simple random sampling techniques. The research was conducted using both quantitative and qualitative approaches; adapting cross-sectional survey research design. The study used both primary and secondary data. Primary data was collected using structured questionnaire and interview, while secondary data was obtained from financial statements of the sampled enterprises. Data was analyzed using descriptive statistics as well as inferential statistics. The study specifically revealed that a significant change in financial performance is linked to internal controls systems. Based on the findings of the study, it is concluded that internal control systems as supported by the study findings significantly influence the financial performance of public water companies in Kenya.

Mukopi & Iravo (2015) assessed factors that influence the internal control activities in ensuring good corporate governance in financial institutions in developing economies with special reference to Zimbabwe. The research paper assessed how lack of internal controls affected good corporate governance and aimed to bring out elements of good corporate governance. It emerged that failure to effectively implement internal controls contributed significantly to poor corporate governance. The study discovered that internal control system overrides and the issue of “fact cat” directors also contributed to poor corporate governance.

The research paper by Ngwenya (2013) on the topic "Application of Internal Controls in NGOs: Evidence from Zimbabwe" investigated the degree to which NGOs in Zimbabwe implement internal controls in their procedures. The result of the study concluded that strong internal control structures are adopted by the NGOs in Zimbabwe with respect to control environment, Control activities and monitoring. Stakeholders perception on the effectiveness of internal control system on financial accountability in the Nigerian public sector" conducted by Babatunde and Shakirat(2013) aims to prove the perception that effective internal control system plays a

vital role in ascertaining financial accountability, specifically in the Nigerian public sector. Results prove that there exists a significant correlation in the respondent's perception that financial accountability is significantly affected by internal control systems and that application of penalty for violation of moral conduct impacts conformity with internal control.

Elements of an Monitoring and Evaluation (M&E) system such as result Frameworks or log frames organize organizational intended results that is measurable development changes. Result Frameworks inform the development of the M&E plan and both must be consistent with each other (Otley & Van der Stede, cited in Kimani, 2014). The M&E plan, which contains a description of the functions required to gather the relevant data on the set indicators and the required methods (Hancock, 2009). The M&E plan is used to systematically organize the collection of specific data to be assessed, indicating roles and responsibilities of project stakeholders (Hancock, 2009). It ensures that relevant progress and performance information is collected, processed and analyzed on a regular basis to allow for real-time, evidence-based decision-making; the various processes and methods for monitoring (such as regular input and output data gathering and review, participatory monitoring, process monitoring) and for evaluation (including impact evaluation and thematic, surveys, economic analysis of efficiency; and the Management Information System, which is an organized repository of data to assist managing key numeric information related to the project/plan and the analysis (Otley & Van der Stede, cited in Kimani, 2014).

Mawanda (2008) conducted a research on effects of internal control systems on financial performance in institution of higher learning in Uganda. In his study he 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 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. The

study therefore acknowledges role of internal audit department to establish internal controls which have an effect on the financial performance of organizations.

Case studies on internal controls in Belgium illustrate the importance of the control environment when studying internal auditing practices. Sarens and De Beelde (2006) found that certain control environment characteristics like 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 and fraud detection within an organization.

Using the analytical approach and focusing on control activities and monitoring, Barra (2010) investigated the effect of penalties and other internal controls on employees' propensity to be fraudulent. Data was collected from both managerial and non-managerial employees. The results showed that the presence of the control activities, separation of duties, increases the cost of committing fraud. Thus, the benefit from committing fraud has to outweigh the cost in an environment of segregated duties for an employee to commit fraud. Further, it was established that segregation of duties is a "least-cost" fraud deterrent for non-managerial employees, but for managerial employees, maximum penalties are the "least-cost" fraud disincentives. The results suggest the effectiveness of preventive controls. Control activities such as segregation of duties is dependent on detective controls.

Ewa and Udoayang (2012) carried out a study to establish the impact of internal control design on banks' ability to investigate staff fraud and staff life style and fraud detection in Nigeria. Data were collected from 13 Nigerian banks using a four point likert Scale questionnaire and analyzed using percentages and ratios. The study found that Internal control design influences staff attitude towards fraud such that a strong internal control mechanism is deterrence to staff fraud while a weak one exposes the system to fraud and creates opportunity for staff to commit fraud.

Kakucha (2009) evaluated the level of effectiveness of internal controls of enterprises operating in Nairobi. The study was quantitative and was conducted between September 2007 and June 2009 using a sample of 30 small businesses as listed in the National Social Security Fund

(NSSF) Register of Kenya. Primary data was collected from the managers of the small business using interviews and examination of documents pertaining to internal controls. The study established that there are deficiencies in the systems of internal controls, with the degree of deficiencies varying from one enterprise to another. The components of internal control that were missing in most businesses surveyed were: firstly, risk analysis, and secondly lack of proper flow of information. In addition, the study established that the sample population had limited awareness of what constituted an effective system of internal control. The study also found that there is a negative relationship between the age of an enterprise and the effectiveness of its system of internal control while a negative correlation between the resources held by an enterprise and its internal control system weaknesses exists. The study recommended that the operators of small business should be enlightened on what constitutes an efficient and effective system of internal control through forums and seminars.

Amudo and Inanga (2009) also carried out a study in Uganda to evaluate the internal control systems that the regional member countries of the African Development Bank Group institute for the management of the Public Sector Projects that the Bank finances. There are 14 projects of the bank's public sector portfolio in Uganda. The data received and analyzed was for eleven projects. Three projects were omitted because they were not fully operational to install effective internal control systems. The study identified the following six essential components of an effective internal control system: control environment, risk assessment, control activities, information and communications, monitoring and information technology. The outcome of the evaluation process was that some control components of effective internal control systems were lacking in those projects. These rendered the control structures ineffective.

Wee Goh (2009) studied 208 firms on audit committees, boards of directors, and remediation of material weaknesses in internal control. He measured the effectiveness of the audit committee by its independence, financial expertise, size, and meeting frequency, and the effectiveness of the board by its independence, size, and meeting frequency, and by the duality of the chief executive officer (CEO) and chair positions (CEO duality). He also examined other factors that can affect firms' timeliness in the remediation of material weaknesses, such as the severity of material weaknesses, firms' profitability, the complexity of firms' operations among others. He found out that the proportion of audit committee members with financial expertise is positively associated

with firms' timeliness in the remediation of material weaknesses. Second, firms with larger audit committees are more likely to remediate material weaknesses in a timely manner. Third, that a more independent board is less susceptible to the undue influence of management and more likely to exert pressure on management to remediate material weaknesses.

Jones (2008) compared internal control, accountability and corporate governance in medieval and modern Britain. He used a modern referential framework (control environment, risk assessment, information and communication, monitoring and control activities) as a lens to investigate medieval internal controls used in the twelfth century royal exchequer and other medieval institutions. He demonstrated that most of the internal controls found today were present in medieval England. Stewardship and personal accountability were found to be the core elements of medieval internal control. The recent recognition of the need for the enhanced personal accountability of individuals is reminiscent of medieval thinking.

Olumbe (2012) conducted a study to establish the relationship between internal controls and corporate governance in commercial banks in Kenya. The researcher conducted a survey of all the 45 commercial banks in Kenya. It was concluded that most of the banks had incorporated the various parameters which are used for gauging internal controls and corporate governance. This was indicated by the means which were obtained enquiring on the same and this showed that the respondents agreed that their banks had instituted good corporate governance with a strong system of internal controls and that there is a relationship between internal control and corporate governance.

The study conducted by Wainaina (2011), examined the internal control function. He established that, other than the prevention and detection of fraud, internal controls should reflect the strength of the overall accounting environment in an organization as well as the accuracy of its financial and operational records.

Internal control systems including internal audits are intended primarily to enhance the reliability of financial performance, either directly or indirectly by increasing accountability among information providers in an organization (Jensen, 2003). Internal control therefore has a much broader purpose such that the organization level of control problems associated with lower revenues, which explore links between disclosure of material weakness and fraud, earnings

management or restatements internal controls provide an independent appraisal of the quality of managerial performance in carrying out assigned responsibilities for better revenue generation.

Fadzil et al (2005) said that an effective internal control system unequivocally correlates with organizational success in meeting its revenue target level. Effective internal control for revenue generation involves a regular review of the reliability and integrity of financial and operating information, a review of the controls employed to safeguard assets, an assessment of employees' compliance with management policies, procedures and applicable laws and regulations, an evaluation of the efficiency and effectiveness with which management achieves its organizational objectives (Ittner, 2003).

One of the researches that has been review and emphasized study that was conducted by Giriunas (2009) on the topic evaluation of Condition of Internal Control System in the Company. The objectives of this study included to reveal the main factors influencing the internal control system in the company from theoretical aspect and to analyse the condition of internal control system in the companies examined. The study revealed that the factors of internal control environment, data generation system, information and communication connection, system of indicators, and feedback do actually influence activities of the studied company. Notwithstanding, the study detected that the internal control frameworks of the studied companies analyzed is not satisfactory. Assessment of this study shows that the components of the internal control system of the companies studied are internal control environment, data generation system, information and communication connection, system of indicators, and feedback. This means that Giriunas (2009) used internal control model other than the COSO framework since the components revealed in his studies are quite different from the COSO framework which this current research will adapt.

The second research reviewed and emphasized under this study was conducted by Oseifuah and Gyekye (2013) on the topic internal Control in Small and Microenterprises in the Vhembe District, Limpopo Province, South Africa. The purpose of the study was to investigate the effectiveness of internal controls in SMEs in South Africa. Specifically, the study focuses on SMEs in the Vhembe District of the Limpopo Province. The study found out that internal control practices among small business sector enterprises in the Vhembe District are low, with only 45 percent of the surveyed enterprises having adequate internal control systems in place. The study

also found out that the size of business in the sector studied determines the possession of insurance cover (a major component of internal control). A major problem with this study is that the study failed to specifically reveal the different parts of the internal control framework of the SMEs studied in line with COSO framework or any other framework for comparison purposes.

Another study conducted by Teketel and Berhanu (2009) on the topic internal Control in Swedish Small and Medium Size Enterprises^{ll}, revealed that the components of the internal control system of the seven SMEs investigated are sound control environment, sound risk assessment process, sound operational control activities, effective information and communication system, effective monitoring and evaluation system. The researchers added that the components of the internal control system revealed in the study were in line with the COSO theoretical framework. Even though the study discovered the different parts of the internal control frameworks of the selected SMEs to be in line with the COSO framework, it cannot gainsay that similar discovery will be made in the current study.

Tunji (2013), in his study Effective Internal Controls System as Antidote for Distress in the Banking Industry in Nigeria examined the role of effective internal controls system in the reduction or total elimination of distress in the banking sector in Nigeria. A survey research design was adopted in which fifty six workers of selected deposit money banks were used and data were collected using questionnaire. Four research hypotheses were raised and tested; the hypotheses were tested using t-test statistic at a significant level of 5%. The testing of the hypotheses revealed that: existence of effective internal controls system has positive effect on fraud elimination in banks; effectiveness of internal controls system can be accurately ascertained; effective internal controls system has great impact on accuracy and reliability of records of banks and distresses in banks were traced to non-adherence to established internal controls system (Tunji, 2013). The study has shown the importance of effective internal control system by correlating effective internal control system to business operational issues such as fraud detection and accuracy and reliability of records.

A similar study conducted by Abiola (2013) in Nigeria on the topic internal Control System on Fraud Detection: Nigeria Experience^{ll} revealed that there is a strong relationship between internal control system and fraud detection. In addition Abiola (2013) found out that proper, well

designed employee training techniques improves fraud detection and that adequate employee training on internal control system also has effect on fraud detection.

An earlier study conducted by Schneider and Church (2008) examined the effect of internal control reports on lending officers' assessments of a company's creditworthiness in the United States of America. The researchers gathered data from 111 loan officers and found that their judgments were affected by the auditor's report on the effectiveness of internal controls. The lenders' assessment of the risk of extending a line of credit and the probability of extending the line of credit were negatively affected when the company received an adverse internal control opinion as compared to an unqualified one. Additional analyses suggest that an adverse internal control opinion weakens the importance assigned to the balance sheet and income statement in lending decisions and reduces lenders' confidence that financial statements are presented fairly in conformance with generally accepted accounting principles (Schneider and Church, 2008). He further discovered that, there is a significant positive relationship between internal controls and organizational financial performance of the People's Bank of Zanzibar. Ali (2013) further discovered that, internal control activities relate positively with responsibility, reliability of financial reporting and performance, effectiveness, productivity and general organizational objectives inward People's Bank of Zanzibar

According to Posthuma (2013), performances is considered as the ability to operate effectively and efficiently, generate profit, survives and react to the opportunities and threats in the environment. And it is no doubt that health institutions rank among essential organizations that require effective controls due to their provision of critical access points for our health needs (Regenstein and Huang, 2005) and their special commitment to serving the citizenry (Bazzoli et al. 2003). In line with this, persistent efforts by policy makers to pursue policies that would improve internal control system in the ministry of health have yielded abysmal results. But according to the ROCASUR Africa Report (2012), poor control systems in institutions has led to huge investments lost through fraud and misuse of assets that are used to generate revenues while members and institutions have suffered big losses. Inadequate controls have also led to corruption and collusion of management and external auditors leading to institutions failing to achieve their set objectives. The ministry of health as part of its internal control systems has created internal audit department to ensure laydown rules, regulations and procedural

compliance. This effort has been put in place in order to achieve positive performance of health institutions in Ghana. Nonetheless, health institutions in the Upper West Region still struggle with liquidity problems, untimely financial reports, and misuse of the institutions resources. We therefore determine the functionality of internal control mechanisms and their consequential impact on financial performance in health institutions in the upper west region of Ghana.

Internal control variables including control environment, risk assessment, control activities, information and communication and monitoring have remained operational tools through which organizations achieve varying organizational goals predominantly income generations and or survival (COSO1994). Cohen et al. (2000) emphasize on the relevance of control environment following findings from a survey which suggests that management's leadership and commitment towards integrity and ethical behavior and their implications on employees behavior remains the most important element for effective control. In situations where the tone set by management is weak, fraudulent financial reporting tends to be frequent since the control environment begins with directors and management who implement organizational policies, behaviors and effective governance (Rittenberg et al. 2005)

The emergent need for effective monitoring system in organizations has arisen due to the growing body of evidence that suggest well placed monitoring mechanisms have influencing impact on performance measures (Muraleetharan, 2010). Internal control systems require to be monitored in a bid to evaluate performance with the passage of time. Regular monitoring is imminent due to changing conditions, hence management seek to determine if current internal control mechanisms continue to be relevant and can address new risks. Information and communication systems instituted in organizations are intended to churn out reports encompassing operational, financial and compliance-related evidence, which in turn makes it possible for efficient management of business activities. Aside data which is internally generated and utilized, information concerning external events, activities and conditions essential to informing business decision-making (Sawyer et al. 2003). Gaskill (2000) asserts that, information and communication element of internal control allows timely accomplishment of reporting via gathering and communicating significant information within stipulated time. Internal system risk control mechanisms such as identification, assessment and supervision are embodiment of risk assessment element of internal control. Basic risks may involve

misstatement of financial data or unproductive utilization of assets which negatively affects organizational performance

Some empirical studies have also been carried out in determining the impact of internal controls on performance variables. While many of such studies reaffirm the positive relationship between internal controls and performance, other studies depict relatively weak or no relationship whatsoever. A study by Muraleetharan (2010) in determining the impact of internal control on financial performance found a very significant relationship between internal control and financial performance ($R^2 = 0.818$). This finding is similar to that of Mawanda (2008) who sought to find the effects of internal control systems on financial performance in institution of higher learning in Uganda. The research findings showed a significant impact of internal control systems on financial performance. Eko and Hariyanto (2011) found out that internal control system, internal audit, as well as organization commitment have positive significant relationship with good governance among contacted thirty-five (35) districts in Central Java province of Indonesia. In a similar study carried out by Nilniyom and Chanthinok (2011) on accounting system innovation and stakeholder acceptance of Thai listed firms, it was revealed that internal control effectiveness has a positive correlation with stakeholder acceptance. Likewise, Feng et al (2009) also carried out a study on internal control and management guidance, and concluded that internal control quality has an economically significant effect on the accuracy of management guidance. However, Douglas (2011) discovered internal control has little relation with financial performance.

The framework for internal control for most companies is that of the Committee of Sponsoring Organizations of the Tread way Commission (COSO) Internal Control Integrated Framework, issued in 1992. The framework emphasizes on the need for effectiveness of controls, and they must be “built into” the institution’s infrastructure (COSO 1992).

2.3 Conceptual Framework

Figure 2.1: Conceptual framework showing the relationship between internal control and financial performance.

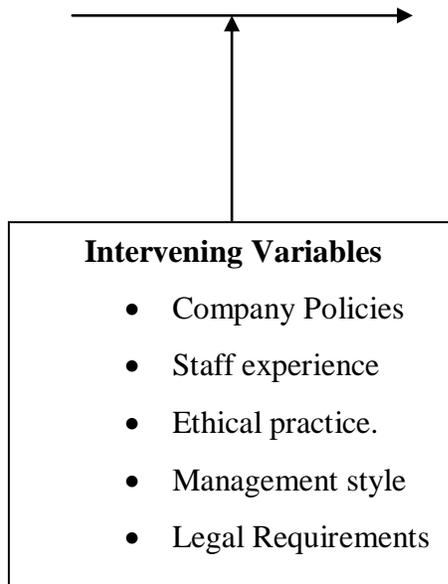
Independent variable

Internal Controls
<ul style="list-style-type: none"> • Budgeting • Segregation of duties • Safeguard of assets

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Dependent Variable

Financial Performance
<ul style="list-style-type: none"> • Profitability • Proper records • Compliance



Source: Lambert, 2015 as modified by researcher 2018.

The above displays how the independent, dependent and intervening variables affecting one another. The independent variable is internal controls, the components of which are budgeting segregation of duties, safeguard of assets. These should be influencing the dependent variable which is financial performance which is measured in terms of profitability, proper record, compliance, accountability and reliability of financial reported. The independent and dependent variables interaction is affected by intervening variables which are constituted by the environment that the company is working (ISA UK and Ireland 315).

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presents the research design, the study population, the sample and sampling procedures, data collection procedures, data collection instruments, validity and reliability of the study, data analysis and ethical considerations.

3.2 Research Design

This section identifies the following: Research approach, Research strategy, Research duration, Research classification and Research limitation. It is descriptive types of design.

3.2.1 Research approach

The study follows the phenomenological (lived experience) approach where the respondents respond to the questions that were raised in the study.

3.2.2 Research strategy

The study employed a survey research strategy to enable collection of sufficient information from the respondents. The survey design was chosen because it provides a detailed inquiry on the state of affair. The focus enabled the attainment of the data from the case study in order to provide an elaborate explanation of the state of the employees.

3.2.3 Research duration

The study took a direction of the cross sectional and research duration where data was collected from all respondents at once in the field. The design enabled the collection of the data to depict and show the status quo on internal controls and financial performance in the current state.

3.1.4 Research classification

The study employed both quantitative and qualitative research classification. The quantitative classification intends to generate value and present the information and data in numerical values to warrant a logical explanation of the state of internal controls and financial performance of (SPOC).

3.1.5 Study Limitations and Solution

Lack of co-operation by some respondents, there was a possible constraint to this study. In many organizations, it is common that researchers are viewed in a negative way; usually staff thinks it is a problem of finding exercise that will render most of them job at the end of the exercise. This study however emphasized to the respondents that the study was purely for academic purposes also some people felt redundant to participate in spite of the assurance about the study. The researcher resorted to willingness and available respondents.

The cost of conducting the research was very high in regard to the already incurred cost of accessing relevant stationary, printing and the yet to be incurred cost of photocopying, binding, transport, and telephone charges among others. The financial constraints were solved by asking my friends and family to raise some money for my research work.

3.3 Population of the study

The population of the study was drawn from the staffs of Sudd petroleum Operating Company which includes production and operation, human resource, finance department, general services and development and training. The study targeted a population of 150 people from the above mentioned departments. The populations of these are courtesy of the human resource manual of Sudd petroleum Operating Company (2017/2018). The employees were chosen because the employees have been in existence for quite a long period of time so attaining the data from an appropriate representation of the entire population.

3.4 Sample Size

Since the study population was less than 300, the researcher selected the whole population that is 150 respondents and therefore no sampling was used in this study.

The table below presents the population that includes top managerial employees, middle managers and operations employees in the organization. These categories are deemed to have sufficient information on internal controls and financial performance of the organizations.

Table 3.1: Distribution of the study Population

Category of Respondents	Population
Production and Operation	085
Human resource	020
Finance	017
General services (GS)	09
Security department	07

Development and training	012
Grand Total	150

Source: Human Resource Manual, 2017/18

3.5 Sampling Methods

The population of the study was small so the researcher selected the whole population using (Census) in the provision of information.

3.6 Data collection Procedures

An introductory letter was secured from the dean school of business administration of Nkumba University was used to seek to conduct the study their and administer the research instruments to the respondents in Sudd Petroleum Operating Company. The researcher then oriented and briefed his research assistants on the sampling and data gathering procedures. The questionnaires and interview guide were properly printed out. After, all the respondents were requested to answer the questionnaires as objectively as possible and not to leave any option unanswered.

3.7 Data collection Methods

3.7.1 Interviewing

The researcher used the interview schedule to guide the interview with the respondents who were key informers and thus were needed to elaborate on several issues. Here the researcher conducted face-to-face interviewers and make effective conversations between the interviewee and himself with the sole aim of soliciting data. The researcher used the both formal and informal interviews with the respondents. This enabled the researcher to get more information in greater depth, reduce resistance and also obtain personal information from the respondents. This method helps to further clarify certain information that was in the questionnaire and to cross check certain information from the respondents.

3.7.2 Documentary Review

This was done through the collection of data obtained from the record books keep by the management of Sudd Petroleum Operating Company. Those documentary books targeted were mainly from finance and Human resource departments.

3.8 Data collection Instruments

The collection of data was taken using the following instruments.

3.8.1 Questionnaires

Self administered questionnaires were used to obtain data for the study since it has been observed that in considering the various research options for systematically gathering information, the questionnaires earned reputation through frequent choice of researchers because of its time, efficiency and cost efficiency including the ability to get the job done. Here, self-administered questionnaires of closed ended questions based on a five Likert scale were employed. These were delivered by the researcher to the respective respondents in the oil company. The questionnaire was based on a five Likert scale measure of 1-5 with 1 being strongly Disagree, 2= Disagree 3=Not sure, 4= Agree and 5= Strongly Agree as shown in appendix A.

Interview Guide

This instrument were used to collect the qualitative data during face to face interviews where few staffs from top managerial employees, middle managers and operations employee. The interview guide is shown in the appendix B.

3.9 Validity and Reliability of the instrument

3.9.1 Validity

To ensure the validity of the questionnaire some two experts in research was involved in instrumentation of the research instruments. In this regard, after formulating the questionnaires, they were submitted to the two experts to ensure their validity through their duties' basis. This was based on the estimated alpha coefficient value of 0.789 and more. Thus, after the experts' judgment, the compilation of the resonances from the experts was e computed to determine the content validity index (CVI). The findings from the two experts were used to establish content validity index.

Table 3.9.1: Showing validity of the respondents

Rate	Valid questions	Total
1	34	38
2	35	38
3	33	38
Total	102	114

$$CVI = \frac{102}{114}$$

The CVI that was computed above 0.894, the research instrument was declared valid by the experts. Because the CVI is above 0.7, then the research instrument is was valid.

3.9.2 Reliability of the instrument

The reliability of the questionnaires is improved through pre-testing of pilot samples. This enabled the amendment of some questions. Furthermore, reliability of the scales is carried out with the application of the Cronbach Coefficient Alpha for the computations so as to check for the internal consistency of the scales. The Cronbach coefficient alpha on internal consistency test was used with the results to be presented in table below.

Items	No of items	Cronbach value
Ensuring efficient Budgeting	12	.832
Ensuring Segregation of duties	9	.754
Safeguarding assets	9	.821
Financial Performance	8	.720
	38	.781

Results with the alpha coefficient from the findings indicate that the instrument has an internal consistency and is therefore reliable since the cronbach value is high, 0.781.

3.10 Data Processing

The data collected were edited, organized. The data were coded and where appropriate tabulated into frequency tables entered into the Statistical Package for Social Sciences (SPSS) for data processing and analysis in order to prepare the final dissertation for submission to the school of Post Graduate and Research.

3.11 Data Analysis

The statistical package for social scientists was used to facilitate the physical analysis of data in this study under the SPSS version 22.0. Different statistical techniques namely: Data on profile

of respondents were analyzed using frequencies and percentage to determine the state of affair on the study. Correlation analysis was used to determine the relationship between internal controls and financial performance based on the study objectives from which conclusions were derived.

3.12 Ethical Considerations

While undertaking this study care was taken not to offend the respondents and the researcher did not undertake the following ethical considerations. The respondents were not forced to give their sensitive information if they did not feel like. In each question found in the questionnaire, there was an option for the respondent to claim neutrality.

The researcher complied with ethical procedures to protect the rights of the research participants, involving the principle of voluntary participation which requires that participants do not need to be coerced into participating in this research.

Right of the participant In this study, no attempt was made to harm participants deliberately and those who could experience any form of harm be it through victimization, emotional or otherwise, were informed in advance of their right to withdraw from participating in the study.

Confidentiality and anonymity confidentiality was observed means that information from participants was not going to be divulged to the public nor made available to colleagues, subordinates or superiors. In this study, all information from participants was treated with confidentiality and the participants were anonymous. A covering letter was used to assure respondent that all responses would be treated with utmost confidentiality and anonymity.

CHAPTER FOUR

DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

4.1 Introduction

This chapter presents and analyses the demographic characters about respondents. It is a presentation and analysis of results on demographic characteristics about respondents. Therefore the results are a reflection of what it takes to answer the research questions and the characteristics of the respondents to whom the research questions were administered.

4.2 Response Rate

The study targeted a sample population of 150 respondents who were employees of Sudd Petroleum Operating Company. The research achieved a response rate of 94.6 percent from the 142 respondents out of the 150 questionnaires that were administered and distributed to the selected respondents of the study. Therefore with this response rate, there is high confidence that the responses received on the study are reliable. Mugenda and Mugenda (1999) as well as Saunders (2007) suggest that a response rate of 50% and above is adequate when quantitative data is manually collected. Table 4.1 below presents a breakdown of the response rate of the respondents by their categorization.

Table 4.1: Response Rate

Respondents Category	Sample Size	Actual returned	Percentage
All respondents	150	142	94.6

Source: Primary Data, 2018

4.3 Demographic characteristics of respondents

4.3.1 Gender of respondents

From table 4.2 below, 107(75.4%) of the respondents were males, while the 35(24.6%) were female. The study findings show that more men participated in giving the information than women. The cause for this is that there are more men employed in the oil industry than women given the nature of work. The results imply that more men than women were involved in the study.

Table 4.2 Gender of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	107	75.4	75.4	75.4
Female	35	24.6	24.6	100.0

Total	142	100.0	100.0
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Source: Primary Data, 2018

4.3.2 Age of respondents

The study found that 36(25.4) of the total respondents were 20-30 years of age, 42(29.6%) were 30-40 years, 36(25.4%) were 40-50 years and only 28(19.7%) were 50 and above years of age as per table 4.3. The study results reveal that all the respondents were at less mature adults. The study results further reveal that these respondents were all in the position to understand the questions that were asked to them.

Table 4.3 Age of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-30	36	25.4	25.4	25.4
30-40	42	29.6	29.6	54.9
40-50	36	25.4	25.4	80.3
50+	28	19.7	19.7	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

4.3.3 Education level of respondents

In table 4.4 below, the results reveal that 14(9.9%) of the respondents had acquired certificate, 25(17.6%) had acquired diploma, 74(52.1%) had acquired bachelors degree while 18(12.7%) had masters while those with PhD and professional qualifications were 11(7.7%). These findings reveal that respondents were able to read and write and understand the questions in the questionnaire and provided appropriate answers to the study.

Table 4.4 Education level of respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Certificate	14	9.9	9.9	9.9
Diploma	25	17.6	17.6	27.5
Degree	74	52.1	52.1	79.6
Masters	18	12.7	12.7	92.3
Others	11	7.7	7.7	100.0

Total	142	100.0	100.0
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Source: Primary Data, 2018

4.3.4 Departments where respondents work

The study findings in table 4.5 reveal that 80(56.3%) of the respondents were in the production department, 19(13.4%) were in the human resource department, finance department had 16(11.3%) of the total respondents, general service had 9(6.3%) respondents while security were 6(4.2%) and those of development and training department were 12(8.5%). The study results imply that the data was collected from the entire organization since all the departments were represented, the study is therefore deemed to have a bearing on the entire organization.

Table 4.5 Department of respondents at work

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Production	80	56.3	56.3	56.3
Human Resource	19	13.4	13.4	69.7
Finance	16	11.3	11.3	81.0
General Service	9	6.3	6.3	87.3
Security	6	4.2	4.2	91.5
Development and training	12	8.5	8.5	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

4.6 Length of service of the respondents in the organization

The study results in table 4.6 reveal that 36(25.4%) of the respondents had worked in the organization for 1-4 years, 55(38.7%) of the respondents had worked for 4-9 years while 31(21.8%) respondents had worked for 9-14 years and 20(14.1%) had worked for 14 years and above. The study findings reveal that the employees had worked in the organization for a long time, the information provide is hence reliable.

Table 4.6: Time of work by respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-4 Years	36	25.4	25.4	25.4

4-9 Years	55	38.7	38.7	64.1
9-14 Years	31	21.8	21.8	85.9
14+ Years	20	14.1	14.1	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

CHAPTER FIVE

ENSURING EFFICIENT BUDGETING FOR EFFECTIVE FINANCIAL PERFORMANCE

5.1 Introduction

This chapter present finding of objective number one which sought to examine how Sudd petroleum operating company ensures efficient budgeting for effective financial performance. To verify this objective, the following questions were asked and answered by the respondents.

Results of Descriptive statistics

5.2 Budgeting policies and procedures are in place

Respondents were asked whether Sudd petroleum operating company has budgeting policies and procedures are in place. Their responses were 27(19%) of the respondents strongly disagreed,

19(13.4%) disagreed, 27(19%) were not sure, 23(16.2%) agreed and 46(32.4%) strongly agreed. Table 5.1 below show the findings.

Table 5.1: Budgeting policies and procedures are in place

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	27	19.0	19.0	19.0
Disagree	19	13.4	13.4	32.4
Not Sure	27	19.0	19.0	51.4
Agree	23	16.2	16.2	67.6
Strongly Agree	46	32.4	32.4	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

From table 5.1 above, a high response rate of 69(48.6%) of the total respondents were in agreement that Sudd petroleum Operating Company has budgeting policies and procedures are in place in their organization, while 46(32.4%) were in disagreement and 27(19%) were not sure. The implication is that budgeting activities in Sudd petroleum Operating Company are effective and efficient and carried out by the organizations under responsible accountants in the organization. However the interview conducted by some respondents reveal that the budgeting policies and procedures in place are ineffective.

5.3 Budgeting process and procedures are clearly formulated

Respondents were asked whether the budgeting process and procedures are clearly formulated to ensure financial performance. Their responses were that 27(19%) of the respondents strongly disagreed, 18(12.7%) of the respondents disagree, 4(2.8%) respondents were not sure, 35(24.6%) of respondents agreed and 58(40.8%) strongly agreed as shown in table 5.2 below.

Table 5.2 Budgeting process and procedures are clearly formulated

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	27	19.0	19.0	19.0
Disagree	18	12.7	12.7	31.7
Not Sure	4	2.8	2.8	34.5
Agree	35	24.6	24.6	59.2

Strongly Agree	58	40.8	40.8	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

Results in the table 5.2 above reveal that 93(65.5%) of the total respondents were in agreement that the budgeting process and procedures are clearly formulated in Sudd petroleum Operating Company, 45(31.7%) were in disagreement while 4(2.8%) were not sure. This implies that sudd petroleum Operating Company has implemented effective budgetary process and procedures in line with the requirements of financial accounting standards. This may have helped the company to track expenditures and effective cost management. It was revealed through the interview that the organization has a budget committee that is responsible for reviewing the budget procedures and policies in the organization and these meet the expectations of the organization. However 45(31.7%) of the respondents are in disagreement that the budgeting process and procedures are clearly formulated implying existence of inefficiency which propose the need for moderations to improve the status of budgeting in the organization

5.4 Budgeting process and procedures are clearly followed

When asked whether the budgeting process and procedures are clearly followed in the organization, their responses were: 25(17.6%) of the total respondents strongly disagreed, 20(14.1%) disagreed, 24(16.9%) were not sure while 34(23.9%) agreed and finally 39(27.5%) strongly agreed as presented in table below.

Table 5.3 Budgeting process and procedures are clearly followed

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	25	17.6	17.6	17.6
Disagree	20	14.1	14.1	31.7
Not Sure	24	16.9	16.9	48.6
Agree	34	23.9	23.9	72.5
Strongly Agree	39	27.5	27.5	100.0

Total	142	100.0	100.0
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Source: Primary Data, 2018

From table 5.3 above, 73(51.4%) of the total respondents generally agreed that budgeting process and procedures are clearly followed, 45(31.7%) were in disagreement while 24(16.9%) were not sure. The implication is that the budgeting process and procedures are clearly known to the employees and they effectively operate the budgeting though 31.7% of the respondent's disagreement cites non adherence to the budgeting process thus require remedy.

5.5 Finances by the organization are spent in accordance to the budget framework

When the respondents were asked whether the finances by the organization are spent in accordance to the budget framework, the study results reveal that 23(16.2%) strongly disagreed, 8(5.6%) disagreed, 11(7.7%) were not sure, 42(29.6%) agreed and 58(40.8%) strongly agreed as presented in table 5.4 below.

Table 5.4 :Finances by the organization are spent in accordance to the budget framework

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	23	16.2	16.2	16.2
Disagree	8	5.6	5.6	21.8
Not Sure	11	7.7	7.7	29.6
Agree	42	29.6	29.6	59.2
Strongly Agree	58	40.8	40.8	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

According to table 5.4 above, 100(70.4%) of the total respondents generally agreed that the finances by the organization are spent in accordance to the budget. 31(21.8%) of the respondents

were in disagreement while 11(7.7%) were not sure. This implies those carried with the responsibility of budget implementation follow the budget framework in the execution of the budgetary framework. The results are in agreement with financial standards board rules on budgeting in regard to adherence to the budget framework.

5.6 The organization executes the budget in line with planned activities

When asked whether the organization execute the budget in line with planned activities, the responses were that: 20(14.1% strongly disagreed, 5(3.5% disagreed, 6(4.2%) were not sure, 47(33.1% agreed while 64(45.1%) strongly agreed as presented in table 5.5 below.

Table 5.5: The organization executes the budget in line with planned activities

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	20	14.1	14.1	14.1
Disagree	5	3.5	3.5	17.6
Not Sure	6	4.2	4.2	21.8
Agree	47	33.1	33.1	54.9
Strongly Agree	64	45.1	45.1	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

The study findings in table5.5 above indicate 111(78.2%) of the total respondents agreed that the organization executes the budget in line with planned activities, 25(17.6%) were in disagreement while 6(4.2%) were not sure. The study results imply that the organization budget is executed in regard to plans, it further imply that the employees adhere the activities execution on the organization plan.

5.7 Proper monitoring of the budget execution

The study set to establish whether there is proper monitoring of the budget execution. When asked on that question, 17(12%) of the total respondents strongly disagreed, 8(5.6%) disagreed while 16(11.3%) were not sure, 50(35.2%) agreed and 51(35.9%) strongly agreed as shown in the table below.

Table 5.6 Proper monitoring of the budget execution

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	17	12.0	12.0	12.0

Disagree	8	5.6	5.6	17.6
Not Sure	16	11.3	11.3	28.9
Agree	50	35.2	35.2	64.1
Strongly Agree	51	35.9	35.9	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

The study findings in table 5.6 indicate that, 101(71.1%) were in agreement that there is proper monitoring of budget execution. The results had few respondents with disagreement 25(17.6), the study findings imply that the organization employees undertake to implement the provisions undertaken in the budget monitoring and this enhance efficiency in budge monitoring.

5.8 The organization has a budget committee for proper budgeting

When respondents were asked whether the company has a budget committee for proper budgeting, 10(7%) of the respondents strongly disagreed, 7(4.9%) disagreed, 56(39.4%) agreed while 69(48.6% strongly agreed. The study findings are provided in table below.

Table 5.7: The organization has a budget committee for proper budgeting

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	10	7.0	7.0	7.0
Disagree	7	4.9	4.9	12.0
Agree	56	39.4	39.4	51.4
Strongly Agree	69	48.6	48.6	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

The study findings from table 5.7 show that 125(88.0% of the total respondents were in agreement that the organization has a budget committee for proper budgeting, 17(12.0%) disagreement. This implies that the organization employees acknowledge and recognize the

functionality of the budget committee. It further means that the budget committee performs to the expectations of the organization financial performance goals and objectives.

5.9 Organization budgeting properly creates financial value

The respondents were asked whether organization budgeting properly creates financial value for the company. The study established that 36(25.4%) respondents strongly disagreed, 21(14.8%) disagreed, 12(8.5%) were not sure, 26(18.3%) agreed while 47(33.1%) strongly agreed. The study results are presented in table 5.8 as below.

Table 5.8: The organization budgeting properly creates financial value

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	36	25.4	25.4	25.4
Disagree	21	14.8	14.8	40.1
Not Sure	12	8.5	8.5	48.6
Agree	26	18.3	18.3	66.9
Strongly Agree	47	33.1	33.1	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

The study findings as in table 5.8 above indicate that the organization budgeting properly creates financial value according to 73 (51.4%) respondents who were in agreement. The study results denote that the budgeting in Sudd Petroleum Operating Company has created an extra value financially in the organization. However a reasonable disagreement of 57(40.1%) indicates loopholes in budgeting that hinder attainment of financial value for the organization while 12(8.5%) were not sure.

5.10 There is an audit department for evaluating the worth of budget

Respondents were asked whether there is an audit department for evaluating the worth of budget, in their response, 21(14.8%) strongly disagreed, 29(20.4%) disagreed, 55(38.7%) agreed and 37(26.1%) strongly agreed as presented in table 5.9 below.

Table 5.9: There is an audit department for evaluating the worth of budget

	Frequency	Percent	Valid Percent	Cumulative Percent

Valid	Strongly Disagree	21	14.8	14.8	14.8
	Disagree	29	20.4	20.4	35.2
	Not sure	0	0	0	35.2
	Agree	55	38.7	38.7	73.9
	Strongly Agree	37	26.1	26.1	100.0
	Total	142	100.0	100.0	

Source: Primary Data, 2018

The study findings in table 5.9 indicate that 92(64.8%) are in agreement that there is an audit department for evaluating the worth of budget. The study findings imply that the organization has set the department for evaluating the budget process. It further implies that the employees are aware of the application of the budget audit process in budgeting. However the 50(35.2%) disagreement could indicate inefficiency in the budget framework hence the need for redress on the same, in this case no respondent was not sure according to the response rate provided.

5.11 Proper budgeting has led to proper financial accountability of funds

When the respondents were asked whether Sudd petroleum Operating Company has proper budgeting that lead to proper financial accountability of funds, 31(21.8%) strongly disagreed, 10(7%) disagreed, 5(3.5%) were not sure, 34(23.9%) agreed while 62(43.7%) strongly agreed. The information is presented in the table below.

Table 5.10: Proper budgeting has led to proper financial accountability of funds

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	31	21.8	21.8	21.8
Disagree	10	7.0	7.0	28.8
Not Sure	5	3.5	3.5	32.3
Agree	34	23.9	23.9	56.2
Strongly Agree	62	43.8	43.8	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

From table 5.10 above, 96(67.6%) of the total respondents were in agreement that proper budgeting has led to proper financial accountability of funds in Sudd petroleum Operating

Company. The study findings imply that budgeting as applied by the organization track efficiency for generation of value in the organization. However, 41(28.9%) respondents are in disagreement while 5(3.5%) were not sure which cites some miss-up in the systems functionality that restrict accountability.

5.12 The management exercise transparency in executing the budgets

When asked whether Sudd petroleum Operating Company’s management exercise transparency in executing the budgets, the responses were: 32(22.5%) strongly disagreed, 22(15.5%) disagreed, 3(2.1%) were not sure, 35(24.6% agreed and 50(35.2%) strongly agreed. The results are presented in table 4.11 below.

Table 5.11: The management exercise transparency in executing the budgets

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	32	22.5	22.5	22.5
Disagree	22	15.5	15.5	38.0
Not Sure	3	2.1	2.1	40.1
Agree	35	24.6	24.6	64.8
Strongly Agree	50	35.2	35.2	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

From table 5.11 above, 85(60.0%) of the total respondents were in agreement that Sudd petroleum Operating Company’s management exercise transparency in executing the budgets. The disagreement basis was 54(38%) while 3(2.1%) were not sure. The study results imply that there is sufficient involvement of the organization employees in the budget process. 38% disagreement could be affiliated to discrepancy in information flow for budgeting in the organization departments that require redress.

5.13 Budget is executed without budget deficits

In this regard, the respondents were asked whether Sudd petroleum Operating company budgets are executed without deficits. Their responses were that: 24(16.9%) strongly disagreed, 13(9.2%) disagreed while 2(1.4%) were not sure and 43(30.3%) agreed while 60(42.3%) strongly agreed as presented in table 4.12 below.

Table 5.12 The budget is executed without budget deficits

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	24	16.9	16.9	16.9
Disagree	13	9.2	9.2	26.1
Not Sure	2	1.4	1.4	27.5
Agree	43	30.3	30.3	57.7
Strongly Agree	60	42.3	42.3	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

From table 5.12 above, 103(72.5%) of the total respondents generally agreed that Sudd petroleum Operating Company budgets are executed without deficits, though 37(26.1%) disagreed with statement while 2(1.4%) were not sure, the study results imply that the budget executions in the organization was further planned well by those in authority that helped to or limit the deficits in the budgets.

CHAPTER SIX

SEGREGATION OF DUTIES FOR EFFECTIVE FINANCIAL PERFORMANCE

6.1 Introduction

This chapter presents findings of objective number two which sought to examine how Sudd petroleum operating company ensures segregation of duties for effective financial performance. To verify this objective, the following questions were asked and answered by the respondents. The study results based on the findings as per the questions are presented as interpreted below.

6.2 There is clear separation of roles in this organization

Concerning this, the respondents were asked whether Sudd petroleum Operating Company has clear separation of roles in the organization. The study results reveal that 28(19.7%) strongly

disagreed, 25(17.6%) disagreed, 6(4.2%) were not sure, 55(38.7%) agreed while 28(19.7%) strongly agreed as presented in table 6.1 below.

Table 6.1: There is clear separation of roles in this organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	28	19.7	19.7	19.7
Disagree	25	17.6	17.6	37.3
Not Sure	6	4.2	4.2	41.5
Agree	55	38.7	38.7	80.3
Strongly Agree	28	19.7	19.7	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

Results in table 6.1 above indicates that 83(58.5%) of the total respondents were in agreement that Sudd petroleum Operating Company has clear separation of roles in this organization. The study findings imply that the organization has established clear separation of roles and duties between employees and staff though a reasonable disagreement of 53(37.3%) and 6(4.2%) were not sure, can't be underestimated in determining separation of roles further implying that the organization has loopholes in the segregation of duties. There is therefore need for Sudd petroleum operating Company to amplify the stakes in handling the segregation of duties in the organization to generate more efficiency in the management of the employees.

6.3 The employee's work is to check on that of others

The respondents were asked whether there are some employee's whose work is to check on that of others, the study findings reveal that 25(17.6%) strongly disagreed, 35(24.6%) disagreed, 8(5.6%) were not sure, 57(40.1%) agreed while 17(12%) strongly disagreed as presented in table 6.2 below.

Table 6.2: Some of the employee's work is to check on that of the others

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	25	17.6	17.6	17.6

Disagree	35	24.6	24.6	42.3
Not Sure	8	5.6	5.6	47.9
Agree	57	40.1	40.1	88.0
Strongly Agree	17	12.0	12.0	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

From table 6.2 above, 74 (52.1%) of the total respondents were in agreement that there are some employee's whose work check on the others in Sudd petroleum Operating company. The results imply that there are checks on employees by each other in the organization. 60(42.3%) respondents in disagreement and 8(5.6%) were not sure meaning that the checks on employee works are quite limited and restrictive in the organization operations for the sake of the management of the organization to generate efficiency in work

6.4 Management undertakes corrective action to address weaknesses

When asked whether management undertakes corrective action to address weaknesses, the study results reveal that 25(17.6%) strongly disagreed, 14(9.9%) disagreed, 19(13.4%) were not sure while 45(31.7%) agreed and 39(27.5%) strongly agreed as presented in table 6.3 below.

Table 6.3: The management undertakes corrective action to address weaknesses

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	25	17.6	17.6	17.6
Disagree	14	9.9	9.9	27.5
Not Sure	19	13.4	13.4	40.8
Agree	45	31.7	31.7	72.5
Strongly Agree	39	27.5	27.5	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

In table 6.3 above, 84(59.2%) of the total respondents are in agreement that the sudd petroleum Operating Company undertake corrective action to address weaknesses. 39(27.5%) of the respondents were in disagreement while 19(13.4%) were not sure. The study results imply that the organization has a committed administrative scheme for handling the employees and the errors in the work. The results further denote that the organization weakness still exist though the means of enhancing the management to enhance work efficiency are quite limited in the organization that call for enhancement factors to generate improvement in corrective actions.

6.5 Staff are trained to implement the accounting and financial management system

Respondents were asked whether Sudd petroleum Operating Company staffs are trained to implement the accounting and financial management system. The responses were that 26(18.3%) strongly disagreed, 29(20.4%) disagreed, 36(25.4%) were not sure, 32(22.5%) agreed and 19(13.4%) strongly agreed as presented in table 6.4 below.

Table 6.4 : Staff are trained to implement the accounting and financial management system

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	26	18.3	18.3	18.3
Disagree	29	20.4	20.4	38.7
Not Sure	36	25.4	25.4	64.1
Agree	32	22.5	22.5	86.6
Strongly Agree	19	13.4	13.4	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

In table 6.4 above, 51(35.9%) of the total respondents of the study were in agreement that the staff are trained to implement the accounting and financial management system. These imply that the staffs in the organization have a department for providing them training, the several aspects of their concern was that employees are trained in financial management. However, the low response of coupled with a disagreement of 55(38.7%) and 36(25.4%) were not sure; the results reveal that the staffs are not well trained for implementing financial training. In an interview with some respondents, they noted that training is restricted to particular groups especially those in administration. These are seen to hinder management efficacy in the entire organization calling for a need for comprehensive training in the organization.

6.6 It is impossible for one staff to have access to all valuable information without the consent of senior staff.

On the question whether it is impossible for one staff to have access to all valuable information without the consent of senior staff. The responses were that 19(13.4%) respondents strongly disagreed, 18(12.7%) disagreed, 21(14.8%) were not sure, 32(22.5%) agreed and 52(36.6%) strongly agreed as presented in table below.

Table 6.5: It is impossible for one staff to have access to all valuable information without the consent of senior staff

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	19	13.4	13.4	13.4
Disagree	18	12.7	12.7	26.1
Not Sure	21	14.8	14.8	40.8
Agree	32	22.5	22.5	63.4
Strongly Agree	52	36.6	36.6	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

According to table 6.5 above, 84(59.2%) of the total respondents were in agreement that It is impossible for one staff to have access to all valuable information without the consent of senior staff in Sudd petroleum Operating Company while 35(24.6%) respondents in disagreement while 21(14.8%) were not sure. The study results imply that there is authorization and proper channels of information flow in the organization that is a creation of possibly a developed authoritative staff and channels of communication that enhance work efficiency in Sudd petroleum Operating Company. The presence of that environment denotes low level capacity for the organization in terms of verifications for assessing the management efficiency.

6.7 There is a well-developed Chart of Accounts in the organization

On the question of whether there is a well-developed Chart of Accounts in the organization, the study results reveal that 19(13.4%) of the respondents strongly disagreed, 16(11.3%) disagreed 10(7%) were not sure while 64(45.1%) agreed and 33(23.2%) strongly agreed as presented in table 6.6 below.

Table 6.6: There is a well-developed Chart of Accounts in the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	19	13.4	13.4	13.4
Disagree	16	11.3	11.3	24.6
Not Sure	10	7.0	7.0	31.7
Agree	64	45.1	45.1	76.8
Strongly Agree	33	23.2	23.2	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

According to table 6.6 97(68.3%) of the total respondents were in agreement that there is a well-developed Chart of Accounts in the Sudd petroleum Operating Company while 35(24.6%) disagreement and 10(7%) were not sure. The study implies that the chart of accounts is well

developed in sudd petroleum Operating Company a possible presence of a high degree of the work ethics and adherence to the accounting rules and regulations in the organization. The presence of low disagreement could be explained by limited presence of management inefficiency in the organization.

6.8 There are controls in place to exclude incurring expenditure in excess of allocated funds

When asked whether there are controls in place to exclude incurring expenditure in excess of the allocated funds, the responses were that 27(19%) strongly disagreed, 29(20.4%) disagreed 30(21.1%) were not sure, 41(28.9%) agreed while 15(10.6) strongly agreed as per table 6.7 presented below.

Table 6.7: There are controls in place to exclude incurring expenditure in excess allocated funds

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	27	19.0	19.0	19.0
Disagree	29	20.4	20.4	39.4
Not Sure	30	21.1	21.1	60.6
Agree	41	28.9	28.9	89.4
Strongly Agree	15	10.6	10.6	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

Table 6.7 above indicates that 56(39.4) the total respondents generally agreed that there are controls in place to exclude incurring expenditure in excess of allocated funds in Sudd petroleum Operating Company. This implies that the organization have controls in place for monitoring expenditure, the results also signal an existing environment of focus and expenditure management in the organization. The presence of disagreement of 56(39.4%), 30(21.1%) were not sure on the other hand indicates the presence of low expenditure tracking in SPOC. This could be attributed to human and low expenditure management systems for the company.

6.9 The organization has clear administration for handling financial management

When asked whether the Sudd petroleum Operating Company has clear administration for handling financial management. The study results reveal that 30(21.1%) strongly disagreed, 11(7.7% disagreed, 23(16.2%) were not sure, 40(28.2%) agreed and 38(26.8%) strongly agreed and the results were presented in table 6.8 below.

Table 6.8 The organization has clear administration for managing financial management

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	30	21.1	21.1	21.1
Disagree	11	7.7	7.7	28.9
Not Sure	23	16.2	16.2	45.1
Agree	40	28.2	28.2	73.2
Strongly Agree	38	26.8	26.8	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

Table 6.8 indicate that 78(54.9%) of the total respondents were in agreement that Sudd petroleum Operating Company has clear administration for managing financial management. The responses in disagreement were 41(28.9%) while 23(16.2%) were not sure. The results show that the means of the respondents reveal that the organization has established a means of the organization departments that oversee the management and administration of the finances in the SPOC, this means that the hierarchy for the management of the finances in the organization have a designated management systems and personality that handle the finances in the organization.

6.10 There is a proper department for allocating duties in the organization

When asked the question of whether there is proper department for allocation of duties in the organization. The study results reveal that 31(21.8%) respondents strongly disagreed, 26(18.3%) respondents disagreed while 51(35.9%) respondents agree and 34(23.9%) strongly agreed as shown in table below.

Table 6.9: There is a proper department for allocation of duties in the Company

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	31	21.8	21.8	21.8
Disagree	26	18.3	18.3	40.1
Not sure	0	0	0	40.1
Agree	51	35.9	35.9	76.0
Strongly Agree	34	24.0	24.0	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

From table 6.9 above, 85(59.9%) of the respondents were in agreement that Sudd petroleum Operating Company has a proper department for allocating duties in the organization. The study findings indicate that the Company departments exist; though the point of disagreement that was 57(40.1%) imply that there exist department for allocation of duties in the Company.

CHAPTER SEVEN
SAFEGUARDING ITS ASSETS TO ENHANCE EFFECTIVE FINANCIAL
PERFORMANCE

7.1 Introduction

This chapter present finding of objective number three which sought to examine how Sudd petroleum operating company ensures safe guard of assets to enhance effective financial performance. To ensure this objective, the following questions were asked and answered by the respondents. The study results based on the findings as per the questions are analyzed and presented as shown below.

7.2 The organization has an asset plan

The study established that Sudd Petroleum Operating Company maintains the assets and has an asset plan that is used in maintaining the assets of the business. In this regard, the respondents were asked whether the organization has an asset plan. The responses were that 48(33.8%)

strongly disagreed, 51(35.9%) disagreed, 29(20.4%) agreed and 14(9.9%) strongly agreed. The study results are presented in the table below

Table 7.1: The organization has an asset plan

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	48	33.8	33.8	33.8
Disagree	51	35.9	35.9	69.7
Not sure	0	0	0	69.7
Agree	29	20.4	20.4	90.1
Strongly Agree	14	9.9	9.9	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

The study findings from table 7.1 indicate that majority of the respondents, 99(69.7%) were in disagreement that the organization has an asset plan. The study indicates that the organization does not have an asset plan. However the 43(30.3%) provided agreement response, this implies that the organization has not put a strong or proper mechanism for handling the assets that is the plan could be existing but is insignificant for the organization. This call for the company to review its assets planning to facilitate effective financial performance.

7.2 Company assets are effectively managed

When the respondents were asked the question on whether the company assets are effectively managed, the study findings reveal that 38(26.8%) respondents strongly disagreed, 30(21.1%) disagreed, 13(9.2%) were not sure, 37(26.1%) agreed and 24(16.9%) strongly agreed as shown in table 7.2 below.

Table 7.2 : The company's assets are effectively managed

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	38	26.8	26.8	26.8
Disagree	30	21.1	21.1	47.9
Not Sure	13	9.2	9.2	57.0
Agree	37	26.1	26.1	83.1

Strongly Agree	24	16.9	16.9	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

According to table 7.2 above, 61(43%) of the total respondents were in agreement that Sudd petroleum Operating Company assets were effectively managed while 68(47.9%) were in disagreement while 13(9.2%) were not sure. The study findings imply that the organization has undertaken and established avenues for managing assets. The degree of disagreement of 47.9% which is almost equal to agreement imply that loopholes exist in the management of assets in the organization. This mean that relevant personnel are not assigned and the organization does not undertake efficiency in assets management. Therefore there is need to improve in the company’s assets management for effective financial performance.

7.4 There is proper monitoring of the assets

When the respondents were asked whether thereis proper monitoring of assets management in Sudd petroleum Operating Company, their responses were: 31(21.8%) strongly disagreed, 39(27.5%) disagreed, 17(12%) were not sure, 43(30.3%) agreed while 12(8.5%) strongly agreed. The results provided are shown in table 7.3 below.

Table 7.3: There is proper monitoring of the assets

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	31	21.8	21.8	21.8
Disagree	39	27.5	27.5	49.3
Not Sure	17	12.0	12.0	61.3
Agree	43	30.3	30.3	91.6
Strongly Agree	12	8.4	8.4	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

From table 7.3 above, 55(38.7%) of the total respondents were in agreement that Sudd petroleum Operating Company does proper monitoring of the assets. This implies that the assets in SPOC are protected against theft and misuse. However 70(49.3%) of the respondents were in

disagreement that Sudd petroleum Operating Company monitor its assets properly, the 17% respondents (17(12.0%)) were not sure. This implies that generally, the company assets are not properly monitored for effective financial performance.

7.5 The Company keep proper record of the assets

When asked whether the company keeps proper record of the assets to ensure effective financial performance, the responses were 43(30.3%) strongly disagreed, 27(19%) disagreed, 10(7.0%) were not sure, 26(18.3%) agreed and 36(25.4%) strongly agreed as shown in table 7.4 below.

Table 7.4 The company keep proper records of the assets

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	43	30.3	30.3	30.3
Disagree	27	19.0	19.0	49.3
Not Sure	10	7.0	25.4	74.6
Agree	26	18.3	18.3	93.0
Strongly Agree	36	25.4	7.0	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

From table 7.4 above, 62(43.7%) of the total respondents were in agreement that Sudd petroleum Operating Company keep proper record of the assets. This implies that the company keeps record of assets by basic stakeholders for various purposes. However 70(62%) of the respondents were in disagreement, that there is proper record keeping of the assets in Sudd petroleum Operating Company with that to a reasonable extent, Sudd petroleum Operating Company has not kept records for use in future and accountability in most proper form. However, the 10(7.0%) respondents were not sure.

7.6 There are right personnel safeguarding the company's assets

Respondents were asked whether there are right personnel who safe guard the company's assets to ensure effective financial performance. Their responses were that 3(2.1%) strongly disagreed, 17(12.0%) disagreed, 5(3.5%) were not sure, 62(43.7%) agreed while 55(38.7%) strongly agreed. The findings are presented in table 7.5 below.

Table 7.5: There are right personnel who safe guard the company assets

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	3	2.1	2.1	2.1
Disagree	17	12	12.0	14.1
Not Sure	5	3.5	3.5	17.6
Agree	62	43.7	43.7	61.3
Strongly Agree	55	38.7	38.7	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

The study results in table 7.5 indicate that 117(82.4%) of the total respondents agreed that Sudd petroleum Operating Company's assets are adequately safeguarded by the right personnel. This implies that most of the assets in SPOC are guarded against loss, caused by theft, accidental destruction and errors by the right officers. However 20(14.1%) of the respondents were in disagreement while 5(3.5%) were not sure, SPOC assets are adequately safeguarded by the right officers. There is therefore need for the assurance that the transactions related to assets have been properly processed and that the appropriate physical handling and control over assets exist.

7.7 There is proper care for the assets in the company

Respondents were asked whether there is proper care for the assets in Sudd Petroleum Company. The responses were that 33(23.3%) strongly disagreed, 17(12. %) disagreed, 17(12%) were not sure, 37(26.1%) agreed while 38(26.8%) strongly agreed. The results are presented in the table 7.6 below.

Table 7.6: There is proper care for the assets in the company

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	33	23.2	23.2	23.2
Disagree	17	12.0	12.0	35.2
Not Sure	17	12.0	12.0	47.2
Agree	37	26.1	26.1	73.2
Strongly Agree	38	26.8	26.8	100.0

Total	142	100.0	100.0
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Source: Primary Data, 2018

Table 7.6 indicate that 75(52.8%) of the respondents were in agreement that there is proper care for the assets in Sudd petroleum Operating Company. The study results therefore imply that there is some reasonable care that prevents spoilage and loss of company’s assets. However, 50(35.2%) of the respondents are in disagreement and 17(12%) were not sure on presence of proper care for the assets reveal that the company has not fully designed a care scheme for the assets to enable the company effectively enhance financial performance.

7.8 There is adequate control on the physical assets of the company

The respondents were asked whether there are adequate control on the physical assets of the company to safe guard the assets for effective financial management. The responses were that 14(9.9%) strongly disagreed, 42(29.6%) disagreed, 7(4.9%) were not sure, 20(14.1%) agreed while 59(41.5%) strongly agreed. The findings are shown in table 7.7 below.

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Table 7.7: There is adequate control on the physical assets of the company

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	14	9.9	9.9	9.9
Disagree	42	29.6	29.6	39.5
Not Sure	7	4.9	4.9	44.4
Agree	20	14.1	14.1	58.5
Strongly Agree	59	41.5	41.5	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

Table 7.7 above indicate that 79(55.6%) of the total respondents generally agreed that there are adequate physical control to assets of Sudd petroleum Operating Company. This imply that SPOC has measures to control physical assets, the practices include locking doors, desks and file

cabinets so that only authorized personnel can access them. However 56(39.4%) of the respondents were in disagreement and 7(4.9%) were not sure that there was adequate control on the physical assets of the company. The implication is that not all the assets in SPOC have adequate physical controls. There is need for the organization to ensure that adequate controls for physical access to assets are in place.

7.9 Access to the assets is with proper authorization

The respondents were asked a question regarding whether there is access to assets with proper authorization in SPOC. The results were 27(19%) strongly disagreed, 31(21.8%) disagreed, 17(12%) were not sure, 25(17.6%) agreed and 42(29.6%) strongly agreed. The study findings are presented in table 7.8 below.

Table 7.8 The access to the assets is with proper authorization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	27	19.0	19.0	19.0
Disagree	31	21.8	21.8	40.8
Not Sure	17	12.0	19.0	52.8
Agree	25	17.6	17.6	70.4
Strongly Agree	42	29.6	29.6	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

According to table 7.8, 67(47.2%) of the respondents agreed that there is access to assets with proper authorization. The findings imply that some employees get assets of the organization after

getting permission from the assets controllers. However access to some 58(40.8%) that is in disagreement while 12% were not sure, with the access to assets through authorization reveal that the assets of Sudd petroleum are sometimes accessed without authorization from the controllers. The study findings imply that the state of assets authorization in the organization is limited to management though imply weaknesses in authorizations can be cited in the organization’s setting and management, hence the need for effective control to generate sufficient performance.

7.10 There is adequate measure of the asset base in the company

The study was set to investigate whether there is adequate measure of the asset base in the Company from the respondents, the findings reveal that 50(35.2%) strongly disagreed, 33(23.2%) disagreed, 25(17.6%) were not sure, 22(15.5%) agreed while 12(8.5%) strongly agreed. The results are presented in table 7.9 below.

Table 7.9: There is adequate measure of the asset base in the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	50	35.2	35.2	35.2
Disagree	33	23.2	23.2	58.5
Not Sure	25	17.6	17.6	76.1
Agree	22	15.5	15.5	91.5
Strongly Agree	12	8.5	8.5	100.0
Total	142	100.0	100.0	

Source: Primary Data, 2018

Table 7.9 above indicates that 34(23.9%) of the total respondents are in agreement that there are adequate measure of the asset base in the organization. The implication is that to some extent, SPOC has established mechanisms for measuring assets. However the 83(58.5%) were in disagreement while 25(17.6%) were not sure about the presence of adequate measures for the

company's assets base, with the presence of measures for asset base management in the organization. This implies that the organization does not have adequate or proper means of managing the asset base, these calls for efforts in improving the overall handling of the assets in the organization.

7.11 Testing hypothesis

The study tested the hypothesis which sought to establish whether internal controls have enhanced financial performance in Sudd petroleum Operating Company. The hypothesis tested was that there is no significant relationship between internal controls and financial performance of Sudd Petroleum Operating Company.

The findings of the correlation analysis revealed that there is significant and positive relationship between internal controls and financial performance in Sudd petroleum operating company ($r=.558$, $P < .008$). The analysis is summarized in table 6.10 below. This implies that internal controls have enhanced financial performance in Sudd petroleum Operating Company.

Table 7.10 Correlation between internal controls and financial performance

Correlations			
		Internal controls	Financial Performance
Internal controls	Pearson Correlation	1	.558**
	Sig. (1-tailed)		.008
	N	142	142
Financial Performance	Pearson Correlation	.558**	1
	Sig. (1-tailed)	.008	
	N	142	142

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

CHAPTER EIGHT

LINK OF FINDINGS TO LITERATURE AND SUGGESTING WAY FORWARD

8.1 Introduction

This chapter presents the way forwards a means for improving the financial performance through internal controls. The chapter links the findings to literature review and suggest the very forward for internal controls and financial performance of Sudd Petroleum Operating company.

8.2 Efficient budgeting for effective financial performance

The study findings revealed that budgeting policies and procedures are in place but inadequate in the organization. To be in line with Wee (2009), Sudd petroleum operating company should improve its state of budgeting controls so as to enhance the functionality of the company. Therefore, presenting the means of attaining and improving the budgeting process is fundamental for the policies and procedures of budgeting.

The study reveals that generally finances of the company are spent in accordance to the budget. This implies that those charged with the responsibility of budget implementation follow the budget framework in the execution of the budgetary framework. Jensen (2003) suggest that internal control systems including internal audits are intended primarily to enhance the reliability of financial performance, either directly or indirectly by increasing accountability among information providers in an organization Internal control therefore, has a much broader purpose such that the organization level of control problems associated with lower revenues, which explore links between disclosure of material weakness and fraud, earnings management or restatements. Internal controls provide an independent appraisal of the quality of managerial performance in carrying out assigned responsibilities for better revenue generation.

The majority of respondents (71.1%) were in agreement that proper monitoring of the budget execution. The findings are in agreement with Fadzil et al (2005) who suggestthe author suggest that internal control system unequivocally correlates with organizational success in meeting its revenue target level. Effective internal control for revenue generation involves; regular a review of the reliability and integrity of financial and operating information, a review of the controls

employed to safeguard assets, an assessment of employees' compliance with management policies, procedures and applicable laws and regulations, an evaluation of the efficiency and effectiveness with which management achieves its organizational objectives

The budgeting creates low financial value to the operations. The study results denote that the budgeting in SPOC has created some value financially in the company. The results are in agreement with Teketel and Berhanu (2009) on the topic internal Control in Swedish Small and Medium Size Enterprises who reveal that the components of the internal control system of the seven SMEs investigated are sound control environment, sound risk assessment process, sound operational control activities, effective information and communication system, effective monitoring and evaluation system

There is limited transparency in budgeting, SPOC's management exercises some reasonable levels of transparency in executing the budgets. The study results imply that there is sufficient involvement of the organization employees in the budget process. The results are in agreement with Cohen et al. (2000) who emphasized on the relevance of control environment following findings from a survey which suggests that management's leadership and commitment towards integrity and ethical behavior and their implications on employees behavior remains the most important element for effective control. In situations where the tone set by management is weak, fraudulent financial reporting tends to be frequent since the control environment begins with directors and management who implement organizational policies, behaviors and effective governance.

8.3 Segregation of duties for effective financial performance

Sudd petroleum operating company has clear separation of roles in this organization. The study findings imply that the organization has established clearly the duties of the employees and staffs.

The staffs in Sudd petroleum operating company is not trained for effective financial management given the low agreement rate of 35.9% and high and not sure of 64.1% table 6.4. This implies that majority of the staffs are not well trained for implementing financial control.

The findings are in agreement with Mukopi & Iravo (2015) who assessed factors that influence the internal control activities in ensuring good corporate governance in financial institutions in developing economies with special reference to Zimbabwe. The study discovered that internal control system overrides and the issue of “fact cat” directors also contributed to poor corporate governance.

The study further established that there are some weak controls in place to exclude incurring expenditure in excess allocated funds in SPOC. This implies that company has inadequate controls in place for monitoring expenditure, the results also signal an existing environment of focus on expenditure management in the company. The finding is in agreement with Hancock, (2009). SPOC need to ensure that relevant progress and performance information is collected processed and analyzed on a regular basis to allow for real-time, evidence-based decision-making; the various processes and methods for monitoring (such as regular input and output data gathering and review, participatory monitoring, process monitoring) and for evaluation (including impact evaluation and thematic, surveys, economic analysis of efficiency; and the Management Information System, which is an organized repository of data to assist managing key numeric information related to the project/plan and the analysis.

Furthermore Sudd petroleum operating company department for allocation of duties in the Company. The results are in line with Kakucha (2009) which means that the study found that there is a negative relationship between the age of an enterprise and the effectiveness of its system of internal control while a negative correlation between the resources held by an enterprise and its internal control system weaknesses exists. The recommended that these was need to enlighten the operators of small business of what constitutes an efficient and effective system of internal control through forums and seminars.

8.4 Safe guarding assets for effective financial management

Study reveals that Sudd Petroleum Operating Company maintains an inadequate assets plan and has an asset plan that is used in maintaining the assets of the business. The company needs to operate in Amudo and Inanga (2009) who identified the following six essential components of an effective internal control system control environment, risk assessment, control activities, information and communications, monitoring and information technology. The results of the

study reveal that some control components of effective internal control systems were lacking in the company. Their absences render the control structures ineffective.

The study findings show that Sudd petroleum operating company has undertaken and established avenues for managing assets. The study results are in line with Schneider and Church (2008) therefore SPOC need to make assessment of the risk of extending a line of credit and the probability of extending the line of credit are negatively affected when the company receives an adverse internal control opinion as compared to an unqualified one. Additional analyses suggest that an adverse internal control opinion weakens the importance assigned to the balance sheet and income statement in lending decisions and reduces lenders 'confidence that financial statements are presented fairly in conformance with generally accepted accounting principles.

The study findings reveal that there is low safeguard of assets. This implies that most of the assets in SPOC are not guarded against loss, caused by theft, accidental destruction and errors by the right officers. The company assets management control should be in agreement with Sawyer (2003). Therefore SPOC need to provide information and communication element of internal control that allows timely accomplishment of reporting via gathering and communicating significant information within stipulated time. Internal system risk control mechanisms such as identification, assessment and supervision are embodiment of risk assessment element of internal control. Basic risks may involve misstatement of financial data or unproductive utilization of assets which negatively affects organizational performance.

Sudd Petroleum Operating Company has but weak/ inadequate measures to control physical access to assets, the practices include locking doors, desks and file cabinets so that only authorized personnel can access them. There is need for proper assessment of the company assets controls with the view to improving physical controls of the company's assets.

CHAPTER NINE

SUMMARY AND CONCLUSION

9.1 Introduction

The chapter presents the summary of the findings and the conclusions after having presented analyzed and discussed the findings that are presented in the study.

9.2 Summary

The study findings revealed that budgeting policies and procedures are in place but inadequate in the organization. The budgeting framework is established and followed but not effective in the management of the budget process.

The study reveals that generally finances by the organization are spent in accordance to the budget. This implies that those charged with the responsibility of budget implementation follow the budget framework in the execution of the budgetary framework. Additionally there is proper monitoring of the budget execution given the 71.1% agreement response (table 5.6). The study results also denote that the budgeting in SPOC has created some value financially in the company as per 51.4% agreement rate (table 5.8) as reflected by the disagreement rate of 38% and that of not sure. There is limited transparency in budgeting, SPOC's management exercise transparency in executing the budgets. However, the study results imply that there is sufficient involvement of the organization employees in the budget process

Sudd petroleum operating company has clear separation of roles and duties. The study findings reveal that the organization has established clear separation of roles and duties of the employees and staff. The staffs in Sudd petroleum operating company are not trained for financial management effectively implying that the staffs are not well trained for implementing financial controls.

The study further established that controls are in place to exclude incurring expenditure in excess allocated funds in SPOC. This implies that the company has controls in place for monitoring expenditure though they are weak signaling a weak existing environment of focus and expenditure management in the company.

Sudd Petroleum Company has measures to control physical access to assets though they are rather weak, the practices include locking doors, desks and file cabinets so that only authorized personnel can access them. There is need for proper assessment of the organization in terms of improving physical control of the assets in the Company.

9.3 Conclusion

The purpose of the study was to examine the role of internal controls and financial performance in the oil industry in South Sudan; it is based on Sudd Petroleum Operating Company (SPOC). The study objectives were to examine how Sudd Petroleum Operating Company ensures efficient budgeting for effective financial performance. From the study, the researcher conclude that budgeting for the organization is still poor and has not fully enabled the organization performance to financial excellence.

On the second objective, on how Sudd Petroleum Operating Company ensures segregation of duties for effective financial performance. The plan for segregation of duties existed with adequate planning though weaknesses in the implementation of the system of personnel management is present and hinder the effective management for the organization resources

On the third objective of establishing how Sudd Petroleum Operating Company safeguards its assets to enhance effectiveness of financial performance. The assets management plan exists though discrepancies in the assets base the assets provided are not effectively managed in the control mix for the environment of the controls provided in the umbrella of the works.

9.4 Recommendations

Sudd petroleum operating company should review its internal controls by improving the budgeting process through enhancing the procedures and policy in budgeting, there is need for creating a reliable measure in ensuring that the budget framework is followed, well executed in the operations to enable sufficient management of the organization.

Sudd petroleum need to always provide availability of internal audit personnel's to ensure compliance to the internal controls that exist in their organization. This is to make the internal audit of the budget process as part of the daily activities of the organization to ensure daily compliance to the internal controls but not wait till month. In as much as possible, this office

should be part of the branch management team. In doing so, they will report directly to the country management team. The internal audit personnel should also be rotated at regular intervals to avoid any form of malpractices.

Sudd petroleum need to constantly updated and well grounded on international financial reporting standards (IFRS) and principles in order to enhance their knowledge and skills in application of accounting practices and to keep them updated on the contemporary issues.

The management of the oil companies should monitor and supervise the oil firms to ensure that the accountants comply with accounting regulations and requirement as provided by the Institute of Certified Public Accountants to ensure proper implementation and compliance with accounting standards and principles. Organizations should develop a mechanism to incorporate relevant feedback from the various stakeholders into their internal control system. Furthermore the oil companies should develop and organize constant seminars and workshops to train and educate auditors and accountant on matters pertaining proper implementation of accounting policies and procedures to enhance their skills and expertise in their practice as professionals.

Sudd petroleum company need to support the segregation of duties by establishing the audit committee, should ensure that the internal control system is periodically monitored and evaluated. The actual assessment can be executed by the organization's management. A staff person who is sufficiently independent from those responsible for the system, such as the internal auditor, could provide additional assurance on the effectiveness and cost efficiency of the internal control system.

The petroleum companies should transparently report on the structure and performance of their governance, risk management, and internal control system in their various reports to internal and external stakeholders, such as through their periodic accountability reports or on the organization's website.

There is need for the company to standardize the jobs within the company, hiring process for contract staff is transparent and work structure is flexible to allow staff to go on leave in the month of their choice without pressure.

The study recommended that the management should always put in place mechanisms to enable it identify risks that affect achievement of the company's objectives and that it should also put in place mechanisms reduce to risks that may result from fraud in the company. The management should ensure it receives timely, relevant, and reliable reports for decision-making and that all relevant information is communicated to staff, all channels of communication are utilized by Company staff, and that there is quick and free flow of information in time. This will enable them communicate decisions made to the junior employees on time.

Sudd petroleum has no proper mechanism for handling the assets, there is need for providing avenues and mechanisms for asset management trough improving security, authorization, care and support and having a proper means for handling the assets. There is need to adequately embrace technology in operations since technology is seen as key in the operations of the company. This will streamline communication and act as direct means to the operational efficiency of the company.

There is need for improving the training sessions for the employees in Sudd petroleum in order to generate the value for the organization. Training for the organization need to be enhanced by also improving training of the employees for handling the assets in the organization.

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Appendix A: Self Administered Questionnaire

NKUMBA UNIVERSITY

P.O BOX 237,

ENTEBBE

Dear sir/ Madam,

I JAMES MUT WICHAR , a MBA student ofNkumba University Conducting research on internal control and financial performance of the oil industry in south Sudan. It focuses on Sudd petroleum operating company as the case study. I request for your cooperation to make this study a success by filling and returning this questionnaire in time. The information required is confidential and is made for academic use only. I promise that a copy of the final research report will be provided to your organization.

I thank you for taking your valuable time in sharing information about Sudd petroleum operating company.

Thanks for your cooperation.

SECTION (A)-DEMOGRAPHIC ASPECTS

Tick the box that gives you appropriate answer

1. Gender

- a) Male
- b) Female

2. Age

- a) 20 – 30
- b) 30 – 40
- c) 40 - 50
- d) 50 +

3. Academic Qualifications

- a) Certificate
- b) Diploma
- c) Degree
- d) Masters
- e) Others

4. Under which department do you work in Sudd Petroluem Operating Company

- a) Operations and Production
- b) Finance
- c) Procurement
- d) Human resource and support
- e) Other (Specify)

5. Length of service within the company

- a) 1-4 years
- b) 5-9 years
- c) 10-14 years
- d) 15 and above

Under the following sections, please tick according to your level of agreement

- 5. Strongly Agree
- 4. Agree
- 3. Not Sure
- 2. Disagree
- 1. Strongly Disagree

Please evaluate the statement by ticking in the box with the number that best suits you.

SECTION B: To ensure efficient budgeting for effective financial performance

Statement		Rankings				
		5	4	3	2	1
6.	The budgeting policies and procedures are in place.					
7.	The budgeting process and procedures are clearly formulated.					
8.	The budgeting process and procedures are clearly followed.					
9.	The finances by the organization are spent in accordance to the budget framework.					
10.	The organization executes the budget in line with planned activities.					
11.	There is proper monitoring of the budget execution.					
12.	The organization has a budget committee for proper budgeting.					
13.	The organization budgeting properly creates financial value.					

14	There is an audit department for evaluating the worth of budget.					
15	Proper budgeting has led to proper financial accountability of funds.					
16	The management exercise transparency in executing the budgets.					
17	The budget is executed without budget deficits.					

Section C: To ensures segregation of duties for effective financial performance

		Rankings				
		5	4	3	2	1
18.	There is clear separation of roles in this Company.					
19.	Some of the employee's work is to check on that of others.					
20.	The management undertakes corrective action to address weaknesses.					
21.	Staff are trained to implement the accounting and financial management system.					
22.	It is impossible for one staff to have access to all valuable information without the consent of senior staff.					
23.	There is a well-developed Chart of Accounts in the Company.					
24.	There are controls in place to exclude incurring expenditure in excess of the allocated funds.					
25.	The Company has clear administration for handling financial management.					
26.	There is a proper department for allocating duties in the Company,					

Section D: To safeguard its assets to enhance effective financial performance

		Rankings				
		5	4	3	2	1
27.	The company has an asset plan.					
28.	The company assets are effectively managed.					
29.	There is proper monitoring of the assets.					
30.	The company keeps proper records of the assets.					
31.	There are right personnel who safe guard company's assets.					
32.	There is proper care for the assets in the Company.					
33.	There is adequate control on the physical assets of the company.					
34.	The access to the assets is with proper authorization.					
35.	There is adequate measure of the asset base in the company.					

Section E: Financial Performance

		Rankings				
		5	4	3	2	1
36.	Our state of profitability is steadily growing					
37.	The cost per unit of operations are low					
38.	There is effective cost management in the organization					
39.	There are proper record of the financial performance of the organization					
40.	There is proper accountability in the financial matters of the organization					
41.	There is proper compliance by the clients in debt payments					
42.	There is a steadily moving sales growth in the operations					
43.	The customer base increases at a high and desirable rate					

Section F:

44. What are the challenges to financial performance of Sudd Petroleum Operating Company?

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45. What should be done to enhance the financial performance of the company?

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Thank you for your valuable time

Appendix B: Interview Guide

- 1) How does Sudd Petroleum operating company ensures efficient budgeting for effective financial performance?
- 2) How does Sudd Petroleum Operating Company ensure segregation of duties for effective financial performance?
- 3) How does Sudd Petroleum Operating Company safeguard its assets to enhance effective financial performance?
- 4) What should be done to enhance the financial performance of the company?

Appendix C:
Frequency Tables

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	107	75.4	75.4	75.4
	Female	35	24.6	24.6	100.0
	Total	142	100.0	100.0	

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-29	36	25.4	25.4	25.4
	30-39	42	29.6	29.6	54.9
	40-49	36	25.4	25.4	80.3
	50+	28	19.7	19.7	100.0
	Total	142	100.0	100.0	

Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Certificate	14	9.9	9.9	9.9
	Diploma	25	17.6	17.6	27.5
	Degree	74	52.1	52.1	79.6
	Masters	18	12.7	12.7	92.3
	Others	11	7.7	7.7	100.0
	Total	142	100.0	100.0	

Department

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Production	80	56.3	56.3	56.3
	Human Resource	19	13.4	13.4	69.7
	Finance	16	11.3	11.3	81.0
	General Service	9	6.3	6.3	87.3
	Security	6	4.2	4.2	91.5
	Development and training	12	8.5	8.5	100.0
	Total	142	100.0	100.0	

Time Period

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-4 Years	36	25.4	25.4	25.4
	5-9 Years	55	38.7	38.7	64.1
	10-14 Years	31	21.8	21.8	85.9
	15 Years	20	14.1	14.1	100.0
	Total	142	100.0	100.0	

The budgeting policies and procedures are in place

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	27	19.0	19.0	19.0
	Disagree	19	13.4	13.4	32.4
	Not Sure	27	19.0	19.0	51.4
	Agree	23	16.2	16.2	67.6
	Strongly Agree	46	32.4	32.4	100.0
	Total	142	100.0	100.0	

The budgeting process and procedures are clearly formulated

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	27	19.0	19.0	19.0
	Disagree	18	12.7	12.7	31.7
	Not Sure	4	2.8	2.8	34.5
	Agree	35	24.6	24.6	59.2
	Strongly Agree	58	40.8	40.8	100.0
	Total	142	100.0	100.0	

The budgeting process and procedures are clearly followed

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	25	17.6	17.6	17.6
	Disagree	20	14.1	14.1	31.7
	Not Sure	24	16.9	16.9	48.6
	Agree	34	23.9	23.9	72.5
	Strongly Agree	39	27.5	27.5	100.0
	Total	142	100.0	100.0	

The finances by the organization are spent in accordance to the budget framework

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	23	16.2	16.2	16.2
	Disagree	8	5.6	5.6	21.8
	Not Sure	11	7.7	7.7	29.6
	Agree	42	29.6	29.6	59.2
	Strongly Agree	58	40.8	40.8	100.0
	Total	142	100.0	100.0	

The organization execute the budget in line with set activities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	20	14.1	14.1	14.1
	Disagree	5	3.5	3.5	17.6
	Not Sure	6	4.2	4.2	21.8
	Agree	47	33.1	33.1	54.9
	Strongly Agree	64	45.1	45.1	100.0
	Total	142	100.0	100.0	

There is proper monitoring of the budget execution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	17	12.0	12.0	12.0
	Disagree	8	5.6	5.6	17.6
	Not Sure	16	11.3	11.3	28.9
	Agree	50	35.2	35.2	64.1
	Strongly Agree	51	35.9	35.9	100.0
	Total	142	100.0	100.0	

The organization has a budget committee for proper budgeting

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	10	7.0	7.0	7.0
	Disagree	7	4.9	4.9	12.0
	Agree	56	39.4	39.4	51.4
	Strongly Agree	69	48.6	48.6	100.0
	Total	142	100.0	100.0	

The organization budgeting properly creates financial value

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	36	25.4	25.4	25.4
	Disagree	21	14.8	14.8	40.1
	Not Sure	12	8.5	8.5	48.6
	Agree	26	18.3	18.3	66.9
	Strongly Agree	47	33.1	33.1	100.0
	Total	142	100.0	100.0	

There is an audit department for evaluating the worth of budget

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	21	14.8	14.8	14.8
	Disagree	29	20.4	20.4	35.2
	Agree	55	38.7	38.7	73.9
	Strongly Agree	37	26.1	26.1	100.0
	Total	142	100.0	100.0	

Proper budgeting has led to proper financial accountability of funds

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	31	21.8	21.8	21.8
	Disagree	10	7.0	7.0	28.9
	Not Sure	5	3.5	3.5	32.4
	Agree	34	23.9	23.9	56.3
	Strongly Agree	62	43.7	43.7	100.0
	Total	142	100.0	100.0	

The management exercise transparency in executing the budgets

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	32	22.5	22.5	22.5
	Disagree	22	15.5	15.5	38.0
	Not Sure	3	2.1	2.1	40.1
	Agree	35	24.6	24.6	64.8
	Strongly Agree	50	35.2	35.2	100.0
	Total	142	100.0	100.0	

The budget is executed without budget deficits

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	24	16.9	16.9	16.9
	Disagree	13	9.2	9.2	26.1
	Not Sure	2	1.4	1.4	27.5
	Agree	43	30.3	30.3	57.7
	Strongly Agree	60	42.3	42.3	100.0
	Total	142	100.0	100.0	

There is clear separation of roles in this organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	28	19.7	19.7	19.7
	Disagree	25	17.6	17.6	37.3
	Not Sure	6	4.2	4.2	41.5
	Agree	55	38.7	38.7	80.3
	Strongly Agree	28	19.7	19.7	100.0
	Total	142	100.0	100.0	

The employee's work check on the others

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	25	17.6	17.6	17.6
	Disagree	35	24.6	24.6	42.3
	Not Sure	8	5.6	5.6	47.9
	Agree	57	40.1	40.1	88.0
	Strongly Agree	17	12.0	12.0	100.0
	Total	142	100.0	100.0	

The organization undertake corrective action to address weaknesses

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	25	17.6	17.6	17.6
	Disagree	14	9.9	9.9	27.5
	Not Sure	19	13.4	13.4	40.8
	Agree	45	31.7	31.7	72.5
	Strongly Agree	39	27.5	27.5	100.0
	Total	142	100.0	100.0	

Staff are trained to implement the accounting and financial management system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	26	18.3	18.3	18.3
	Disagree	29	20.4	20.4	38.7
	Not Sure	36	25.4	25.4	64.1
	Agree	32	22.5	22.5	86.6
	Strongly Agree	19	13.4	13.4	100.0
	Total	142	100.0	100.0	

It is impossible for one staff to have access to all valuable information without the consent of senior staff

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	19	13.4	13.4	13.4
Disagree	18	12.7	12.7	26.1
Not Sure	21	14.8	14.8	40.8
Agree	32	22.5	22.5	63.4
Strongly Agree	52	36.6	36.6	100.0
Total	142	100.0	100.0	

There is a well-developed Chart of Accounts in the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	19	13.4	13.4	13.4
Disagree	16	11.3	11.3	24.6
Not Sure	10	7.0	7.0	31.7
Agree	64	45.1	45.1	76.8
Strongly Agree	33	23.2	23.2	100.0
Total	142	100.0	100.0	

There are controls in place to exclude incurring expenditure in excess allocated funds

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	27	19.0	19.0	19.0
Disagree	29	20.4	20.4	39.4
Not Sure	30	21.1	21.1	60.6
Agree	41	28.9	28.9	89.4
Strongly Agree	15	10.6	10.6	100.0
Total	142	100.0	100.0	

The organization has clear administration for managing financial management

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	30	21.1	21.1	21.1
	Disagree	11	7.7	7.7	28.9
	Not Sure	23	16.2	16.2	45.1
	Agree	40	28.2	28.2	73.2
	Strongly Agree	38	26.8	26.8	100.0
	Total	142	100.0	100.0	

There is a proper department for allocation of duties in the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	31	21.8	21.8	21.8
	Disagree	26	18.3	18.3	40.1
	Agree	51	35.9	35.9	76.1
	Strongly Agree	34	23.9	23.9	100.0
	Total	142	100.0	100.0	

The organization has an asset plan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	48	33.8	33.8	33.8
	Disagree	51	35.9	35.9	69.7
	Agree	29	20.4	20.4	90.1
	Strongly Agree	14	9.9	9.9	100.0
	Total	142	100.0	100.0	

The organization assets are effectively managed

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	38	26.8	26.8	26.8
Disagree	30	21.1	21.1	47.9
Not Sure	13	9.2	9.2	57.0
Agree	37	26.1	26.1	83.1
Strongly Agree	24	16.9	16.9	100.0
Total	142	100.0	100.0	

There is proper monitoring of the assets

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	31	21.8	21.8	21.8
Disagree	39	27.5	27.5	49.3
Not Sure	17	12.0	12.0	61.3
Agree	43	30.3	30.3	91.5
Strongly Agree	12	8.5	8.5	100.0
Total	142	100.0	100.0	

The organization keep proper record of the assets

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	43	30.3	30.3	30.3
Disagree	27	19.0	19.0	49.3
Not Sure	36	25.4	25.4	74.6
Agree	26	18.3	18.3	93.0
Strongly Agree	10	7.0	7.0	100.0
Total	142	100.0	100.0	

There are right personnel who safe guard the organization assets

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	55	38.7	38.7	38.7
Disagree	62	43.7	43.7	82.4
Not Sure	17	12.0	12.0	94.4
Agree	5	3.5	3.5	97.9
Strongly Agree	3	2.1	2.1	100.0
Total	142	100.0	100.0	

There is proper care for the assets in the organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	33	23.2	23.2	23.2
Disagree	17	12.0	12.0	35.2
Not Sure	17	12.0	12.0	47.2
Agree	37	26.1	26.1	73.2
Strongly Agree	38	26.8	26.8	100.0
Total	142	100.0	100.0	

There is adequate control on the physical assets of the company

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Disagree	59	41.5	41.5	41.5
Disagree	42	29.6	29.6	71.1
Not Sure	7	4.9	4.9	76.1
Agree	20	14.1	14.1	90.1
Strongly Agree	14	9.9	9.9	100.0
Total	142	100.0	100.0	

The access to the assets is with proper authorization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	42	29.6	29.6	29.6
	Disagree	31	21.8	21.8	51.4
	Not Sure	27	19.0	19.0	70.4
	Agree	25	17.6	17.6	88.0
	Strongly Agree	17	12.0	12.0	100.0
	Total	142	100.0	100.0	

There is adequate measure of the asset base in the organization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	50	35.2	35.2	35.2
	Disagree	33	23.2	23.2	58.5
	Not Sure	25	17.6	17.6	76.1
	Agree	22	15.5	15.5	91.5
	Strongly Agree	12	8.5	8.5	100.0
	Total	142	100.0	100.0	

Correlations

		Internal controls	Financial Performance
Internal controls	Pearson Correlation	1	.558**
	Sig. (1-tailed)		.008
	N	142	142
Financial Performance	Pearson Correlation	.558**	1
	Sig. (1-tailed)	.008	
	N	142	142

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

Appendix D:

Letter of Introduction from the Dean, School of business administration.

Nkumba University