**THE ROLE OF INTERNAL CONTROL SYSTEMS IN FINANCIAL**

**PERFORMANCE OF PRIVATE UNIVERSITIES IN UGANDA:**

**A CASE OF BUSOGA UNIVERSITY**

**BY**

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# 

# DECLARATION

I declare that this dissertation is my original work and has not been submitted to any university or institution of higher learning for any academic award and where the work of others have been used due acknowledgement has been made.

Signature………………………………. Date……………………………….

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# APPROVAL

I certify that this research has been done under my supervision and is submitted with my approval.

Sign………………………………….Date……………………………….

Mr. OWINO GEOPELLINI JOSHUA.

(Supervisor)

# DEDICATION

I dedicate this dissertation above all to the Almighty God who always opens opportunities for me, my family, friends and classmates who have always been there for me in the process.

# ACKNOWLEDGEMENTS

First of all, I thank the Almighty God who has kept me alive and enabled me to achieve such academic accreditation.

My sincere gratitude goes to my parents who brought me into this life. My honest and good guardians for all the prior support in my education support. I thank you so much for educating me this far.

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# LIST OF ACRONYMS

AICPA : American institute of certified public Accountant.

AAA : Appropriate Authorizations and Approval.

ACCA : Association of chartered certified Accountants

AFS : Audited Financial Statements

BU : Busoga University

CA : Companies Act

CLRP : Compliance with Laws and Regulations and Performance

COSO : Committee of sponsoring organization

ESE : Elements of Systems Elements

FP : Financial Performance

GAAPs : Generally Accepted Accounting Principles

GST : General Systems Theory

ICS : Information and Communication System

ICS : Internal control system

IFRS : International Financial Reporting Standards

MFP : Measures of Financial Performance

NCHE : National Council for Higher Education

NSSF : National Social Security Fund

OCSCS : Open and Closed Systems Closed systems

SAQS : Self-Administered Questionnaires

# OPERATIONAL TERMS

**Control Activities:** According to Sollen Berg & Anderson (1995), control activities are policies and procedures that ensure that management directives are carried out. They are on–going actions that organizational members take to ensure proper execution of operations and are particularly designed to support accurate, complete and reliable financial transitions processing examples of control activities which also serve as indices for measurement of internal control include segregation of duties authorization, supervision, security measures, performance reviews and so on.

**Financial control:** According to Reid and Ashelby (2000), financial control pertains to financial activities and may include controls over the company’s cash receipts and payments, financing operations and company’s management of receipts and payments.

**Financial Performance:** According to Mishkin (2007), financial performance is a measure of the company’s policies and operations in monetary terms. It is a general measure of a firms overall financial health over a given period of time and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

**Information and communication:** Information and communication system is the component of internal control that ensures the organization obtains pertinent information and communicates it to interested parties/ users both within and outside the organization.

**Monitoring:** Monitoring is a process that assesses the quality and effectiveness of internal controls overtime and should be done at every stage to ensure that the organization’s goals and objectives are achieved

**Non-Financial Internal Control:** According to Reid and Ashelby (2000), non-financial internal control on the other hand deals with activities that are indirectly financial in nature and includes controls over company’s personnel and its operations, fixed assets and controls over laid down procedures.

**Performance:** According to stoner (2003) performance refers to the ability to operate efficiently, profitably, survive grow and react to the environmental opportunities and threats.

# ABSTRACT

The study was about the role of internal control system in financial performance in Busoga University. The study was guided by the following study objectives;1) to examine how control environment ensures financial performance in Busoga University, 2) to examine how risk assessment associated with the system ensures financial performance in Busoga University and 3) to assess how examine how adherence to laws and regulations for enhance financial performance in Busoga university.

The researcher used a case study design, and obtained data from a sample of 106 of whom the 95 were the actual respondents; and it was revealed that control environment and financial performance at Busoga University is well defined. It was established that there is a significant relationship between control environment and financial performance. The observed value of 0.372 of R square is not positive; this means that the control environment has policies and procedures in place, the management review the University’s financial performance, the control environment has an operating has an operating plan that specifies the organizations’ functions, activities and objectives. There is a linear regression relationship between control environment and financial performance at Busoga University. The study revealed that *R* square = 0.661, and with the observed value of 0.661, there is a significant and positive relationship showing that at Busoga University, the Council reviews key risks to ensure the integrity of the University’s financial reporting and they monitor the effectiveness of the management practices, thus Risk Assessment improves the financial performance of Busoga University. It was established that risks assessment (ß=0.661, t=.320, *P*<0.000), is an effective way to ensure the integrity of the financial reporting, reviews key executive and councils compensation and effective financial performance; and there is effective risk assessment that improves the University’s financial performance in Busoga University. The study concludes that *R* square = 0.699 of the observed variability in Busoga University, and with observed result of 0.699 is significant and this implies that there is adherence to laws and regulations and financial performance. It was established that Adherence to laws and regulations (ß=0.699, t=.5161, P<0.000) prepares financial information in accordance with high quality finance standard, the organization has effective policies and procedures, the University Council monitor management’s activities, the University Council have the capacity to provide more finance, among others, these has influenced proper University’s Financial performance.

The study recommended that there should intensification of the control environment for example strengthening internal and external audits in order to strengthen financial compliance, there should be intensification of risk assessment system to ensure there is no creation of many loopholes for financial fraud and there should be intensification of adherence to financial laws and regulations in order enhance financial compliance and improve financial performance in Busoga University and elsewhere.

# CHAPTER ONE

# INTRODUCTION

# Background to the study

This study was about the role of internal control systems in financial performance of private universities in Uganda a case of Busoga University. Internal control is a process, affected entity’s board of directors, management and other personnel designed to provide reasonable assurance regarding the achievement of an organizations objective in the effectiveness and efficiency of operations, reliability of financial reporting and management reporting, compliance with applicable laws and regulations to protect the organizations reputation (Kaplan 2008).

Internal control systems are important in any organization because they help to ensure safe custody of all assets; to avoid misuse or misappropriation of the firm’s assets, and detect and safeguard against probable errors and fraud.

The definition of internal control is divided into financial internal control and non-financial (Administrative) internal control. Financial control pertains to financial activities and may include controls over the company’s cash receipts and payments, financing operations and company’s management of receipts and payments. Non-financial internal control on the other hand deals with activities that are indirectly financial in nature and includes controls over company’s personnel and its operations, fixed assets and controls over laid down procedures(Reid and Ashelby, 2000).

The ultimate purpose of internal control is to facilitate the achievement of the objectives of an organization. COSO (1992) opined that internal controls are designed to achieve the following objectives; Efficiency and effectiveness of operation; to be efficient means the ability to optimize resource utilization, that is ensuring that there is a rewarding relationship between resources employed and the results achieved, while to be effective means of attaining the specific objectives set and achieving the intended results.

Controls within an organization are meant to encourage efficient and effectiveness use of resources to optimize the company’s goals (Arens, Elder & Bensley, 2003) an important an important part of these, controls is provision of accurate information for internal decision making. Arens etal;(2003) point out that another important part of effectiveness and efficiency is safeguarding of assets and records. The physical assets of an organization can be stolen, misused or accidentally destroyed unless they are protected by adequate control. The same is true of non-physical assets like accounts receivables, vital documents and records. Thus internal controls are designed to enable an organization execute in operation in an orderly, efficient and effective manner.

Reliability of financial report; financial reports communicate information about an entity’s resources, obligations and owners equity, To ensure financial reports contain and communicate valid information to assist users in making informal economic decision, control measures are necessary. Internal controls ensure that information is fairy presented in accordance with applicable reporting requirements such as the generally accepted accounting principles (GAAPS), international financial reporting standards (IFRS), and organization financial and accounting regulations among others.

Compliance with applicable laws and regulations; organizations are required to comply many laws and regulations within and outside the jurisdictions they operate. These may include environmental protection laws, civil rights laws, and income tax regulations money laundering regulations etc. internal controls are required to clarify applicable laws and regulations and ensure compliance to avoid penalties and damages to the organization arising from non-compliance with such laws and regulations.

According to COSO (1992) internal control is made up of five interrelated components which can be used to measure the strength and quality of internal controls in any organization and their measurement bases are;

**Control environment**

The control environment include the governance and management functions as well as the attitudes awareness and actions of those charged with governance and management towards internal controls and its importance to the organization, The control environment sets the tone of an organization influencing the control consciousness of its people, it is a foundation for all other components of internal control, providing discipline and structure. Thus the control environment is the atmosphere created by management that shapes the way thing are done and how organization members behave towards the achievement of the organization’s objectives. Factors which are often used to measure the strength and quality of an organization’s control environment include: integrity and ethical values; a commitment to competence, management philosophy and operating style; involvement of the board and audit committee; organizational structure; assignment of authority and responsibility and human resource policies and procedures.

**Risk Assessment**

An internal control system should be able to address risks relevant to achieving corporate goals. Business risk is any factor, pressure or force that may prevent an entity from achieving its objectives, operating profitably and surviving .Risk assessment is the identification and analysis of risk relevant to the achievement of corporate objective, determination of how such risk should be managed and implementation of a process to address such risks (B PP Learning media, 2010).

**Control activities**

Control activities are policies and procedures that ensure that management directives are carried out. They are on – going actions that organizational members take to ensure proper execution of operations and are particularly designed to support accurate, complete and reliable financial transitions processing examples of control activities which also serve as indices for measurement of internal control include segregation of duties authorization, supervision, security measures, performance reviews etc.

**Information and communication**

Information and communication system is the component of internal control that ensures the organization obtains pertinent information and communicates it to interested parties/ users both within and outside the organization. The information and communication system produce reports containing operational, financial and compliance related information that make it possible to run and control the business. The financial aspect of the information system includes procedures for initiating, recording, processing and reporting on the entities financial operations or transactions. The effectiveness of entity’s information and communication system can be measured on the basis of timeliness, use of computer based devices and software in processing transactions and transfer of information, ease of dissemination of information as well as proper storage and retrieval of processed information.

**Monitoring**

Monitoring is a process that assesses the quality and effectiveness of internal controls overtime and should be done at every stage to ensure that the organization’s goals and objectives are achieved. Monitoring includes regular management and supervisory activities and other activities personnel take in performing their duties, devices used in monitoring control and which are also used to measure the quality of monitoring system include; budgeting and budgetary control, performance reports ,establishment of standards, internal auditing as well as top management supervision.

According to stoner (2003) performance refers to the ability to operate efficiently, profitably, survive grow and react to the environmental opportunities and threats. In agreement with this Sollen Berg & Anderson (1995) post that performance is measured by how efficient the enterprise is in use of resources in achieving its objectives.

Mishkin (2007) argued that financial performance is a measure of the company’s policies and operations in monetary terms. It is a general measure of a firms overall financial health over a given period of time and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

The reliability of financial reporting is effective to internal control efficiency to ensure that transactions and bookkeeping are appropriate and properly authorized, valid, correctly recorded, complete and timely. There is a general perception that institution and enforcement of proper internal control system will always lead to improved financial performance.

Dixon etal;(1990) suggest that properly instituted system of internal control improve the reporting process and also gives rise to reliable reports which enhances the accountability function and leads to better performance,

The study will be guided by agency theory as propounded by Jensen &meckling (1994) state the cost incurred to curb agency problem (reducing information asymmetries and accompanying moral hazard) is less when owners directly participate in the management of the firm as there is a natural alignment of owner managers’ interest with growth opportunities and risk.

There are many resources to assist employees in their areas of responsibility for internal control systems and processes. Primary resources include the Controller and auditors. In general, while all employees are responsible for the quality of their internal controls and Controllers are responsible for providing leadership to ensure that effective internal control and accountability practices are in place. Auditors normally assist management in their oversight and operating responsibilities through independent audits and consultations designed to evaluate and promote the systems of internal control. It can be concluded that efficient and effective internal control system might prevent financial cost.

Therefore, just like any institutions, Busoga University has put in place internal controls to be implemented for efficient and effective operations. According to financial and accounting manual of Busoga University, the following are the internal controls.

1. To assess the inherent risk associated with the system.
2. To provide control environment that enables achievement of university goals.
3. To properly keep custody of important document.
4. To ensure proper use and safeguard of university assets.
5. To ensure sufficient segregation of duties.
6. To ensure adherence to financial and accounting regulations.
7. To create a sense of financial stewardship and integrity by all staff towards the stake holders.
8. To ensure Appropriate Authorizations and Approval.
9. To monitor all transactions initiated both financial and non-financial.

This study examines how the following of the above internal controls are being achieved by Busoga University.

1 To provide control environment that enables achievement of university goals.

2 to assess the inherent risks associated with the system.

3 To ensure adherence to financial and accounting regulations.

# Statement of the problem

According to Kirsly (2008) efficient internal control create confidence in an organization’s performance by providing clear guideline through which particular tasks are undertaken and ensures that errors and fraud are prevented, financial reporting process are well implemented and compliance with a particular law and regulations.

In spite of the present internal controls, there is evidence that Busoga University is facing internal control problems in its financial transactions. This is reviled the Newspaper of Observer dated 22ndFebruary 2017 which clearly brought out information on how the university is Indebted and the government was planning to take over its property, services and management.

According to National council for Higher Education letter dated 4 December 2017, Busoga University license was revoked due to complexity of their compliance issues in management which thus portrays weakness in the internal controls. This was after several monitoring that was done by the government, after a needs assessment on compliance with payment procedures resulting to double payment and over payment (audit report 2016)

Different reports have come showing how the financial performance of Busoga University is frustrated by the tough economic situation which provides a reference and the need for a researcher to conduct the study in regards to internal controls in order to avert the financial performance constraints and improve the financial performance of Busoga University.

# Purpose of the study

The purpose of the study was to examine the role of internal control system in financial performance of private universities in Uganda basing on Busoga University as a case study.

# Objectives of the study

1. To examine how control environment ensures financial performance in Busoga University.
2. To examine how risk assessment associated with the system ensures financial performance in Busoga University.
3. To assess how examine how adherence to laws and regulations for enhance financial performance in Busoga university.

# Research Questions

* + - 1. How does control environment ensures financial performance in Busoga University?
      2. How does risk assessment associated with the system ensures financial performance in Busoga University?
      3. How does adherence to laws and regulations enhance financial performance in Busoga University?

# Hypothesis

The following were the hypotheses of the study;

Ho: There is no significant relationship between internal controls and financial performance in Busoga University.

H1: There is a significant relationship between internal controls and financial performance in Busoga University.

# Scope of the study

**Content scope**

The study focused on the role of internal control system on the financial performance of Busoga university in terms of adequate provision of control environment, compliance with laws and regulations for effective financial performance and risk assessment associated with the system ensures financial performance in Busoga University.

**Time scope**

The study examined what happened in Busoga University between 2014-2017 before governments take over.

# Significance of the Study

The study is expected to be significant to the stakeholders, government of Uganda, management of Busoga University and researchers. The benefits for the findings are shown below;

**Management** the study may help management of Busoga University in determining which internal control techniques to use in order to ensure financial performance.

The study will also provide a guide to the private institutions administrations, management and concerned stake holders to identify the gaps intheir internal controls and financial performances in private universities in Uganda.

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

**Researchers**

The study will create awareness to provide the need to further research on internal controls and financial performances in private universities in Uganda by addressing the strengths, weaknesses, and challenges to provide an avenue for collaboration to yield positive results.

The study adds knowledge to the previous studies done on internal controls by focusing on Busoga University.

**Government of Uganda**

The study provides mechanisms through which the government may intervene to provide the monitoring aspect. And will explore the mechanisms through which financial performance of the companies exit that will form a basis for taxation.

# The Setting of the Study

Busoga University is a one of the private institutions which the government of Uganda wants to maintain and manage its development in Busoga region. Busoga University is located in the town of Iganga approximately 41 Kms, by road, northeast of the Jinja (CMS) village. It is affiliated with the central Busoga diocese of the church of Uganda. It was established in 1999.

Busoga University is one of the licensed companies in Uganda though NCHE revoked its contract because of poor financial health of the university. Busoga University. It is categorized of academic staff, administrative staff, and support staff.

The academic staff consists of (a) faculty deans, directors of institutes and academic bodies of the university. (b) Principals of constituent colleges; (c)staff appointed on full time, part time and on contract.

The administration consists of persons employed by the university other than academic staff who work according to the terms of a particular contract of the university. The support staff consists of persons employed by university who are not members of the academic staff or administrative staff. All categories of the university staff are appointed and graded for the purpose of remuneration.

The setting also provides room to assess the running of the institution, monitoring it and financing it.

# Arrangement of the Study

The dissertation consists of nine chapters as shown below;

Chapter one; Provides an introduction of the study.

Chapter two: presents the study literature. It highlights the literature survey literature review and the conceptual frame work of the study.

Chapter three; presents the research methodology. It highlights the research design data collection and management.

Chapter four; present data and analysis and interpret findings on how control environment ensures financial performance in Busoga university.

Chapter five; present data and analysis and interpret finding on how adherence to laws and regulations enhance financial performance in Busoga university.

Chapter six; present data and analysis and interpret finding on how risk assessment associated with the system ensures financial performance in Busoga university.

Chapter seven; (Harmonization), links finding to literature review and suggest the way forward for internal control and financial performance of Ugandan universities.

Chapter eight; present the summary and conclusions of the study.

# CHAPTER TWO

# STUDY LITERATURE

# Introduction

This chapter highlights the study literature; it presents literature survey, literature review and the conceptual framework of the study. It shows how research relates to the exiting body of knowledge and also identifies the gaps in the exiting studies.

# Literature survey

Therefore the study by present research indicated that scholars have not picked interest to conduct research on internal and financial performance of Busoga University; however the area of internal control and financial performance has attracted the attention of many scholars in different organization.

Mawanda (2008) in his study of the effects of internal control system on financial performance in institution of higher learning in Uganda, a case study of Uganda martyrs university found that there is a relationship between internal and financial performance. In his research, the main objective was to establish the relationship between internal control systems and financial performance in an Institution of Higher Learning in Uganda.

In his research, Research designs particularly Surveys, Correlation and Case study. Survey according to (Oso and Onen, 2008) presents an oriented. Methodology used to investigate population by selecting samples to analyze and discover Occurrences. The same Authors explain Correlation as the determination of whether or not and To what extent an association exists between two or more variables the study found out that management of the institution is committed to the controls of the University and they actively participate in monitoring and supervision of the activities of the University. The study also reveals that all the activities of the Institution are initiated by the top Level management.

On the effectiveness of the internal audit, the study found out the internal Audit department is not efficient, doesn’t conduct regular audit activities and does not produce regular audit reports. They however, agree that the few reports that are produced in the department address the weaknesses in the system. The study also found that the internal audit department is understaffed and this could be one of the reasons for not producing reports as expected. Regarding control activities, the study found that, there is a clear separation of roles, supervision of activities by senior staff, weaknesses that are realized are addressed, and there is a training program for capacity building in the institution. However, the study also found out that there is lack of information sharing in the University and also no security measures are put in place to safeguard the assets of the University.

The study found out that the Institution does not have enough cash to meet its intended goals,

And that the fees that the University charges on the students are not appropriate to cover the costs. The study further reveals that all the fees that are supposed to be remitted to the University are not collected. However, it was also found that all revenues and expenditures are properly classified, and that assets of the University have generally increased.

The researcher focused on Nkozi main center, making the research urban based while the current research study is rural based in Iganga, CMS village. The objectives of the study are different in a way that Mawanda did not look at compliance with laws and regulations and Risk assessment as his objectives.

Mubiru (2015) studies staff training and performance of academic staff in Ndejje University. This study focused on how training enables proper delivery of lectures, improves motivation, and is different in content and aspect to the current study which is on internal control systems. The study found the internal control system explained 81.8% of the variance in performance. This study was this study seeks to look at other variable within internal control systems which is control environment. Control activities and internal auditing

# Literature Review

The study is guided by some studies reviewed in order to drive models that may help researchers in understanding of the issues involved in internal controls in the financial performance of in Busoga University. The models are stewardship model and the agency model.

## Agency Model

Agency Model shows the relationship between the principal and the agent’s responsibilities which include financial reporting. The model is attributed to Coase (1937), but it has been applied to the management of organizations since 1980s.

Meckling & Jensen (1994) Agency model describes firms as necessary structures that maintain contract, and through firms, it is possible to exercise control which minimizes opportunistic behavior of agents.

(Adams & M., 1994)In his article stated that agency model can provide for richer and more meaningful research in the internal control systems discipline. The model contends that internal control system help to maintain cost-effective contracting between owners and managers. It may not only help to explain the existence of internal control systems in firms but can also help to explain some of the characteristics of the internal control system.

Agency theory is connected to resolving problems that can exist in agency relationships; that is, between principals such as shareholders and agents of the principals for example, company executives. The two problems that agency theory addresses are: the problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify what the agent is actually doing and the problems that arise when the principal and agent have different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions.

Agency theory contends that internal auditing is common with other intervention mechanisms like financial reporting and external audit helps to maintain cost-efficient contracting between owners and managers. Agency theory may not only help to explain the existence of internal controls and internal audit in firms but can also help explain some of the characteristics of the internal audit department, for example, its size, and the scope of its activities, such as financial versus operational auditing. Agency theory can be employed to test empirically whether cross-sectional variations between internal auditing practices reflect the different contracting relationships emanating from differences in organizational form

**Systems theory**

According to Bailey, Robert Eldon, (1970) a System is defined as a complex of elements in mutual interaction. Or a set of parts coordinated to accomplish a set of goals. General systems theory is an attempt to discover general relationships. Systems concepts may be applied in designing a specific accounting system .The types of systems are Open and Closed Systems Closed systems are those which are "relatively self-contained Structures, functioning "within themselves, without interchange With the environment. While as Open systems, on the other hand, are those in Contact with their environment, with input and output across the boundaries. General systems theory involves concepts of the Open system, viewing systems as processes and seeking to understand and describe the relationships both within the system and between the system and the environment.

An open system is one in contact with its Environment, with input and output across the boundary of the system. The concept of hierarchical order states that every system is a Component or subsystem of a supra system, with the possible exception of the largest system or each system has subsystems, except for some lowest level of elementary system.

Since any whole and its parts are systems, then the whole and the parts behave individually according to the same systems principles. Yet, since any Whole consists not only of its parts but also of the relationships or Organizational processes which bind the parts together, then the whole have characteristics that the parts taken individually do not have. Thus any system can be studied completely only be examining its components, the relationships among the components or subsystems, and the relationships between the system under study and the other components of its supra-system.

Elements of Systems "Elements" is used here as a convenient term to encompass the parts which make up the structure of an open system. Objective systems exist to accomplish the purpose for which they were created. The objective of a system then is its purpose. The system objective should thus be the central guiding force in the functioning of a system. Its function basically is to process input into output. Berrien states that outputs are of two classes: “products useful tithe supra-system, and wastes or products that are useless.

Berrien believes that "each system must, if it is to survive, deliver products that are acceptable to its environment. If the products are unacceptable, either the producing system itself takes on a different state. The environment operates in such a fashion that the system is destroyed. "Given this characteristic of system relationships, the reasonable conclusion would seem to be that the primary objective of any system should be to deliver output of maximum usefulness to the supra system. The objective of a particular system then should be stated in Terms of a relationship with the supra system. For a given system, the environment is the set of all objects a change in whose attributes affect the system and also those Objects whose attributes are changed by the behavior of the System. A definition of environment presented by Optner "Environment is defined as a set of all objects, within some specific limit, that may conceivably have bearing upon the operation of the system that the system investigator draws the limit so as to make his research manageable.

Berrien describes the boundary of a system as ''that region separating One system from another; or is "the line forming a closed circle around, selected variables, where there is less interchange of energy (Or communication, etc.) Across the line of the circle than within the delimiting boundary but at a lower level are in the system environment, outside the boundary. The inputs to a system consist of the complexes of information Inputs are assumed to be of two types: system. Signal inputs are those which the system accepts for processing. to produce an output delivered to the supra-system.

The outputs of a system consist of the complexes of information discharged from the system into the supra-system. Outputs are also of two types, according to Berrien: useful products and wastes. A particular system is identifiable by the nature of the elements and particularly by the relationships that exist among the elements.

**Cycle of events**

The basic pattern of the functioning of a system is input-transformation-out put or input process output. That is, the cycle of events in a system includes the importation of energy from the environment, the through-put or transformation of the imported energy into some product form which is characteristic of the system, the exporting of that product into the environment, and the reenergizing of the system from sources in the environment.

**Feedback**

Thus feedback compares actual output with the desired output standard and feeds information back so that, if a discrepancy exists, the system can adjust itself to correct the output deviations. A distinction is sometimes made between negative feedback and positive feedback. In general, if the deviation of output from standard is positive, the control mechanism reacts negatively to counteract this deviation, thus negative feedback. In positive feedback, if output is below standard, control acts positively to adjust the system output.

# The Concepts in Systems Theory Applied To Accounting

Accounting must be considered and studied as a system, and, at the highest level, as a social system. Within human organizations as self-regulating systems, accounting may be considered as an information component providing feedback information for the purpose of system control. This information should be useful to the system in assessing its performance in meeting its objective and. in adjusting itself to meet its objective. Some concepts of general systems theory as they relate to accounting are described below.

**Environment:** In the case of accounting, the environment of a particular concrete system of accounting is the organization or entity of which it is a subsystem. The general environment of accounting then consists of the human organizations in which accounting functions. The environment of these organizations, in turn, consists of the economic, social, and political systems of which they are subsystems.

**Objective:** The basic objective of accounting is the production of information output of maximum usefulness to its supra-system or environment, the entities in which it functions as an information component; i.e. organizations of all kinds. The standard by which usefulness is judged is this: Is the information related to a supra-system output objective and is it measured and communicated in a way to facilitate decision making relative to the supra-system's state of self-regulation. Accounting as a system oriented toward meeting this objective can be of maximum value to organizations of all kinds in their performance at maximum efficiency as self-regulating systems.

**Boundary:** The boundary of accounting defines its nature, identifying it as a system with a distinguishable purpose or objective. This boundary should be determined by the principles of accounting theory. Since accounting is an open system, however, the system and its boundary are subject to change in adaptation to the changing requirements of its supra-system.

**Inputs:** The maintenance inputs to accounting come from its supra-system, allocated by the management component and from the cycle of events of the system which furnish energy for input back into the system – accounting's output promotes supra-system efficiency, maximizing useful output, which provides energy renewal inputs to the supra-system, which allocates inputs to its information component. Signal inputs are selected by accounting from the vast quantity of data available. The data selected is chosen for its applicability to the generation of feedback information relative to supra-system self-regulation. Three kinds of information are required by the supra-system in achieving self-direction: (1) information on the world outside; (2) information from the past; and (3) information about the system itself, its parts, and its performance. The boundary of accounting selects data relevant to its production of these three kinds of information. In addition, accounting receives input from its own feedback network relative to its performance in meeting its objective.

**Outputs.** The output required of accounting then is feedback information relative to the performance of the organization in meeting its objective. If the output of accounting is not attuned to the receiving system of the supra-system or of the management component of the supra-system or is not useful to it in achieving goal directed behavior, it will be rejected. If the output of accounting is useless and the supra-system does not get adequate feedback information from other sources, the supra-system may deteriorate and die. If the output of accounting is of minimum usefulness, the supra-system may continue to function but slowly deteriorate, or there may be evolution toward a closer matching of accounting to the supra-system’s needs. Maximum efficiency of the operation of the supra-system will come when it can function as a self-regulating system through the receipt of output from accounting that is designed specifically to meet its information needs.

**Stewardship model**

The stewardship model originates from psychology and sociology and is defined Doyle and Mc (Doyle, j,, & Mc Vay,, 2007)as ” as steward protects and maximizes shareholders wealth through firm performance, because by so doing, the steward’s utility functions are maximized”. Unlike agency model’s utility functions are maximized”. Unlike agency model, stewardship model stresses not on the perspective of individualism (Donaldson &Davis 1991), but rather on the role of top management being as stewards, integrating their goals as part of the organization.

Stewardship perspective suggests that steward is satisfied and motivated when organizational success is attained (Argoyis &Argoyis,1973).argues that while agency model looks at an employee or people as an economic being, which suppresses an individual’s own aspiration, on the Donaldson and Davis(1991) argue that the steward and offers maximum autonomy build on the trust. It stresses on the position of employees or executive to act more autonomously so that the shareholders “return” are maximized.

Effective internal control system operates when some specific procedures are adopted by the management. International Accounting Standards (IAS) categorizes internal control types as a plan of organization, segregation of duties, control of documents, safeguarding of assets, competence of staff, arithmetic and accounting controls, recording and record keeping , supervision, authorization and approvals, vocation and rotation of duties, cost feasibility , routine and automatic checks

Same empirical studies have also been carried out in determining the impact of internal controls on performance variables. While many of such studies affirm the positive relationship between internal control 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 (R2=0.818).this finding is similar to that of Mawanda (2008)who sought to find the effects of internal control system on financial performance in institution of higher learning in Uganda.

In his findings, he showed a significant impact of internal control system on financial performance. (Ewa & Udoayang, 2012)) 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 (Nilniyon. p.&Chantthinok, 2011)on accounting systems innovation and stakeholder acceptance of Thai listed firms, it was revealed that internal controls effectiveness has a positive correlation with stake holder acceptance.Likewise (Feng & M., 2009)also carried out a study on internal control management guidance, and concluded that internal control quality has an economically significant effect on the accuracy of management guidance.

However, Dauglas (2011) discovered internal control has little relation with financial performance.

According to Posthuma (2013) performance is considered as the ability to operate effectively and efficiently, to generate profits survives and react to the opportunities and threats in the environment. And it is no doubt that health institution rank among essential organizations that require effective control due to their provision of critical access point for our health needs (Regenstein, 2005)) and their special commitment to serving the citizenry Bazzoli el al.2003)in line with this, persistent effort by policy makers to pursue policies that would improve internal control system in the ministry of health have yielded abysmal results. But according to (procasur, 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 control have also led to corruption.

Woolf (1997) also stated that arithmetic and accounting controls should be implemented as they aim at ensuring accuracy of transactions and ensuring proper recording of company transactions according to the Generally Accepted Accounting Principles (GAAPs). When examining the internal control system, the auditor should consider the possibility of collusion between close relatives working in related parts of the firm, this may conceal irregularities. The recording of business transactions should be accurate and arithmetically correct hence some controls are introduced e.g. checking of totals, reconciliations, control accounts and trial balances. An effective control system therefore requires implementation of arithmetical and accounting controls and its adequacy has to be examined by the internal auditor differently for different firms.

**The concept of internal control system**

Woolf (1997) indicated that all transactions must be authorized and approved by the right and responsible officer. This is aimed at preventing frauds, safeguarding the company assets, streamlining the flow of authority to avoid bureaucracy and conflicting authorized activities for example purchases invoices should be approved before payment is made to suppliers, and wages payment be approved before cash withdrawal from

(Amudo, 2009) Identify the following six essential components of an operational internal control system that is to say, control environment, risk assessment, control activities, information and communications, monitoring, and information technology in their study. The study therefore looked at control environment, separation of duties and safeguard of assets under evaluation results are that measuring effectiveness of internal control is concerned with the existence and functioning of the six major control components identified by the model

**Control environment**

The control environment include the governance and management functions as well as the attitudes allowances and actions of those charged with governance and management towards internal controls and its importance to the organization the control environment sets the tone of an organization influencing the control consciousness of its people, it is a foundation for all other components of internal control providing discipline and structure. Thus the control environment is the atmosphere created by management that shapes the way thing are done and how organization members behave towards the achievement of the organization’s objectives. Factors which are often used to measure the strength and quality of an organization’s control environment include: integrity ethical values; commitment to competence management philosophy and operating style; involvement of the board and audit committee; organizational structure; assignment of authority and responsibility and human resource policies and procedures

**Risk Assessment**

An internal control system should be able to address risks relevant to achieving corporate goals. Business risk is any factor, pressure or force that may prevent an entity from achieving its objectives, operating profitably and serving .risk assessment is the identification and analysis of risk relevant to the achievement of corporate objective, determination of how such risk should be managed and implementation of a process to address such risks (B PP Learning media, 2010)

**Control activities**

Control activities are policies and procedures that ensure that management directives are carried out. They are on – going actions that organizational members take to ensure proper execution of operations and are particularly designed to support accurate, complete and reliable financial transitions processing .examples of control activities which also serve as indices for measurement of internal control include segregation of duties authorization, supervision, security measures, performance reviews etc.

**Information and communication**

Information and communication system is the component of internal control that ensures the organization obtains pertinent information and communicates it to interested parties/ users both within and outside the organization. The information and communication system produce reports containing operational financial and compliance related information, that make it possible to run and control the business. The financial aspect of the information system includes procedures for initiating, recording, processing and reporting on the entities financial operations or transactions. The effectiveness of entity’s information and communication system can be measured on the basis of timeliness, use computer based devices and software in processing transactions and transfer of information case of dissemination of information as well as proper storage and retrieval of processed information.

**Monitoring**

Monitoring is a process that assesses the quality and effectiveness of internal controls overtime and should be done at every stage to ensure that the organization’s goals and objectives are achieved. Monitoring includes regular management and supervisory activities and other activities personnel take in performing their duties, devices used in monitoring control and which are also used to measure of the quality of monitoring system include; budgeting and budgeting control, performance reports ,establishment of standards, internal auditing as well as top management supervision.

According to stoner (2003) performance refers to the ability to operate efficiently, profitably, survive grow and react to the environmental opportunities and threats. in agreement with this Sollen Bery &Anderson (1995) post that performance is measured by how efficient the enterprise is in use of resources in achieving its objectives.

Mishkin (2007) argued that financial performance is a measure of the company’s policies and operations in monetary terms. It is a general measure of a firms overall financial health over a given period of time and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Mueller (2008) writes that internal controls describe the policies, plans, and procedures implemented by management of an organization to protect its assets. Usually the people involved in this effort are the entity’s board of directors, the management, and other key personnel in the firm.

Additionally internal control system can be generally defined as a system which has the features of maintaining the assets of a company, ensuring accuracy and reliability of information and reports related to accounting and other operations, and increasing the effectiveness of the operations (Gundogdu, 2013).

**Control environment and performance**

Millichamp (1999) stated that the term segregation of duties is used these days for internal duties. One of the prime means of control is the separation of those duties which would if combined would enable one individual to record and process a complete transaction. This practice reduces risk of intentional manipulation of accounts and increases element of checking. This makes fraud more difficult to be committed because one transaction is completed by different employees. Batra el al (1992) said that control of documents involves control of company’s sensitive documents for example receipts, cheques, local purchase orders, debit and credit notes. These documents must be handled by a responsible officer and should be pre numbered to ensure control and minimize misuse. They must be kept and controlled from a central point like headquarters or any other reliable control point. De Paula et al (1990) also noted that internal controls require that business assets like plant and machinery, equipment, motor vehicle, stock and cash should be kept safely and access should be limited to authorized personnel only. The procedures designed and security measures taken to safeguard assets are known as Physical Controls. The type of physical controls common to most companies include employment of watchmen, alarm system, strong electrified fence, strong room, safes and security lights.

**Compliance with Laws and Regulations and Performance**

The Companies Act, 2012 requires keeping of books of account (Section 154), Profit and loss account and balance sheet (Section 155). It also makes general provisions as to contents and form these accounts (Section 156). Section 154 subsection (1) provides that “Every company shall cause to be kept in the English language proper books of accounts with respect to”: (a) all sums of money received and expended by the company; (b) all sales and purchases of goods; and(c) the assets and liabilities of the company.

These provisions require the preparation of the trading, profit and loss account, and the balance sheet from which the various performance measures may be computed. For example, to compute the profit margin requires the net profit and sales figures which are found in the trading, profit and loss account. The items in the trading, profit and loss account can themselves be ascertained from the various books of accounts.

**Risk assessment and performance**

Risks are the happenings that threaten achievement of objectives. They finally affect an organizations ability to achieve its mission. Risk assessment is the process of detecting, assessing and determining how to succeed amidst risks. There are both internal and external risk that could prevent achievement of established objectives at every level in an organization (Amudo & Inanga, 2009).

All organization face risks. Because business conditions are ever changing, organizations need to implement risk assessment to identify internal and external threats that the organization is exposed to and then manage them efficiently (Basu 2016; Baumgartner and Rauter 2017; Da Silva Etges et al. 2018; Dementiev 2016; Dong et al. 2017). The risks could appear in different forms. An organization can be confronted with internal risks such as financial reporting errors, fraud, irregularities or inadequate workforce training. External risks may include changing and complex consumer demands, new competitors, or possible natural disasters (Balabonienė and Večerskienė 2015).

Assessing risks includes estimating the impact and the ability to accurately estimate the likelihood of its occurrence and then assessing appropriate actions to reduce its impacts. This is done bearing in mind the organization’s readiness in terms of resources, personnel and finance to counter risks (Bromiley et al. 2015). Sustainability of organizations is largely dependent on the ability of management to envisage and forecast risk to avoid potential occurrences (Johansson and Siverbo 2014).

Additionally, the system also covers all assessment and methods that are adopted in order to detect the suitability of operations in accordance with policies determined by management, implementing a chart of accounts and reporting system, specifying the duties, authority and responsibilities, and organization plan of the cooperation (Gündoğdu, 2013). In other words, internal control system which is by management and implemented by management and employees is a process which is designed to ensure reasonable assurance to achieve pre-specified objectives.

Kaval (2005) refers to a Control environment as “all factors which are effective in determining, increasing or decreasing the effectiveness of policies, procedures, and methods specific to a process”. An effective control environment is an environment where competent people understand their responsibilities, the limits to their authority, and are knowledgeable, mindful, and committed to doing what is right and doing it the right way. They are committed to following an organization's policies and procedures and its ethical and behavioral standards. The control environment encompasses technical competence and ethical commitment; it is an intangible factor that is essential to effective internal control.

The control environment establishes the tone of a company and influences the control awareness of the company’s employees. It is the foundation for all the other internal control components and provides discipline and structure which include the integrity, ethical values, and competence of an organization’s employees management’s philosophy and operating style the way management assigns authority and responsibility as well as organizes and develops its employees the attention and direction provided by the board of directors(AICPA, 2014)

Gundogdu(2013) writes that the control environment sets the tone for the organization and influences how employees conduct their activities and carry out their control responsibilities. The control environment is the foundation for all other components of internal control and provides structure and discipline. Developing a strong culture of control consciousness within the Institution is one of the most cost-effective and efficient ways that internal control over financial reporting can be implemented. Its effect can permeate throughout the Institution, directly impacting each of the other components of internal control. Among the important factors are the attitude, awareness, and actions of management and directors concerning internal control. The personal characteristics, philosophy, and operating style of members of management can have a significant influence on the organization’s commitment to reliable financial reporting.

An effective control environment must incorporate the following principles; Integrity and ethical values, Commitment and competence, attention and oversight provided by board of directors or audit committee, management philosophy and operating style, organizational structure, manner of assigning authority and responsibility, and human resources policies and procedures.

A control environment is enhanced by Making sure that departments have well-written departmental policies and procedures which address its significant activities and unique issues. Employee responsibilities, limits to authority, performance standards, control procedures, and reporting relationships should be clear.

According to Ram Al Bakar (2016), risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting, and compliance goals and objectives. This, in turn, forms basis for determining how those risks should be managed

To properly manage their operations, managers need to determine the level of operational, financial and compliance risk they are willing to assume. Risk assessment is one of management's responsibilities and enables management to act proactively in reducing unwanted surprises. Failure to consciously manage these risks can result in a lack of confidence that operational, financial and compliance goals will be achieved.

There are three major classifications of internal control systems; preventative, detective and detective. Preventive controls predict potential problems before they occur, make adjustments to prevent an error, omission or malicious act from accruing the detective control are used to detect and report the occurrence of an omission, an error or a malicious act. Finally the collective control help in ensuring that the impact of a threat is minimized identify the cause of a problem as well as the correct errors arising from the problem. Corrective controls correct problems discovered by detective controls and modify the processing system to minimize future occurrence of the problem (singleton, 2006)

According to Hayes (2005) Internal control system comprises five comprises five components; the control environment, the entity’s risk assessment process, the information and communication systems, control activities and monitoring of control, however, for purposes of this study, the researcher will narrow down to only three components of the internal control system. These are; the control environment, internal audit and separation of duties other components of the internal control activities have been held constant.

COSO Report (1992) is important because it established a common

Definition of internal control for assessing control systems, as well as determined how to improve controls. According to the report, controls can serve many important purposes, and for this reason many businesses look at internal control systems as a solution to a variety of potential problems (such as dealing with rapidly changing economic and Competitive environments, as well as shifting customer demands and priorities).

According to the COSO report, an internal control system should consist of these five components:(1) The control environment, (2) risk assessment, (3) control activities, (4) information and Communication, and (5) monitoring.

The control environment, as established by the organization’s administration sets the tone of an institution and affects the control consciousness of its people. Management attitude should be committed to ethical business practices and to following the established control procedures. This is the foundation for all other components of internal control systems. Proving discipline and structure. Control environment factors include; integrity and ethical values; the commitment to competence; leadership philosophy and operating style; and the way management assigns authority and responsibility, and organizes and develops its people (Whittington&pany,2001). The study by Wallace E&Kreutzfeldt (1991) was among the first to demonstrate the importance of the control environment in explaining the existence of an internal audit function, more recently, Goodwin-Stewart & Kent (2006)provided evidence that the existence of an internal audit function is related to the level of commitment to risk management.

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. Therefore, since the study is to be carried out on a university setting there in need to identify the internal controls that may be lucking.

Carol (2014) in her research showed that the presence of the control activities which include 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, she further indicated that segregation of duties is a “least-cost” fraud preventive method for non-managerial employees, but for managerial employees, maximum penalties are the “least-cost” fraud disincentives. In her research she suggests 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. Therefore, this study looks at how Busoga University safeguards its assets to enhance effective financial performance thus looking at security in internal controls.

**Financial performance**

The “Performance” is a word originates from the old French word ‘Parfournir’; whose meaning is to bring through, to carry out, to do or to bring forth. Performance can be defined as the act of performing, implementing, achieving, and fulfilling of the given tasks that needs to be measured against defined sets of precision, money, fullness and timing. In finance, it refers to the measurements of the company’s policies, activities and operational results in financial terms. It is used to check a company’s success, compliance and financial position. These results are reflected in the firm’s return on investment, assets, equity, capital employed and profitability.

Finance may be defined as the art and science of managing money. It includes financial service and financial instruments. Finance also is referred as the provision of money at the time when it is needed. Finance function is the procurement of funds and their effective utilization in business concerns.

Financial performance is an extent to which a company financial health over a period of time is measured. That is to say, it is a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current assets, financing, equity, revenues and expenses. Its main purpose is to provide complete to the point information to shareholders and stakeholders to encourage them in making decisions. It can be used as a comparative of institutions in the same industries. ( Naz, Farrukh , & Faizan, 2016)

Financial performance principally mirrors business sector outcomes and results that shows overall financial health of the sector over a specific period of time. It portray show well an entity is utilizing its resources to maximize the shareholders wealth and profitability. Although a complete evaluation of a firm’s financial performance take into account many other different kind of measures but most common performance measurement used in the field of finance and statistical inference is financial ratios.

According to Capon (1996), measures of financial performance take a variety of forms. These measures differ from each other on several dimensions, and many issues concern the choice of which particular financial measure to employ. For example, measures may be absolute (e.g. sales, profit), return-based(e.g. profit/sales, profit/capital, profit/equity), internal (e.g. profit/sales), external(e.g. market value of the firm), a level for a single period (e.g. one year), a mean or a growth rate over several years or a variability (e.g. standard deviation) about a mean or a trend. In their empirical study they introduced firm survival as one of the measures.

The financial performance of different places displays markedly different patterns over time. Some companies’ profits increase, some decrease, and some show fluctuating patterns.

# Conceptual frame work of the study

**Figure 2.1: conceptual framework showing the relationship between internal control and financial performance**

According to (Watts, 1999), a conceptual frame work explains, either graphically or a narrative form, the main items to be studied - the key factors, variables, and presumed relationship among them.

**Independent variable Dependent variable**

**Financial performance**

* Proper records
* Improved quality financial reporting
* Better Accountability
* Reliability of financial report

**Internal control systems**

* Control Environment
* Risk assessment
* Adherence to laws

**Intervening variable**

* Company policies
* Organization culture.
* Ethical practice
* Staff competence

**Source: Adopted from Lambert, (2015) and modified by Researcher 2019.**

The above display the independent, dependent and intervening variables affecting one another. The independent variable is internal controls, the components of which are control environment, segregation of duties and safeguard of assets. These should be influencing the dependent variable which is performance and it is measured in terms of profitability, proper record, accountability and reliability of financial report the independent and dependent variables interaction is affected by intervening variables which are constituted by the environment that the company is working.

# CHAPTER THREE

# RESEARCH METHODOLOGY

# Introduction

This chapter presents and justifies the method and procedure that were used in conducting the study. Methodology covered the research design, study population sample size sampling method, data collection methods, data collection instruments data collection procedures validity and reliability of instruments, data processing, data analysis, ethical considerations and limitations and limitation of the study.

A methodology is a systematic, speculative analysis of the methods useful to a field of study**.** In general, it covered concepts such as paradigm, theoretical model, phases and quantitative or qualitative techniques. Some of research methodologies include; Action Research methodology, Case study methodology (Yin, 2013) and Design science, and this study used a case study design.

The study aimed at looking at internal controls and financial performances in private universities in Uganda with a case study of Busoga University. This study employed the qualitative approach to obtain corresponding data on the aimed at looking at internal controls and financial performances in private universities in Uganda with a case study of Busoga University. Creswell and Clark (2007: 33) argue that qualitative data provides a more complete picture of noting trends and as well as in-depth knowledge of participants’ perspectives.

# Research Design

According to Mcmillan & Schumancher(2006) research design is a plan that describes the nature and the strategy of research. The research design consisted of research approach, research strategy research duration research classification and study limitations.

# Research approach

The research approach includes; positivism approach, phenomenological approach and combination approach. This study the researcher adopted both positivism and phenomenological approaches known as (combination approach).The researcher also tested the relationship between internal control system and financial performance as well as collection of both qualitative and quantitative data.

# Research strategy

The research is a general plan of how researcher prepares answering the research question. Therefore research strategy included: experiment, survey and case study. in this study the researcher employed a case study strategy, the researcher developed detailed and intensive knowledge about how Busoga University works and conduct internal control system, therefore a case study strategy was useful since it helped to gain understanding of the context of research and it involved interview, questionnaires, and documentary analysis. Therefore a case study strategy fitted this study on the role of internal control systems in the financial performance of Busoga University this was in line with Sekeran (2003). Mingers, 2001 defined research strategy as a guiding strategy of activities to be considered in generating valid and reliable research results.

# Research duration

The research employed a cross sectional type of study where by the phenomenon was looked at from the top-bottom perspective in order to sort out the existence and magnitude of casual effects of more independent variables upon dependent variables of interest at a given point of time that is to say looking at the research questions.

# Research classification

The study employed both quantitative and qualitative research classification. The qualitative approach helped researcher to describe and explores events concerning internal controls in Busoga University and established theoretical models, approaches and record qualitative factors involved while quantitative helped in the mathematical software to establish causal relationship between the variables.

# Limitations of the study

Financial constraints: Costs expected to be involved during the research like transport, communication and stationery might be very much and funding is very limited. The researcher used her savings to be successful in carrying out the study.

Lack of co-operation from the respondents as some of them may have an “I don’t care attitude”. Here the researcher was forced to give more clarification and more explanation as to why the research is being carried out. This gave them more confidence and they were able to respond positive

Lack of time, as research demands a lot of time in collecting data and analysis, time was a limiting factor to the researcher since she has other school activities and personal activities to perform.

# Study Population

Creswell (2004) defines population as entire collection of all observation of interest to researcher. The population of the study comprised the finance officer and finance related departments of the University targeting particularly vice chancellor and university secretary, Academic registrar’s, office library, procurement office, human resource department, Academic staff and administrative staff, office of security, computer library, dean of student office and quality assurance.

# Sample size

Sample size comprises a reprehensive sample of people, document and records as et al McMillan & Chumacher (2006) the researcher selected a sample of 106 people targeting population of 145 as the Morgan table(1970).

**Table 13.1: Showing population and sample size distribution**

|  |  |  |  |
| --- | --- | --- | --- |
| **Category** | **Population** | **sample** | **Sampling techniques** |
| Accounts | 6 | 6 | Purposive sampling |
| DVC finance | 1 | 1 | Purposive sampling |
| Vice chancellors office | 3 | 3 | Purposive sampling |
| Procurement office | 1 | 1 | Purposive sampling |
| Estates | 2 | 2 | Purposive sampling |
| Academic registrar’s office | 3 | 3 | Purposive sampling |
| Library | 1 | 1 | census |
| Computer laboratory | 1 | 1 | census |
| Security | 2 | 2 | census |
| Academic staff | 101 | 72 | Random sampling |
| Administrative staff | 22 | 12 | Random sampling |
| Quality assurance | 1 | 1 | census |
| Planning | 1 | 1 | Census |
| TOTAL | 142 | 106 |  |

# Sampling Method

The researcher used purposive sampling technique to choose specific respondents basing on their knowledge with the subject and their ability to give information readily since the study required specific information. The researcher used probability since the researcher need to make references from the sample and non-probability; since the probability of each case being selected from the total

# Sources of data

The study applied mainly quantitative, basically data focused on respondent’s perception towards the respective study’s objectives, while the quantitative focused on frequency and percentages with regards to the relevant data as collected from the respective respondents. The researcher used primary and secondary sources of data.

# Primary Data

The researcher was able to get original information from the respondents of Busoga University, using structured questionnaires which was developed by the researcher and administered to the targeted respondents

# Secondary Data

The researcher accessed reports and books of accounts of Busoga University and other external sources which were established by scholars and academicians about variables under study. This data got from a review of related literature it was research from journals, text books, internet and other publications. Review of the document like files related to internal controls and financial management.

# Data Collection Methods

Data was collected using both primary and secondary data collection techniques.

**Primary data**

Data was gathered basically through structured questionnaires and interviews with

**Secondary data**

Secondary data on the other hand was gathered through review of available financial records like Audited Financial Statements, Auditors Management letters and other University Publications. The Researcher also used a combination of structured questionnaires and interviews. According to Oso and Onen, (2008) questionnaires are a data collection technique in which the respondents respond to the number of items in writing. Questionnaires are chosen simply because of the time limitation and partly because the Research deal with an elite Community (respondents).

**Interviews**

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

Presentation of findings on respondents’ personal characteristics

In research personnel characteristics of respondents have very significant role to play in expressing and giving the responses about the problem, keeping this in mind, in this study a set of personal characteristics namely, the gender, marital status, age groups, level of education and others. The study findings on the response rate revealed that of the 106 respondents contacted by the study, 95 (89.6%) availed data. This category of respondents availed data for this study which the researcher relies upon for the analysis.

In research personnel characteristics of respondents have very significant role to play in expressing and giving the responses about the problem, keeping this in mind, in this study a set of personal characteristics namely, the gender, marital status, age groups, level of education and others. The study findings regarding the respondents’ personal variables revealed the responses presented and analyzed below;

**Gender of the respondents**

The study findings on the gender of respondents are presented in table 3.2;

**Table**2**3.2: Gender of the respondents**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Male | 62 | 65.3 | 65.3 |
|  | Female | 33 | 34.7 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 201****9**

The majority of the respondents were males that is 65.3% of the respondents were males and 34.7% were females. The respondents were mostly males who are largely employed as heads of departments and support staff. But all respondents availed data for this study upon which the analysis is done.

**Age Group of the respondents**

The study findings on the age group of the respondents are presented in table 3.3;

**Table 33.3: Age Group of the respondents**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | 20 – 29 years | 28 | 29.5 | 29.5 |
|  | 30 – 39 years | 31 | 32.6 | 62.1 |
|  | 40 – 49 years | 26 | 27.4 | 89.5 |
|  | 50 years + | 10 | 10.5 | 98.9 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Findings in table 3.3 above on the age groups of the respondents, 29.5% were between 19-25 years, 32.6% were between 26-35 years, 27.4% were between 36-45 years, 10.5% were aged 46 years and above. Most respondents were between and 10(27.4%) were between 50 years and above. Most of the respondents were between 20 and 46 years of age. The study revealed that all respondents were mature enough to give viable and accurate information to support this study.

**Level of education**

The study findings on the level of education of respondents are presented in table 3.4;

**Table 43.4: Level of education**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Certificate | 27 | 28.4 | 28.4 |
|  | Diploma | 24 | 25.3 | 53.7 |
|  | Degree | 38 | 40.0 | 93.7 |
|  | Masters | 6 | 6.3 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

In relation to the table 3.4 above, it was established that the education level attained by the respondents in Busoga University, and their responses were; 28.4% of the respondents had attained certificates these include (UCE, UACE and other forms of certificates, 25.3% had diplomas as their highest level of education, 29.5% had bachelor degree holders, 6.3% had masters degree holders and 10.5% had Doctorate (PhD). The study revealed that the respondents’ clearly understood the contents of the questionnaire effectively, hence providing relevant information for the study.

**Years of experience**

The study findings on the years of service in the organization are presented in table 3.5;

**Table5 3.5: Years of service in the organization**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | 0-1 year | 19 | 20.0 | 20.0 |
|  | 2 - 3 years | 42 | 44.2 | 64.2 |
|  | 4 - 5 years | 27 | 28.4 | 92.6 |
|  | 5 years + | 7 | 7.4 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Findings in the table 3.5 above reflect the years of experience of the respondents in Busoga University, 20% had worked with a company for 0-1 year, 44.2% had worked for 2 to 3 years, 28.4% had worked for 4 to 5 years and 7.4% had for more than 5 years with Busoga University. This implies that the majority of respondents have enough experience to give accurate information on the study.

## Data collection instruments

**Self-Administered Questionnaires (SAQS)**

The Researcher used self-administered questionnaires According to Oso and Onen, (2008) questionnaires are a data collection technique in which the respondents respond to the number of items in writing. Questionnaires are chosen simply because of the time limitation and partly because the Research dealt with an elite group of people.

The questionnaires were self-administered by the researcher and this was improve capacity of the respondents to answer questions. The questions developed (1) list wise questions where by a list of responses is offered to the respondents any of which they can choose. (2) Open questions are widely used in–depth and semi-structured interview. (3) Category questions describe that each respondents answer can fit only one category and (4) ranking questions which ask the respondent to place in a rank order.

**Interviews Guide.**

The in-depth interview was used with the in depth interview guide for data collection. An in-depth interview is a qualitative research technique that allows person to person discussion. It led to increased insight into people's thoughts, feelings and behavior on important issues (Boyce & Neale, 2006).

The researcher prepared questions in form of an interview guide to enable collection of data from the respondents whom included the primary respondents, secondary respondents and key informants.

Interviews were held particularly with specific key informants intended to explore more about the internal controls and financial performances in private universities. The researcher used interview guide because it was helpful to get detailed information especially in understanding the internal controls and financial performances in private universities

This is a systematic research approach where researchers use their senses to examine natural occurring of the situation. This involved prolonged engagements in a setting or social situation.

This method was used to study the phenomenon of the environment of the research, understanding the research scope and analyzing of some data of the research. It was used to answer the research questions.

# Validity and reliability of the instruments

**Validity**

Validity refers to the extent to which questions in an instrument accurately measure the variables

The reliability and reliability was tasted by use of Alpha values and coefficient

As recommended by Cronbatch, (1946). Cronbatch recommends analysis for Alpha values for each variable under study. According to Sekaran 2001 Alpha values for each variable under, study should not be less than 0.6 for the statements in the Instruments to be deemed reliable.

Consequently, all the statements under each variable was subjected to this test and the validity of the data collection instruments were worked on with the help of the Researcher’s Supervisor, to edit the questionnaire and the Interview guide. The reliability of instruments was improved through pre-testing this enabled the amendments of some questions.

# Data analysis

Data analysis used is a computerized data analysis tool particular SPSS package was used to analyze variables in order to draw inferential, frequency and percentages, a test of the model was conducted and the attest of hypothesis was done to determine level of relationship between variables.

# Ethical Considerations

Research ethics and procedure was taken into consideration during data collection where by an introductory letter was got from the university to authorize the researcher to go ahead with research and the rights of respondents were respected by first obtaining verbal consent of all the respondents for their responses. All the respondents were assured about the confidentiality of their information especially with the key informant interviews.

Interviews were conducted openly but with limited interference from non-respondents.

Various inferential statistics was generated and various statistical data and percentages are given in the presentation, analysis and discussion of the findings.

# CHAPTER FOUR

# CONTROL ENVIRONMENT AND FINANCIAL PERFORMANCE AT BUSOGA UNIVERSITY

# Introduction

Control environment includes all factors which are effective in determining, increasing or decreasing the effectiveness of policies, procedures, and methods specific to a process. An effective control environment is an environment where competent people understand their responsibilities, the limits to their authority, and are knowledgeable, mindful, and committed to doing what is right and doing it the right way. They are committed to following an organization's policies and procedures and its ethical and behavioral standards. The control environment encompasses technical competence and ethical commitment; it is an intangible factor that is essential to effective internal control. The control environment establishes the tone of a company and influences the control awareness of the company’s employees. It is the foundation for all the other internal control components and provides discipline and structure which include the integrity, ethical values, and competence of an organization’s employees management’s philosophy and operating style the way management assigns authority and responsibility as well as organizes and develops its employees the attention and direction provided by the board of directors

**The university council has responsibility for approving the overall business strategies and policies of the company**

The study findings on whether the university council have responsibility for approving the overall business strategies and policies of the company are presented in table 4.1;

**Table64.1: .The university council have responsibility for approving the overall business strategies and policies of the company**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Response** | | **Frequency** | **Percent** | **Cumulative Percent** |
| Valid | Strongly agree | 43 | 45.3 | 45.3 |
|  | Agree | 48 | 50.5 | 95.8 |
|  | Not Sure | 04 | 4.2 | 100.0 |
|  | **Total** | **95** | **100.0** |  |

**Source: Primary data, 2019**

The university council is responsible for overall business strategies and policies of the university, and the findings revealed that 45.2% of the respondents strongly agreed, 50.5% agreed and 4.2% were not sure, with 95.8% if the respondents in agreement, it indicates that the university council of makes the decisions on how to market, manage, enhance and plan for the various strategies and policies on the advancement of the performance of the university.

**The university counsel ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained**

The university counsel ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained are presented in table 4.2;

**Table 74.2: The university counsel ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Response** | | **Frequency** | **Percent** | **Cumulative Percent** |
| Valid | Strongly agree | 42 | 44.2 | 44.2 |
|  | Agree | 38 | 40 | 84.2 |
|  | Not Sure | 11 | 11.6 | 95.8 |
|  | Disagree | 02 | 2.1 | 97.9 |
|  | Strongly disagree | 02 | 2.1 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The university council is the ultimate body in charge of decision making in the university and their decision is often final. Findings in table 4.2 revealed 44.2% of the respondents strongly agreed, 40% agreed, 11.6% were not sure, 2.1% disagreed and 2.1% strongly disagreed. From the findings this, 84.2% agreed that the ultimate and unquestionable decisions on management and administration including human resources management, financial planning and management, construction development and others crucial for the continued existence of the university are taken by the university council and communicated to management through the vice chancellor who then leads the workers including teaching and non-teaching staff to implement for the smooth running of the institution.

**The University Council provides governance, guidance and oversight to senior management**

The findings on whether the University Council provide governance, guidance and oversight to senior management are presented in table 4.3;

**Table 84.3: The University Council provide governance, guidance and oversight to senior management**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly Agree | 31 | 32.6 | 32.6 |
|  | Agree | 51 | 53.7 | 86.3 |
|  | Not Sure | 13 | 13.7 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The findings of the study revealed that the university council has an oversight role on the management to ensure efficiency and effectiveness. Hence, 32.6% if the respondents strongly agreed, 53.7% agreed and 13.7% were not sure, so with 86.5% of the respondents in agreement, it means that the university council provides governance through viable policy making, and guidance of the operations, and supervision of the senior management led by the vice chancellor by assessing their periodic performance. This has led to better on spot, on job and improvement in the performance of the institution in some facilities like human resources, though as indicated by 13.7% of the respondents, there is no clear indicators that the university council is responsible for such advancements, but by policy and inclination they have succeeded in keeping the university operating though at the minimum.

**Senior management commitment to internal control system in organization**

The findings on whether the senior management commitment to internal control system in organization is presented in Table 4.4;

**Table94.4: Senior management commitment to internal control system in organization**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Response** | | **Frequency** | **Percent** | **Cumulative Percent** |
| Valid | Strongly agree | 23 | 24.2 | 24.2 |
|  | Agree | 40 | 42.1 | 66.3 |
|  | Not Sure | 20 | 21.1 | 87.4 |
|  | Disagree | 05 | 5.3 | 92.7 |
|  | Strongly disagree | 07 | 7.3 | 100.0 |
|  | **Total** | **95** | **100.0** |  |

**Source: Primary data, 2019**

Senior management led by the Vice Chancellor ensure the day to day successful operation of the university’s administration and management. From table 4.4 above, 24.2% of the respondents strongly agreed, 42.1% agreed, 21.1% were not sure, 5.3% disagreed and 7.4% strongly disagreed. Those who agreed, that is 66.3% noted that senior management has ensured that the lectures and taught finances are in place, the study centres are fully operational, the students go through the normal admission and graduation process, and all the financial planning, auditing, human resource management are adequately done to the advantage of the university fraternity.

**The words, attitude and actions of the board of directors and senior management affect the integrity, ethics and other aspects of the control culture**

The findings on whether the words, attitude and actions of the board of directors and senior management affect the integrity, ethics and other aspects of the control culture are presented in table 4.5;

**Table 104.5: The words, attitude and actions of the board of directors and senior management affect the integrity, ethics and other aspects of the control culture**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Response** | | **Frequency** | **Percent** | **Cumulative Percent** |
| Valid | Strongly agree | 44 | 46.3 | 46.3 |
|  | Agree | 36 | 37.9 | 84.2 |
|  | Not Sure | 06 | 6.3 | 90.5 |
|  | Disagree | 03 | 3.2 | 93.7 |
|  | Strongly disagree | 06 | 6.3 | 100.0 |
|  | **Total** | **95** | **100.0** |  |

**Source: Primary data, 2019**

Finance is the bloodline of the business, and findings revealed that 46.3% of the respondents strongly agreed, 37.9% agreed, 6.3% were not sure, 3.2% disagreed and 6.3% strongly disagreed, hence with 84.2% in agreement, it includes that senior management carries out budgeting, expenditure planning, income planning, forecasting planning, auditing, requisition management and other financial controls are in place to ensure that the money is safeguarded against fraud. The online payments are effectively managed to ensure the university does not experience financial improprieties which can fail its operations when finances have been embezzled or misused. For 9.6%, the safeguards are weak and cannot effectively galvanize all the financial activities adequately, so some leakages and misuse occur quite often, though they are not grave. But management safeguard finances quite well.

**Methods, by which persons are hired, trained, promoted, and compensated, comply with control processes provided in the human resource manual**

The findings on whether methods, by which persons are hired, trained, promoted, and compensated, comply with control processes provided in the human resource manual are presented in table 4.6;

**Table 114.6: Methods, by which persons are hired, trained, promoted, and compensated, comply with control processes provided in the human resource manual**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Response** | | **Frequency** | **Percent** | **Cumulative Percent** |
| Valid | Strongly agree | 21 | 22.1 | 22.1 |
|  | Agree | 47 | 49.5 | 71.6 |
|  | Not Sure | 11 | 11.6 | 83.2 |
|  | Disagree | 09 | 9.5 | 92.7 |
|  | Strongly disagree | 07 | 7.3 | 100.0 |
|  | **Total** | **95** | **100.0** |  |

**Source: Primary data, 2019**

According to the study, there are a lot of similarities between the manual stipulations on human resource acquisition and the ways it is being practically done, hence 22.1% if the respondents strongly agreed, 49.5% agreed, 11.6% were not sure, 9.5% disagreed and 7.4% strongly disagreed. With 71.6% of the respondents in agreement it means that the ways in which the human resource is hired, identified, recruited, trained, promoted and compensated is well documented in the human resource manual and is formerly followed to the dot. The finding thus show that there is formal human resource process in place in which specific skilled people are hired, trained and made ready to perform to the growth and development and not to the detriment if the institution, though 16.9% did not agree, because they reasoned that some employees are recruited as internees and others are transformed from being volunteers and recruited into the organization while some are hired clandestinely or due to nepotism. However the normal procedure which is are laid out in the manual is used, hence good degree of transparent in the recruitment process in exhibited in recruiting both the technical and non technical staff.

**Management acts with a great degree of competence and integrity in execution of their roles**

The findings on whether management acts with a great degree of competence and integrity in execution of their roles are presented inn table 4.7;

**Table 124.7: Management acts with a great degree of competence and integrity in execution of their roles**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Response | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 33 | 34.7 | 34.7 |
|  | Agree | 42 | 44.2 | 78.9 |
|  | Not Sure | 14 | 14.7 | 93.6 |
|  | Disagree | 04 | 4.2 | 97.8 |
|  | Strongly disagree | 02 | 2.1 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The study findings revealed that the management of the university follows a well managed competent and multifaceted style of task execution for the good performance of the organization, thus from table 4.7, 34.7% of the respondents strongly agreed, 44.2% agreed, 14.7% were not sure, 4.2% disagreed and 2.1% strongly disagreed. This study thus concludes that 78.9% in agreement, it indicates that the management causes well educated men and women (officers) with higher degree qualifications (PhDs), professional, business, and academics. And social competence who have the required skills, competence and technical knowhow to carry out their work which has enabled the university to excel, but on the other hand, 6.3% disagreed which means that there are some ceremonial and less technical people in administration and management like the chancellor who do not need highly proficient skills. However, generally the university is managed by proficient management who show signs that in future the institution will become more competent and developed to compete well with the well established ones in the country and beyond.

**Appropriate measures are taken to prevent and correct errors in operation of internal control system**

The findings on whether appropriate measures are taken to prevent and correct errors in operation of internal control system are presented in table 4.8;

**Table 134.8: Appropriate measures are taken to prevent and correct errors in operation of internal control system**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Response** | | **Frequency** | **Percent** | **Cumulative Percent** |
| Valid | Strongly agree | 27 | 28.4 | 28.4 |
|  | Agree | 39 | 41.0 | 69.4 |
|  | Not Sure | 20 | 21.0 | 90.4 |
|  | Disagree | 06 | 6.3 | 96.7 |
|  | Strongly disagree | 03 | 3.2 | 100.0 |
|  | **Total** | **95** | **100.0** |  |

**Source: Primary data, 2019**

The findings of the study show that there are appropriate measures taken to ensure that there is concurrence in internal operations, and thus 28.4% of the respondents strongly agreed, 41.0% agreed, 21.0% were not sure, 6.3% disagreed and 3.2% strongly disagreed. Accordingly with 69.4% in agreement, it means that there is internal appraisal of performance, checks and balance, internal auditing and other methods are used to check on the consistency fluency and abilities of the staff.

**Our institution has an accounting and financial management System**

The findings on whether our institution has an accounting and financial management System are presented in table 4.9;

**Table144.9: Our institution has an accounting and financial management System**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Response | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 38 | 40 | 40 |
|  | Agree | 47 | 49.5 | 64.2 |
|  | Not Sure | 10 | 10.5 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The study revealed that the institution has to place financial mechanisms for ensuring proper financial accounting and management, thus 40% if the respondents strongly agreed, 49.5% agreed and 10.5% were not sure, so with 89.5% in agreement it means that the management has ensured that there is an electronic finance payment, follow up software development and generation if accounting information ranging from financial receipts to expenditures which is though not commonly used by all students and the university. This helps in tracking the financial performance of the institution to ensure proper accountability.

**Stringent action taken against employees involved in fraudulent activities** The findings on whether stringent action taken against employees involved in fraudulent activities are presented in table 4.10

**Table154.10: Stringent action taken against employees involved in fraudulent activities**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Response | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 29 | 30.5 | 30.5 |
|  | Agree | 54 | 56.8 | 87.3 |
|  | Not Sure | 04 | 4.2 | 91.5 |
|  | Disagree | 04 | 4.2 | 95.7 |
|  | Strongly disagree | 04 | 4.2 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Results of the study revealed that any officer within the university or anyone affiliated or related in anyway who engages in fraud is strictly punished. The findings revealed that 30.5% if the respondents strongly agreed, 56.8% agreed, 4.2% were not sure, 4.2% disagreed and 4.2% strongly disagreed. 8.4% of the respondents disagreed which means that in some cases, those who engage in fraud are not netted because they are hard to get or the cases are few, whereas majority that is 87.3% agreed that whenever any case of fraud is detected, those responsible are reprimanded immediately using any means to pursue justice and ensure that such preventive mechanisms are in place not to have the mistake repeated for example dismissal of culprits, remanding them in prison, forcing them to pay and any other workable means to the satisfaction of the management and administration of the university.

**University staff has the required knowledge and skills necessary to accomplish tasks assigned**

The findings on whether university staff have the required knowledge and skills necessary to accomplish tasks assigned are presented in Table 4.11;

**Table 164.11: University staff have the required knowledge and skills necessary to accomplish tasks assigned**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Response | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 21 | 22.1 | 22.1 |
|  | Agree | 39 | 41.0 | 63.1 |
|  | Not Sure | 03 | 3.2 | 66.3 |
|  | Disagree | 21 | 22.1 | 88.4 |
|  | Strongly disagree | 11 | 11.6 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The findings of the study show that the employees are trained and skilled to carry out their routines although this has its own challenges. From the table above, 22.1% if the respondents strongly agreed, 41.0% agreed, 3.2% were not sure, 22.1% disagreed and 11.6% strongly disagreed. Findings show that 33.7% disagreed that the university staff are not necessarily well equipped with all the necessary skills and technical knowhow because some do jobs which do not require a lot of skills for example cleaners, while those doing technical work are skilled, however, 63.1% agreed that every employee in the system have their own and well proven skills to execute duty and contribute to the progress of the university.

**University staff have the required knowledge and skills necessary to accomplish tasks assigned**

The findings on whether Activities are performed in an atmosphere of creativity and innovation are presented in table 4.12;

**Table 174.12: Activities are performed in an atmosphere of creativity and innovation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Response | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 08 | 8.4 | 8.4 |
|  | Agree | 22 | 23.2 | 31.6 |
|  | Not Sure | 32 | 33.7 | 65.3 |
|  | Disagree | 11 | 11.6 | 76.9 |
|  | Strongly disagree | 22 | 23.1 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Innovativeness is virtue which any employee would love to express when given chance. Findings revealed that 8.4% of the respondents strongly agreed, 23.2% agreed, 33.7% were not sure, 11.6% disagreed and 23.2% strongly disagreed with 31.6% in agreement, it means that besides the fact that there are established performance standards laid out in the manual, some employees use their knowledge and skills to carryout work whereas the majority were not sure (33.7%) and disagreed (34.8%) that they did not observe much personal initiative by other staffs to perform to activities because they have to perform the assigned tasks as laid out in the manual and code of ethnics.

# Testing Hypothesis

The hypothesis was tested in order to establish whether there is a relationship between control environment and financial performance at Busoiga University. Hypothesis testing is done using the Pearson Correlation and regression analysis were used.

**Table 184.13: Model Summary**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .372(a) | .138 | .121 | .498 |

a. Predictors: (Constant), Control environment

Control environment was used as the independent variable and dependent variable as financial performance at Busoga University. It was established that there is a significant relationship between control environment and financial performance. The observed value of 0.138 of R square is insignificant and not positive; this means that the control environment has policies and procedures in place which though are weak, the management review the University’s financial performance in a control environment where there is an operating plan that specifies the organizations’ functions, activities and objectives.

**Table 194.14: Correlations**

|  | | Control environment | Financial performance |
| --- | --- | --- | --- |
| Control Environment | Pearson Correlation | 1 | .372\*\* |
| Sig. (2-tailed) |  | .000 |
| N | 95 | 95 |
| Financial performance | Pearson Correlation | .372\*\* | 1 |
| Sig. (2-tailed) | .000 |  |
| N | 95 | 95 |
| \*\*. Correlation is significant at the 0.01 level (2-tailed). | | | |

Financial performance was used as the dependent variable and control environment as independent variable. It was established that control environment (ß=0.372, t=127.280, P<0.000), influences the quality of decisions, policies and procedures, quality laws and regulations, effective designed apposite objectives, proper planning and management, this has influenced improved financial performance in Busoga University.

**Table 204.15: Coefficients**

| Model | | | | Unstandardized Coefficients | | | Standardized Coefficients | t | Sig. |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| B | Std. Error | | Beta |
| 1 | (Constant) | | | .106 | .028 | |  | 3.808 | .000 |
| Control Environment | | | .382 | .008 | | .372 | 127.280 | .000 |
| 1. Dependent Variable: Financial Performance   **Table 5.15: ANOVA** | | | | | | | | | |
| Model | | | Sum of Squares | | | Df | Mean Square | F | Sig. |
| 1 | | Regression | 144.006 | | | 1 | 144.006 | 16200.185 | .000a |
| Residual | .827 | | | 93 | .009 |  |  |
| Total | 144.833 | | | 94 |  |  |  |
| a. Predictors: (Constant), Control environment | | | | | | | | | |
| b. Dependent Variable: Financial Performance  The analysis-of-variance (ANOVA) table 4.15 below was used to test the equivalent positive hypothesis, the F= 16200.185, p<0.000 there is a linear regressive relationship between control environment and financial performance at Busoga University. The result indicates that there is no effective control environment that improves the financial performance of all sections in Busoga University. The study found a positive relationship between control environment and financial performance in Busoga University. | | | | | | | | | |

**CHAPTER FIVE**

**RISK ASSESSMENT OF INHERENT RISK ASSOCIATED WITH THE SYSTEM AT BUSOGA UNIVERSITY**

**Introduction**

The findings on risk Assessment of inherent risk associated with the system at Busoga University are presented, analyzed in the section below;

**Management has defined appropriate objectives for the organization**

The findings on whether management has defined appropriate objectives for the organization are presented in table 5.1;

**Table 215.1: Management has defined appropriate objectives for the organization**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 29 | 30.5 | 30.5 |
|  | Agree | 46 | 48.4 | 78.9 |
|  | Not Sure | 12 | 12.6 | 91.5 |
|  | Disagree | 05 | 5.3 | 96.8 |
|  | Strongly disagree | 03 | 3.2 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

According to the findings of the study, it was found out that management has the mandate define and provide work objectives upon which strategic goals are built from table 5.1, 30.5% of the respondents strongly agreed, 48.4% agreed, 12.6% were not sure, 5.3% disagreed and 3.2% strongly disagreed. With 78.9% in agreement, it indicates that there are well defined goals and objectives on human resource management, financial performance, performance management, planning which have defined how the organization performs. This has helped in defining the clear path of the organization thereby giving it strategic direction in operations for its current and foreseeable future success.

# Management identifies risks that affect achievement of the objectives

The study findings on whether management identifies risks that affect achievement of the objectives are presented in table 5.2;

**Table 225.2: Management identifies risks that affect achievement of the objectives**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 24 | 25.3 | 25.3 |
|  | Agree | 36 | 37.9 | 63.2 |
|  | Not Sure | 12 | 12.6 | 75.8 |
|  | Disagree | 18 | 18.9 | 94.7 |
|  | Strongly disagree | 05 | 5.3 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Any organization thrives on identifying what can make it fail to achieve its stated objectives findings in table 5.2 revealed that 25.3% of the respondents strongly agreed, 37.9% agreed, 12.6% were not sure, 18.9% disagreed and 5.3% strongly disagreed. With 24.2% if the respondents in disagreement, it means that management has not been able to identify well the risk factors like fraud in financial management, weak and deliberate under performance whereas 63.2% agreed that management has been able to identify the weak performers at every stage where some are often disguised, the leakages in finance are budged and define the way human resources must perform and conform to the norms of the organization.

**Management has criteria for ascertaining which fraud related risk to the organization are most critical**

The findings on whether management has criteria for ascertaining which fraud related risk to the organization are most critical are presented in table 5.3;

**Table 235.3: Management has criteria for ascertaining which fraud related risk to the organization are most critical**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Response | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 31 | 32.6 | 32.6 |
|  | Agree | 37 | 38.9 | 71.5 |
|  | Not Sure | 22 | 23.2 | 94.7 |
|  | Disagree | 04 | 4.2 | 98.9 |
|  | Strongly disagree | 01 | 1.1 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Identifying fraud is so vital if the organization is to ensure that safeguards are in place to ensure financial compliance. Findings revealed that 32.6% of the respondents strongly agreed, 38.9% agreed, 23.2% were not sure, 4.2% agreed and 1.1% strongly disagreed. According to 5.3% of the respondents in disagreement, it means that management has not been able to detect all the risk factors so sometimes fraud occurs undetected, whereas 71.5% agreed that the management has been able to identify the weak areas of fraud and ensure there is financial audit and compliance in the financial management.

**Management has put in place mechanism for mitigation of critical risk that may result from fraud**

The findings on whether management has put in place mechanism for mitigation of critical risk that may result from fraud are presented in table 5.4;

**Table 245.4: Management has put in place mechanism for mitigation of critical risk that may result from fraud**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 33 | 34.7 | 34.7 |
|  | Agree | 36 | 37.9 | 72.6 |
|  | Not Sure | 18 | 18.9 | 91.5 |
|  | Disagree | 03 | 3.2 | 94.7 |
|  | Strongly disagree | 05 | 5.3 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Findings of the study on whether there is mitigation of the extremes of fraud revealed that 34.7% of the respondents strongly agreed, 37.9% agreed, 18.9% were not sure, 3.2% agreed and 5.3% strongly agreed. This means that with 72.6% of the respondents in agreement, it means that there are well defined and practical ways to mitigate fraud for example demanding for all expenditure and income reports including audits, on financial incomes and expenditure as well as worth for money, 8.5% disagreed which means that not all leakages that cause fraud have been budget yet. But the management has been able to safeguard against extreme cases of loss of money.

**Management put in place strong internal control system to minimize risk which may occur to organization**

The findings on whether management put in place strong internal control system to minimize risk which may occur to organization are presented in table 5.5;

**Table 255.5: Management put in place strong internal control system to minimize risk which may occur to organization**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 26 | 27.4 | 27.4 |
|  | Agree | 43 | 45.3 | 72.7 |
|  | Not Sure | 04 | 4.2 | 76.9 |
|  | Disagree | 11 | 11.6 | 88.5 |
|  | Strongly disagree | 11 | 11.6 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The findings of the study revealed that there are internal control system on financial management through auditing and other accountability mechanisms, thus 27.4% strongly agreed, 45.3% agreed, 4.2% were not sure, 11.6% disagreed and 11.6% strongly disagreed. From the findings 23.2% of the respondents disagreed which means that there are cases of leakages and misuse of funds which are sometimes unaccounted for, while 72.7% agreed that the various offices, computerized accounting system and manual system as well as liaison with banks helps the management to identify financial improprieties if any exists, and also the expenditure and income information is well scrutinized with physical inventory management to check the worthiness and value for money.

**The university council has clear administration for handling financial management so as to avoid risk**

The findings on whether the university counsel has clear administration for handling financial management so as to avoid risk are presented in table 5.6;

**Table 265.6: The university counsel has clear administration for handling financial management so as to avoid risk**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 41 | 43.2 | 43.2 |
|  | Agree | 32 | 33.7 | 76.9 |
|  | Not Sure | 17 | 17.9 | 94.8 |
|  | Disagree | 02 | 2.1 | 96.8 |
|  | Strongly disagree | 03 | 3.2 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The university council seats at the help of administration of the university, the 43.2% of the respondents strongly agreed, 33.7% agreed, 17.9% were not sure, 2.1% disagreed and 3.2% strongly disagreed. The fact is t hat 5.3% disagreed which implies that being away from the daily administration of the university, the university council does not get all the details of what is done by the finance department, whether the 76.9% agreed that the university council easily liaises with the administration on ground and get the details of the financial statement, audit reports and can call for an impromptu meeting to assess the financial details for ensuring they get to know the state of financial health of the institution. This has ensured that there is reliable and non-gullible operations by the finance officers in the organization.

**The is proper records for financial performance of the organization hence minimizing risk**

The findings on whether there is proper records for financial performance of the organization hence minimizing risk are presented in table 5.7;

**Table 275.7: The is proper records for financial performance of the organization hence minimizing risk**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 26 | 27.4 | 27.4 |
|  | Agree | 57 | 53.7 | 81.1 |
|  | Not Sure | 04 | 4.2 | 85.3 |
|  | Disagree | 10 | 10.5 | 95.8 |
|  | Strongly disagree | 04 | 4.2 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

From the field of study, it was revealed that respondents availed varying opinions regarding generation of financial records in the university, hence 27.4% strongly agreed, 53.7% agreed, 4.2% were not sure, 10.5% disagreed and 4.2% strongly disagreed. In this respect, 14.7% of the respondents disagreed implying that the financial statements generated usually are incomplete while also some have distorted figures when the staff are aware that the university council is coming to check on them and also external auditors are usually corrupted to qualify accountabilities which ought not to be qualified, and 81.1% agreed that financial records generated ranging from the daily cash book, imprest, records, ledgers, trial balance and others generated are used in auditing and for the university administration to audit the performance of tasks at hand.

**Proper accountability in financial matters of the organization reduces risk in an organization**

The findings on whether there is proper accountability in financial matters of the organization reduces risk in an organization are presented in table 5.8;

**Table 285.8: Proper accountability in financial matters of the organization reduces risk in an organization**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 30 | 31.6 | 31.6 |
|  | Agree | 62 | 65.3 | 96.9 |
|  | Not Sure | 01 | 1.0 | 1.0 |
|  | Disagree | 01 | 1.0 | 1.0 |
|  | Strongly disagree | 01 | 1.0 | 100.0 |
|  | Total | 95 | 100.’0 |  |

**Source: Primary data, 2019**

Accountability is both financial and the works or efforts on display to qualify a certain amount of money and what it was used for must be well observed. The findings revealed that 31.6% of the respondents strongly agreed, 65.3% agreed, 1.0% were not sure, 1.0% agreed and 1.0% strongly agreed. With 2.0% in disagreement, it means that they have no well founded knowledge on accountability matters and 96.9% agreed that the financial matters/ information helps in fostering accountability which then reduces the chances of fraud and finance misappropriation. This has ensured sanity in the institutions.

**There is effective cost management in the organization hence reducing risk that may occur to an organization**

The findings on whether there is effective cost management in the organization hence reducing risk that may occur to an organization are presented in table 5.9;

**Table 295.9: There is effective cost management in the organization hence reducing risk that may occur to an organization**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 20 | 21.0 | 21.0 |
|  | Agree | 15 | 15.8 | 36.8 |
|  | Not Sure | 20 | 21.0 | 57.8 |
|  | Disagree | 24 | 25.3 | 83.1 |
|  | Strongly disagree | 16 | 16.8 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Cost management relates to the ability to ensure that expenditures are controlled and are within the established and discernible means. Findings revealed that 21.0% of the respondents strongly agreed, 15.8% agreed, 21.0% were not sure, 25.3% disagreed and 16.8% strongly disagreed. From the findings thus, 42.1% of the respondents in disagreement it means quite often there are costs on transport, feeding, administration, games and sports which become erroneous and not well managed while 36.8% noted that, the management have been able to keep costs’ within the manageable circles, though the costs are not consistent and constant.

**Management make it that the cost per unit of operation are low hence minimizing risk in an organization**

The findings on whether management make it that the cost per unit of operation are low hence minimizing risk in an organization are presented in table 5.10;

**Table 305.10: Management make it that the cost per unit of operation are low hence minimizing risk in an organization**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 10 | 10.5 | 10.5 |
|  | Agree | 11 | 11.6 | 22.1 |
|  | Not Sure | 20 | 21.0 | 43.1 |
|  | Disagree | 32 | 33.7 | 76.8 |
|  | Strongly disagree | 22 | 23.2 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The findings revealed that the cost of unit in production/ or running operations fluctuates, the study revealed that 10.5% of the respondents strongly agreed, 11.6% agreed, 21.0% of the respondents strongly agreed, 11.6% agreed, 21.0% were not sure, 33.7% disagreed and 23.2% strongly disagreed. The findings noted that 56.9% disagreed because it is hard to quantify units of production in such a large and bureaucratic driven organization which means that employees are paid according to contract and not the unit of production, and 22.1% agreed that some employees like those on casual are paid according to work done which is measured and easy to determine.

**Management takes steps to monitor the financial activities of organization hence minimizing the risk that may occur to an organization**

The findings on whether the management take steps to monitor the financial activities of organization hence minimizing the risk that may occur to an organization are presented in table 5.11;

**Table 315.11: Management take steps to monitor the financial activities of organization hence minimizing the risk that may occur to an organization**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 53 | 55.8 | 55.8 |
|  | Agree | 41 | 43.2 | 99.0 |
|  | Not Sure | 01 | 1.0 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The management of the university ensures proper oversight on how funds are managed. Findings of the study revealed that 55.8% of the respondents strongly agreed, 43.2% agreed and 1.0% was not sure. With 99.0% of the respondents in agreement, it implies that the management undertakes steps like gathering accounting information which it is relied upon for making managerial decision on how to generate, utilize, keep and recover funds for sustained performance of the university.

**Management identifies risks that affect the achievement of objectives**

The findings on whether management identifies risks that affect the achievement of objectives are presented in table 5.12;

**Table 325.12: Management identifies risks that affect the achievement of objectives**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 20 | 21.0 | 21.0 |
|  | Agree | 23 | 24.2 | 45.2 |
|  | Not Sure | 23 | 24.2 | 69.4 |
|  | Disagree | 18 | 18.9 | 88.3 |
|  | Strongly disagree | 11 | 11.6 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The research study findings revealed that the organization has clear objectives in place for guiding the performance of the institution. The results show that 21.0% of the respondents strongly agreed, 24.2% agreed, 24.2% were not sure, 18.9% disagreed and 11.6% strongly disagreed. From the findings, 30.5% in disagreement, mean that the stated objectives on human resource, finance management and others are not achieved for the wellbeing of the institution hence it often fails to be competent like other competing private institutions, and 45.2% agreed which means that there are set objectives which enable the institution to plan her activities well and on schedule.

**Management has put in place mechanisms for mitigation of critical risk that may affect results**

The findings on whether management has put in place mechanisms for mitigation of critical risk that may affect results are presented in table 5.13;

**Table 335.13: Management has put in place mechanisms for mitigation of critical risk that may affect results**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 41 | 43.2 | 43.2 |
|  | Agree | 41 | 43.2 | 86.4 |
|  | Not Sure | 13 | 13.6 | 13.6 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Being a formal institution, the university has the human resource and operations manuals which are well elaborated. Findings show that 43.2% of the respondents strongly agreed, 43.2% agreed and 13.7% were not sure. For 13.7% were not sure because they had not explored these documents to the dot for 86.3% who agreed revealed that each position, officer, office has they have to go about their routine. This establishes clear operational boundaries to avoid collision and fusion of roles, thus the established structure of hierarchy in which all responsibilities are well laid and observed. This has created an operational system in place for coherence of the organization.

**Management has provided a system for timely review of audit reports and resolutions of noncompliance**

The findings on whether the management has provided a system for timely review of audit reports and resolutions of noncompliance are presented in table 5.14;

**Table 345.14: Management has provided a system for timely review of audit reports and resolutions of noncompliance**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 34 | 35.8 | 35.8 |
|  | Agree | 44 | 46.3 | 82.1 |
|  | Not Sure | 04 | 4.2 | 86.3 |
|  | Disagree | 08 | 8.4 | 94.7 |
|  | Strongly disagree | 05 | 5.3 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

From the field of study, it was discovered that the management reviews the audit reports in order to make reliable financial decisions. This 35.8% of the respondents strongly agreed, 46.3% agreed, 4.2% were not, 84% disagreed and 5.3% strongly disagreed. With 13.7% in disagreement, it indicates that there is delays in coming with clear resolutions by management, but with 82.1% in agreement, it indicates that the external and internal audit reports have been useful in tracking financial performance and establishing the value for money, while for those who do not comply often face sanctions for causing financial loses to the institution for example loss of job due to dismissal/ contract termination whereas in extreme cases, those in grave misplacement are taken reprimanded in to courts of law.

**Testing Hypothesis**

There is significant relationship between risk assessment of inherent risk associated with the system and financial performance in Busoga University. The hypothesis was tested with Pearson Correlation and regression analyses were used to test the hypothesis and the results are as shown below.

**Table 355.15: Model Summary**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .813(a) | .661 | .648 | .320 |

1. Predictors: (Constant), Risk Assessment

The above hypothesis was tested and as per the model summary reflected in table 5.15 above show that *R* square = 0.661 or 66.1%. The observed value of 0.661 is a positive; this means that Busoga University Council reviews key risks to ensure the integrity of the University’s financial reporting and they monitor the effectiveness of the management practices. The Adjusted R2 (0.964) is the percentage of the variability in the University financial performance that explain the linear regression. The result shows that Risk Assessment improves the financial performance of Busoga University.

**Table 365.16: Correlations**

|  | | | | | | | | Risk assessment | | | Financial performance | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Ridwefsk assessment | | | | Pearson Correlation | | | | 1 | | | .813\*\* | | | | | |
| Sig. (2-tailed) | | | |  | | | .000 | | | | | |
| N | | | | 95 | | | 95 | | | | | |
| Financial performance | | | | Pearson Correlation | | | | .813\*\* | | | 1 | | | | | |
| Sig. (2-tailed) | | | | .000 | | |  | | | | | |
| N | | | | 95 | | | 95 | | | | | |
| \*\*. Correlation is significant at the 0.01 level (2-tailed).  Correlation results revealed that there is a significant and positive relationship between risk assessment and financial performance in Busoga University, (r=(95) =.813, P<0.000). This implies that Busoga University Council monitors the effectiveness of the risk assessment practices  **Table 5.17: Coefficients** | | | | | | | | | | | | | | | | |
| Model | | | | | Unstandardized Coefficients | | | | | Standardized Coefficients | | | T | | Sig. |
| B | | Std. Error | | | Beta | | |
| 1 | (Constant) | | | | .360 | | .066 | | |  | | | 5.446 | | .000 |
| Risk Assessment | | | | .813 | | .019 | | | .982 | | | 50.143 | | .000 |
| a. Dependent Variable: Financial Performance  Financial performance was used as the dependent variable and risk assessment as independent variable. It was established that risks assessment (ß=0.989, t=5.446, *P*<0.000), is an effective way to ensure the integrity of the financial reporting, reviews key executive and councils compensation and effective financial performance.  **Table 5.17: ANOVA** | | | | | | | | | | | | | | | |
| Model | | | Sum of Squares | | | Df | | | Mean Square | | | F | | Sig. | |
| 1 | | Regression | 139.667 | | | 1 | | | 139.667 | | | 2514.335 | | .000a | |
| Residual | 5.166 | | | 93 | | | .056 | | |  | |  | |
| Total | 144.833 | | | 94 | | |  | | |  | |  | |
| a. Predictors: (Constant), Risk Assessment | | | | | | | | | | | | | | | |
| b. Dependent Variable: Financial performance | | | | | | | | | | | | | | | |

The analysis-of-variance (ANOVA) table 5.17 below was used to test the equivalent positive hypothesis, the F= 2514.335, *p*<0.000 there is linear relationship between independent variable (risk assessment) and the dependent variable (financial Performance). The result indicates that there is effective risk assessment that improves the University’s financial performance in Busoga University.

# CHAPTER SIX

# HOW EXAMINE HOW ADHERENCE TO LAWS AND REGULATIONS FOR ENHANCE FINANCIAL PERFORMANCE IN BUSOGA UNIVERSITY

# Introduction

The study findings on how examine how adherence to laws and regulations for enhance financial performance in Busoga university are presented, analyzed and interpreted in this section;

**The university comply with financial accounting roles and regulation**

The study findings on whether the university comply with financial accounting roles and regulation are presented in table 6.1;

**Table 376.1: The University comply with financial accounting roles and regulation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 32 | 33.7 | 33.7 |
|  | Agree | 38 | 40.0 | 73.7 |
|  | Not Sure | 10 | 10.5 | 84.2 |
|  | Disagree | 09 | 9.5 | 93.7 |
|  | Strongly disagree | 06 | 6.3 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The findings of the study revealed that the university has in place established accounting manual with rules and regulations thus 33.7% of the respondents strongly agreed, 40.0% agreed, 10.5% were not sure, 9.5 agreed and 6.3% strongly disagreed. With 73.7% in agreement, it means that the university is private and all its operations thrive on spending money which they have to earn, even since government took it over, they are financing operations and thus there is accountability for all the money used, while 15.8% disagreed which means that there are cases of misuse of finances which partly failed the university operations in 2017 leading to government take over, but now there are powerful mechanism place for financial compliance.

**The governing council and its committees are independent of management**

The study findings on whether the governing council and its committees are independent of management are presented in table 6.2;

**Table 386.2: Our governing council and its committees are independent of management**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 14 | 14.7 | 14.7 |
|  | Agree | 20 | 21.0 | 35.7 |
|  | Not Sure | 21 | 22.1 | 57.8 |
|  | Disagree | 26 | 27.4 | 85.2 |
|  | Strongly disagree | 14 | 14.7 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The university council is autonomous and as the supreme broad of the university is not subject to the dictates of the senate and administration headed by the vice chancellor. Thus 14.7% of the respondents strongly agreed, 21.0% agreed, 22.1% were not sure, 27.4% disagreed and 14.7% strongly disagreed. From the field of study thus, 42.1% disagreed which means that there is fusion of rules between the university governing council because the vice chancellor and his management team are the ones who report to the council and the council’s decisions depend on what management tells them, and 35.7% agreed that the council is a supreme partner whose operations are quite independent of the management though the two levels work together.

**Management acts with a great degree of integrity in execution of their roles**

The findings of the study on whether management acts with a great degree of integrity in execution of their roles are presented in table 6.3;

**Table 396.3: Management acts with a great degree of integrity in execution of their roles**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 11 | 11.6 | 11.6 |
|  | Agree | 49 | 51.6 | 63.2 |
|  | Not Sure | 10 | 10.5 | 73.7 |
|  | Disagree | 14 | 14.7 | 88.4 |
|  | Strongly disagree | 11 | 11.6 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The results of the study revealed that the current management, though is not without faults, acts or execute their roles with integrity so 11.6% of the respondents strongly agreed, 57.6% agreed which means that with 63.2% of the respondents in agreement, it means that the management in place are professionals with integrity in management including human resource, administration and finance as well as general services which makes them competent in making get to the next level from where government picked it up from. Whereas 26.3% did not agree because there had been cited cases of poor financial general administration characterized by late or no service delivery to the clients and misuse of funds.

**Management of organization comply with environmental and protection laws**

The research study on whether the management of organization comply with environmental and protection laws are presented in table 6.4;

**Table 406.4: Management of organization comply with environmental and protection laws**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 14 | 14.7 | 14.7 |
|  | Agree | 23 | 24.2 | 38.9 |
|  | Not Sure | 33 | 34.7 | 73.6 |
|  | Disagree | 18 | 18.9 | 92.5 |
|  | Strongly disagree | 07 | 7.4 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The university has developed infrastructures in the spatial spaces available, hence 14.7% of the respondents strongly agreed, 24.2% agreed, 34.7% were not sure, 18.9% disagreed and 7.4% strongly disagreed. With 38.9% in agreement, it means that the university is expanding but in the process they safeguard the green covering, that is the trees, lawns, water courses are not polluted and the environmental health is not extensively damaged whereas 34.7% were not sure and 26.3% disagreed because there have been cases of overlapping services and removal of vegetation which destroys the physical environment, although the destruction has not been bad/ugly.

**Senior management takes steps to monitor and see that civil and rights laws are followed**

The findings on whether senior management take steps to monitor and see that civil and rights laws are followed are presented in table 6.5;

**Table 416.5: Senior management takes steps to monitor and see that civil and rights laws are followed**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 12 | 12.6 | 12.6 |
|  | Agree | 18 | 18.9 | 31.5 |
|  | Not Sure | 46 | 48.4 | 79.9 |
|  | Disagree | 09 | 9.5 | 89.4 |
|  | Strongly disagree | 10 | 10.5 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Findings of the study on whether there is response for civil and legal rights for members of the university fraternity and the neighbours revealed that 12.6% strongly agreed, 18.9% agreed, 48.4% were not sure, 9.5% disagreed and 10.5% strongly disagreed. This implies that 48.4% of the respondents were not sure if the civil and legal rights are protected because it is not a known daily practical fact, whereas 31.5% agreed because when an employee is dismissed, when any one is affected by the activities of the university, they can get legal redress in courts of law, and 20% did not agree, but the fact is the civil and legal rights exist but they are not extensively adhered to unless it becomes necessary.

**Senior management makes steps to see that money laundering regulations are followed**

The research findings on whether senior management makes steps to see that money laundering regulations are followed are presented in table 6.6;

**Table426.6: Senior management makes steps to see that money laundering regulations are followed**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 12 | 12.6 | 12.6 |
|  | Agree | 18 | 18.9 | 31.5 |
|  | Not Sure | 46 | 48.4 | 79.9 |
|  | Disagree | 09 | 9.5 | 89.4 |
|  | Strongly disagree | 10 | 10.5 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Findings of the study on whether there is response for civil and legal rights for members of the university fraternity and the neighbours revealed that 12.6% strongly agreed, 18.9% agreed, 48.4% were not sure, 9.5% disagreed and 10.5% strongly disagreed. This implies that 48.4% of the respondents were not sure if the civil and legal rights are protected because it is not a known daily practical fact, whereas 31.5% agreed because when an employee is dismissed, when any one is affected by the activities of the university, they can get legal redress in courts of law, and 20% did not agree, but the fact is the civil and legal rights exist but they are not extensively adhered to unless it becomes necessary.

**Senior management makes steps to see that money laundering regulations are followed**

The findings of the study on whether senior management makes steps to see that money laundering regulations are followed are presented in table 6.7;

**Table436.7: Senior management makes steps to see that money laundering regulations are followed**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 10 | 10.5 | 10.5 |
|  | Agree | 38 | 40.0 | 50.5 |
|  | Not Sure | 10 | 10.5 | 61.0 |
|  | Disagree | 22 | 23.2 | 84.2 |
|  | Strongly disagree | 15 | 15.8 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Money laundering is a bad trait which disturbs the financial flow and service provision in an organization. Findings revealed that 10.5% of the respondents strongly agreed, 40.0% agreed, 10.5% were not sure, 23.2% disagreed and 15.8% strongly disagreed. With 50.5% in agreement, it means that there are legal mechanisms to counter money laundering for example reprimanding whoever steals funds, assessing accountabilities well and tasking every accounting officer to take the financial responsibility for entrusted funds. For 39.0% noted these have not been effective enough to stop money (financial) misappropriations and loss. But generally the financial health of the institution is maintained.

**The organizations reputation is protected due to compliance with rules and regulations**

The findings on whether the organizations reputation is protected due to compliance with rules and regulations are presented in table 6.8;

**Table446.8: The organizations reputation is protected due to compliance with rules and regulations**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 21 | 22.1 | 22.1 |
|  | Agree | 32 | 33.7 | 55.8 |
|  | Not Sure | 21 | 22.1 | 77.9 |
|  | Disagree | 11 | 11.6 | 89.5 |
|  | Strongly disagree | 10 | 10.5 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

According to the study findings in table 6.8 above revealed that the university is now a reputable education institution with clear rules and regulations, hence 22.1% strongly agreed, 33.7% agreed, 22.1% were not sure, 11.6% disagreed and 10.5% disagreed and 10.5% strongly disagreed. The study shows that with 55.8% in agreement, it means that the organization is known and despite the few hiccups it experienced which made it to fail in operation and eventually taken over by the state, the staff and administration did not go against the rules and regulations governing their conduct, but 22.1% of the respondents disagreed which means the organization is not very strong as compared to universities that have existed for many years, but it is a reputable organization that will promote education service delivery.

**Management closely monitors implementation of internal control systems in our institution**

The findings on whether the management closely monitors implementation of internal control systems in our institution are presented in table 6.9;

**Table** 45**6.9: Management closely monitors implementation of internal control systems in our institution**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 13 | 13.7 | 13.7 |
|  | Agree | 19 | 20 | 33.7 |
|  | Not Sure | 20 | 21.1 | 54.8 |
|  | Disagree | 23 | 24.2 | 79.0 |
|  | Strongly disagree | 20 | 21.1 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

From the field of study, it was agreed that there are internal financial and administrative controls in place for ensuring that the university is human resources are performing well, the finances are well managed and there is with for every resource invested. From table 6.9, 13.7% of the respondents strongly agreed, 20.0% agreed, 21.1% were not sure, 24.2% disagreed and 21.1% strongly disagreed. With 33.7% of the respondents in agreement, it indicates that the internal financial controls like producing accountabilities, audit reports and supervision sheets tend to provide a yardstick for determining performance and compliance, for 21.1% were not sure and 45.3% disagreed indicating that the stated internal controls are redundant and not working well through they are in place. But their being in place is an indication that they can be used to improve performance of the institution.

**The university counsel comply with income tax regulations**

The research study set out to establish whether the university counsel comply with income tax regulations and the findings are presented in table 6.10;

**Table466.10: The university counsel comply with income tax regulations**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 20 | 21.0 | 21.0 |
|  | Agree | 23 | 24.2 | 45.2 |
|  | Not Sure | 23 | 24.2 | 69.4 |
|  | Disagree | 18 | 18.9 | 88.3 |
|  | Strongly disagree | 11 | 11.6 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The university council had been a competent tax payer and advisor in the organization, thus, 8.4% of the respondents strongly agreed, 22.1% agreed, 46.3% were not sure, 17.9% disagreed and 5.3% strongly disagreed which implies that 30.5% of the respondents agreed that the university council had been a very competent institution in ensuring that in income tax is well paid while 46.3% were not sure because they did not know what the university was or, does with income tax issues whereas 23.2% disagreed which means that there was no compliance with income tax payment which partly explains the initial failure of the university until it was revived by government.

**Policies and procedures of authorization are well documented and understood by staff**

The findings of the study on the policies and procedures of authorization are well documented and understood by staff are presented in table 6.11;

**Table476.11: Policies and procedures of authorization are well documented and understood by staff**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 21 | 22.1 | 22.1 |
|  | Agree | 37 | 38.4 | 38.4 |
|  | Not Sure | 33 | 34.7 | 34.7 |
|  | Disagree | 02 | 2.1 | 2.1 |
|  | Strongly disagree | 02 | 2.1 | 2.1 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Regarding whether policies and procedures of authorization are well documented and understood by staff, findings revealed that 22.1% of the respondents strongly agreed, 38.9% agreed, 34.7% were not sure, 2.1% disagreed and 2.1% strongly disagreed. From the table thus it shows that 61.0% agreed which means that the staff are inducted well and made to follow the established policies and procedures of authorization so that they know the process of obtaining what is required for work, how to procure the best supplies for use.

**Specific lines of authority and responsibilities are well established to ensure compliance with policies and procedures**

The findings on whether specific lines of authority and responsibilities are well established to ensure compliance with policies and procedures are presented in table 6.12;

**Table486.12: Specific lines of authority and responsibilities are well established to ensure compliance with policies and procedures**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 35 | 36.8 | 36.8 |
|  | Agree | 37 | 38.9 | 75.7 |
|  | Not Sure | 04 | 4.2 | 79.9 |
|  | Disagree | 12 | 12.6 | 92.5 |
|  | Strongly disagree | 07 | 7.5 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The organization/ university is a formal institution where the hierarchy of administration is well established, thus 36.8% of the respondents strongly agreed, 38.9% agreed, 4.2% were not sure, 12.6% disagreed and 7.4% strongly disagreed from the study thus with 20.0% in disagreement, it means that sometimes offices skip the offices in the hierarchy and communicate with superiors, and 75.7% in agreement, it means that authority permeates hierarchically down wards from the university council to the lowest subordinate staff. This has ensured coherence in work and each officer is responsible for their defined span of control.

**There is a clear and well documented chart of accounts**

The findings of the study on whether there is a clear and well documented chart of accounts are presented in table 6.13;

**Table 496.13: There is a clear and well documented chart of accounts**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 18 | 18.9 | 18.9 |
|  | Agree | 30 | 31.6 | 50.5 |
|  | Not Sure | 04 | 4.2 | 54.7 |
|  | Disagree | 31 | 32.6 | 87.3 |
|  | Strongly disagree | 12 | 12.6 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

A chart accounts can be presented to the organization fraternity on the official notice board or to every faculty or department for everyone to view. Findings in table 6.13 above, revealed that 18.9% of the respondent strongly agreed, 31.6% agreed, 4.2% were not sure, 32.6% disagreed and 12.6% strongly disagreed. Thus with 50.5% in agreement, it means that the chart of accounts that is income and expenditure excerpts are provided to faculties and departments for all the staff who are concerned to see and analysed but not the entire classified information is availed, whereas 45.2% disagreed because most of the accounting information is classified information which cannot be availed to any one anyhow. But at least highlights are given to the concerned departments according to the desirable demands.

**Internal audit periodically reviews operations and programs to ascertain that results are consistent with established objectives and goals**

The findings on whether internal audit periodically reviews operations and programs to ascertain that results are consistent with established objectives and goals are presented in table 6.14;

**Table506.14: Internal audit periodically reviews operations and programs to ascertain that results are consistent with established objectives and goals**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 09 | 9.5 | 9.5 |
|  | Agree | 30 | 31.6 | 41.1 |
|  | Not Sure | 21 | 22.1 | 63.2 |
|  | Disagree | 12 | 12.6 | 75.8 |
|  | Strongly disagree | 23 | 24.2 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Internal audits are crucial as fact, finding mechanisms for smooth operations of the university because they are regular and on spot. Findings in table 6.14 above revealed that 9.5% of the respondents strongly agreed, 31.6% agreed, 22.1% were not sure, 12.6% disagreed and 24.2% strongly disagreed. With 41.1% of the respondents in agreement, it means that internal audits are regularly done for example on weekly and monthly basis, quarterly basis which helps to address the management inconsistencies very fast so that the operations in the university are in tandem with the established goals and objectives on human resource, finance and operations management, and for 36.8% disagreed because the institution is still in transition and internal audits are not entirely very successful in regulating performance whereas, despite the fact that the organization is formal, internal audits are necessary to stream line operations, thus their relevance.

**Staffs undergo training in the implementation of accounting system**

The findings of the study on whether the staffs undergo training in the implementation of accounting system are presented in table 6.15;

**Table516.15: Staffs undergo training in the implementation of accounting system**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 31 | 32.6 | 32.6 |
|  | Agree | 44 | 46.3 | 78.9 |
|  | Not Sure | 04 | 4.2 | 83.1 |
|  | Disagree | 08 | 8.4 | 91.5 |
|  | Strongly disagree | 08 | 8.4 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

Employee training is crucial in ensuring that employee skills are enriched and replenished for better performance. Findings of the study revealed that 32.6% of the respondents strongly agreed, 46.3% agreed, 4.2% were not sure, 8.4% disagreed and 8.4% strongly disagreed. With 78.9% in agreement, it means that staff are trained in using Microsoft excel, Spss, Stata and couple of other packages which are used by accountants and in analysis of study findings. While 16.8% disagreed which indicates that employee training is crucial for advancement of the organization in accounting fields, human resource tracking and others.

**Weaknesses pointed out by internal audit are usually addressed by management**

The findings on the weaknesses pointed out by internal audit are usually addressed by management are presented table 6.16;

**Table526.16: Weaknesses pointed out by internal audit are usually addressed by management**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 27 | 28.4 | 28.4 |
|  | Agree | 33 | 34.7 | 63.1 |
|  | Not Sure | 04 | 4.2 | 67.3 |
|  | Disagree | 21 | 22.1 | 89.4 |
|  | Strongly disagree | 10 | 10.5 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The findings of the study revealed that internal audits are carried out to help management address internal weaknesses regarding financial accounting, human resource and performance management, hence 28.4% if the respondents strongly agreed, 34.7% agreed, 4.2% not sure, 22.1% disagreed and 10.5% strongly disagreed. From the field of study, it should be noted that 63.1% of the respondents agreed to the fact that internal audits are vital in ensuring that they get to know all details about financial management and the corresponding weaknesses that need to be addressed for example bridging the expenditure gaps and ensuring better financial discipline.

**There is adequate segregation of duties in the institution’s departments**

The findings of the study on whether there is adequate segregation of duties in the institution’s departments are presented in table 6.17;

**Table536.17: There is adequate segregation of duties in the institution’s departments**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 28 | 29.5 | 29.5 |
|  | Agree | 37 | 38.9 | 68.4 |
|  | Not Sure | 04 | 4.2 | 72.6 |
|  | Disagree | 17 | 17.9 | 90.5 |
|  | Strongly disagree | 09 | 9.5 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The study found out that there is definition of roles for all staff and management. Findings show that 29.5% of the respondents strongly agreed, 38.9% agreed, 4.2% were not sure, 17.9% disagreed and 9.5% strongly disagreed. From the findings, 68.4% of the respondents agreed that each employee have their roles well defined and stipulated in the appointment letters and contracts, though 27.4% did not agree because some superiors even do work which is meant to be done by their subordinates which shows that you can find a superior engaged in cleaning certain places, engaged in financial collections and other tasks, but generally the tasks are well defined and composed for performance differentiation and yet coherent.

**Financial performance**

Financial performance is an extent to which a company financial health over a period of time is measured and for Naz, Farrukh , & Faizan (2016), it was noted that a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current assets, financing, equity, revenues and expenses. Its main purpose is to provide complete to the point information to shareholders and stakeholders to encourage them in making decisions. It can be used as a comparative of institutions in the same industries. The study findings on financial performance revealed several responses which are presented, analyzed and interpreted below;

**Management has responsibility for approving and reviewing the companies’ policies periodically**

The study findings on whether the management has responsibility for approving and reviewing the companies’ policies periodically are presented in table 6.18;

**Table546.18: Management has responsibility for approving and reviewing the companies’ policies periodically**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 24 | 25.3 | 25.3 |
|  | Agree | 54 | 56.8 | 82.1 |
|  | Not Sure | 17 | 17.9 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The research study on whether management has responsibility for approving and reviewing the companies’ policies periodically revealed that 25.3% of the respondents strongly agreed, 56.8% agreed and 17.9% were not sure. With 82.1% of the respondents in agreement, it means that the university management has been able to review the company’s policies on human resources, financial management and managerial decision making on operations.

**Senior management take steps to see that companies policies are followed by all employees of the organization**

The findings on whether the senior management take steps to see that the organization’s policies are followed by all employees of the organization are presented in table 6.19;

**Table556.19: Senior management take steps to see that companies policies are followed by all employees of the organization**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 37 | 38.9 | 38.9 |
|  | Agree | 44 | 46.3 | 85.2 |
|  | Not Sure | 02 | 2.1 | 87.3 |
|  | Disagree | 12 | 12.6 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The results of the study found out that the senior management of the university ensures that there are clear steps in place to ensure that the University’s policies are followed by all employees, thus 38.9% of the respondents strongly agreed, 46.3% agreed, 2.1% were not sure and 12.6% disagreed. For the 12.6% who disagreed indicated that the senior management members have not been competent enough to help the organization stand the test of time when even weakened he university whereas 85.2% agreed that the senior management take steps to see that the University’s policies are followed by all employees of the organization.

**Management makes sure that competent people are employed in the University**

The findings on whether management makes sure that competent people are employed in the University are presented in table 6.20;

**Table566.20: Management makes sure that competent people are employed in the University**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 35 | 36.8 | 36.8 |
|  | Agree | 34 | 35.8 | 72.6 |
|  | Disagree | 15 | 15.8 | 88.4 |
|  | Strongly disagree | 11 | 11.6 | 100.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

The research study found out that most respondents agreed that the management makes sure that competent people are employed in the University; and 36.8% of the respondents strongly agreed, 35.8% agreed and 15.8% disagreed and 11.6% strongly disagreed, thus with 72.6% in agreement, it means that the management makes sure that there are competent employees who can discharge their duties professionally, and 27.4% disagreed because here are some employees who do not have high academic qualifications and experience o do quality work, whereas the general agreement is that the existing staff serve diligently to the development of the institution.

**Ethical values are upheld in all management decisions**

The research findings on whether the ethical values are upheld in all management decisions are presented in table 6.21;

**Table576.21: Ethical values are upheld in all management decisions**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | | Frequency | Percent | Cumulative Percent |
| Valid | Strongly agree | 24 | 25.3 | 25.3 |
|  | Agree | 39 | 41.0 | 66.3 |
|  | Not Sure | 08 | 8.4 | 74.7 |
|  | Disagree | 16 | 16.8 | 91.5 |
|  | Strongly disagree | 08 | 8.4 | 100;.0 |
|  | Total | 95 | 100.0 |  |

**Source: Primary data, 2019**

From the findings of the study in table 6.21, the respondents gave several respondents which are. 25.3% strongly agreed, 41.0% agreed, 8.4% were not sure, 16.8% disagreed and 8.4% strongly disagreed which indicates that with 66.3% in agreement it means every employees is obliged by their conscious and by rules and regulations to ac and execute duty is a method that is not against the established standards whatsoever, and this a its peak includes being ethical in making managerial decisions on operations. Hence management within their wider discretion ensure that good professional ethics are practiced with in the organization.

# Testing Hypothesis

There is significant relationship between adherence to laws and regulations and financial performance, Pearson Correlation and regression analysis were used.

**Table 586.22: Model Summary**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .699(a) | .489 | .483 | .5161 |

a. Predictors: (Constant), adherence to laws and regulations

The above hypothesis was tested and as per the model summary reflected in table 6.22 show *R* square = 0.489 of the observed variability in Busoga University. The observed result of 0.699 or 69.9% is vital, this implies that there is adherence to laws and regulations and financial performance. The Adjusted R2 (0.489) is proportion of the variability in the dependent variable explained by the linear regression. The result shows that adherence to laws and regulations and financial performance is well done in Busoga University.

# Correlations

**Table 596.23: Correlations**

|  | | Adherence to laws and regulations | Financial performance |
| --- | --- | --- | --- |
| Adherence to laws and regulations | Pearson Correlation | 1 | .669\* |
| Sig. (2-tailed) |  | .000 |
| N | 95 | 95 |
| Financial performance | Pearson Correlation | .669\* | 1 |
| Sig. (2-tailed) | .000 |  |
| N | 95 | 95 |
| \*\*. Correlation is significant at the 0.01 level (2-tailed).  Results of the correlation analysis revealed that there is a significant and positive relationship between Adherence to laws and regulations and Finance performance of Busoga University (r= (95) =.66.9, p<0.000). This analysis is summarized in the table 6.23. This implies that Busoga University administration and management always have the capacity to provide more finance, and every member works together towards the success of the university as a whole. | | | |

# Regressions

**Table 606.24: Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| --- | --- | --- | --- | --- | --- | --- |
| B | Std. Error | Beta |
| 1 | (Constant) | .513 | .070 |  | 7.317 | .000 |
| Adherence to laws and regulations | .669 | .020 | .483 | 45.188 | .000 |
| a. Dependent Variable: Finance performance | | | | | | |

Finance performance was used as the dependent variable and Adherence to laws and regulations as independent variable. It was established that Adherence to laws and regulations (ß=0.483, t=45.188, P<0.000) prepares financial information in accordance with high quality finance standard, the organization has effective policies and procedures, the University Council monitor management’s activities, the University Council have the capacity to provide more finance, among others, these has influenced proper University’s Financial performance.

**Table 616.25: ANOVA**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | Regression | 138.524 | 1 | 138.524 | 2041.939 | .000a |
| Residual | 6.309 | 93 | .068 |  |  |
| Total | 144.833 | 94 |  |  |  |
| a. Predictors: (Constant), Adherence to laws and regulations | | | | | | |
| b. Dependent Variable: Financial Performance  The analysis-of-variance (ANOVA) table 6.25 above was used to test the equivalent positive hypothesis, the F= 2041.939, p<0.000 there is linear relationship between independent variable (Adherence to laws and regulations) and the dependent variable (finance performance). The result indicates that there is effective Adherence to laws and regulations that improves financial performance of Busoga University. | | | | | | |

**CHAPTER SEVEN**

**TOWARDS HARMONIZATION OF FINDINGS ON THE ROLE OF INTERNAL CONTROL SYSTEMS IN FINANCIAL PERFORMANCE OF BUSOGA UNIVERSITY**

**Introduction**

The harmonization of findings between role of internal control systems in financial performance of Busoga University are presented here;

**Control environment and financial performance at Busoga University**

According to the study, there are internal control systems which are effective in making the university work or operate successfully. In harmonizing the findings, the Agency Model by Coase (1937) was used which shows the relationship between the principal and the agent’s responsibilities which include financial reporting. According tom the model, the university has structures that maintain contract, and through firms, it is possible to exercise control which minimizes opportunistic behavior of employees at different levels, so they adhere to the hierarchy of the organization. Therefore, control environment includes all factors which are effective in determining, increasing or decreasing the effectiveness of policies, procedures, and methods specific to a process. An effective control environment is an environment where competent people understand their responsibilities, the limits to their authority, and are knowledgeable, mindful, and committed to doing what is right and doing it the right way. They are committed to following an organization's policies and procedures and its ethical and behavioral standards.

The control environment encompasses technical competence and ethical commitment; it is an intangible factor that is essential to effective internal control. As Amudo (2000) noted, the control environment establishes the tone of a company and influences the control awareness of the company’s employees. It is the foundation for all the other internal control components and provides discipline and structure which include the integrity, ethical values, and competence of an organization’s employees management’s philosophy and operating style the way management assigns authority and responsibility as well as organizes and develops its employees the attention and direction provided by the board of directors. The university council is responsible for overall business strategies and policies of the university; the university council of makes the decisions on how to market, manage, enhance and plan for the various strategies and policies on the advancement of the performance of the university.

The ultimate and unquestionable decisions on management and administration including human resources management, financial planning and management, construction development and others crucial for the continued existence of the university are taken by the university council and communicated to management through the vice chancellor who then leads the workers including teaching and non-teaching staff to implement for the smooth running of the institution. The university council provides governance through viable policy making, and guidance of the operations, and supervision of the senior management led by the vice chancellor by assessing their periodic performance. This has led to better on spot, on job and improvement in the performance of the institution in some facilities like human resources, though as indicated by 13.7% of the respondents, there is no clear indicators that the university council is responsible for such advancements, but by policy and inclination they have succeeded in keeping the university operating though at the minimum.

Senior management has ensured that the lectures and taught finances are in place, the study centres are fully operational, the students go through the normal admission and graduation process, and all the financial planning, auditing, human resource management are adequately done to the advantage of the university fraternity. For better finance management, senior management carries out budgeting, expenditure planning, income planning, forecasting planning, auditing, requisition management and other financial controls are in place to ensure that the money is safeguarded against fraud. The online payments are effectively managed to ensure the university does not experience financial improprieties which can fail its operations when finances have been embezzled or misused. There are several ways in which the human resource is hired, identified, recruited, trained, promoted and compensated is well documented in the human resource manual and is formerly followed to the dot. The finding thus show that there is formal human resource process in place in which specific skilled people are hired, trained and made ready to perform to the growth and development and not to the detriment if the institution, but some employees are recruited as internees and others are transformed from being volunteers and recruited into the organization while some are hired clandestinely or due to nepotism. For a good degree of transparent in the recruitment process in exhibited in recruiting both the technical and non technical staff.

The study revealed that the management causes well educated men and women (officers) with higher degree qualifications (PhDs), professional, business, and academics. And social competence who have the required skills, competence and technical knowhow to carry out their work which has enabled the university to excel, but on the other hand, 6.3% disagreed which means that there are some ceremonial and less technical people in administration and management like the chancellor who do not need highly proficient skills. However, generally the university is managed by proficient management who show signs that in future the institution will become more competent and developed to compete well with the well established ones in the country and beyond. The study shows that internal appraisal of performance, checks and balance, internal auditing and other methods are used to check on the consistency fluency and abilities of the staff. The, management has ensured that there is an electronic finance payment, follow up software development and generation if accounting information ranging from financial receipts to expenditures. This helps in tracking the financial performance of the institution to ensure proper accountability.

Using the Agency theory by Coase ( cited in EPP Learning Media, 2010), it contends that control environment involving internal auditing is common with other intervention mechanisms like financial reporting and external audit helps to maintain cost-efficient contracting between owners and managers. Agency theory may not only help to explain the existence of internal controls and internal audit in firms but can also help explain some of the characteristics of the internal audit department, for example, its size, and the scope of its activities, such as financial versus operational auditing. Agency theory can be employed to test empirically whether cross-sectional variations between Control environment and financial performance.

The employees are trained and skilled to carry out their routines but the university staff are not necessarily well equipped with all the necessary skills and technical knowhow because some do jobs which do not require a lot of skills for example cleaners, while those doing technical work are skilled, however, every employee in the system have their own and well proven skills to execute duty and contribute to the progress of the university. There are established performance standards laid out in the manual, some employees use their knowledge and skills to carryout work.

**Risk assessment of inherent risk associated with the system at Busoga University**

According to the study, management has the mandate define and provide work objectives upon which strategic goals are built. There are well defined goals and objectives on human resource management, financial performance, performance management, planning which have defined how the organization performs. This has helped in defining the clear path of the organization thereby giving it strategic direction in operations for its current and foreseeable future success. BPP Learning media (2010) noted that an internal control system should be able to address risks relevant to achieving corporate goals. Business risk is any factor, pressure or force that may prevent an entity from achieving its objectives, operating profitably and serving risk assessment is the identification and analysis of risk relevant to the achievement of corporate objective, determination of how such risk should be managed and implementation of a process to address such risks.

For Mueller (2008), internal controls describe the policies, plans, and procedures implemented by management of an organization to protect its assets. Usually the people involved in this effort are the entity’s board of directors, the management, and other key personnel in the firm. There are well defined and practical ways to mitigate fraud for example demanding for all expenditure and income reports including audits, on financial incomes and expenditure as well as worth for money, the management has been able to safeguard against extreme cases of loss of money. The various offices, computerized accounting system and manual system as well as liaison with banks helps the management to identify financial improprieties if any exists, and also the expenditure and income information is well scrutinized with physical inventory management to check the worthiness and value for money.

Gundogdu (2013) states that, additionally internal control system can be generally defined as a system which has the features of maintaining the assets of a company, ensuring accuracy and reliability of information and reports related to accounting and other operations, and increasing the effectiveness of the operations. The University Council seats at the help of administration of the university, being away from the daily administration of the university, the university council does not get all the details of what is done by the finance department, the university council easily liaises with the administration on ground and get the details of the financial statement, audit reports and can call for an impromptu meeting to assess the financial details for ensuring they get to know the state of financial health of the institution. The financial statements generated usually are incomplete while also some have distorted figures when the staff are aware that the university council is coming to check on them and also external auditors are usually corrupted to qualify accountabilities which ought not to be qualified, and financial records generated ranging from the daily cash book, imprest, records, ledgers, trial balance and others generated are used in auditing and for the university administration to audit the performance of tasks at hand. With 96.9% agreed that the financial matters/ information helps in fostering accountability which then reduces the chances of fraud and finance misappropriation. This has ensured sanity in the institutions.

The management of the university ensures proper oversight by undertaking steps like gathering accounting information which it is relied upon for making managerial decision on how to generate, utilize, keep and recover funds for sustained performance of the university. Also, each position, officer, office has they have to go about their routine. This establishes clear operational boundaries to avoid collision and fusion of roles, thus the established structure of hierarchy in which all responsibilities are well laid and observed. Batra el al (1992) stated that control of documents involves control of company’s sensitive documents for example receipts, cheques, local purchase orders, debit and credit notes. These documents must be handled by a responsible officer and should be pre numbered to ensure control and minimize misuse. They must be kept and controlled from a central point like headquarters or any other reliable control point. The external and internal audit reports have been useful in tracking financial performance and establishing the value for money, while for those who do not comply often face sanctions for causing financial loses to the institution for example loss of job due to dismissal/ contract termination whereas in extreme cases, those in grave misplacement are taken reprimanded in to courts of law.

**How adherence to laws and regulations for enhance financial performance in Busoga University**

The university is private and all its operations thrive on spending money which they have to earn, even since government took it over, they are financing operations and thus there is accountability for all the money used. Millichamp (1999) stated that the term segregation of duties is used these days for internal duties. One of the prime means of control is the separation of those duties which would if combined would enable one individual to record and process a complete transaction. From the study, every employees is obliged by their conscious and by rules and regulations to ac and execute duty is a method that is not against the established standards whatsoever, and this a its peak includes being ethical in making managerial decisions on operations.

The management in place are professionals with integrity in management including human resource, administration and finance as well as general services which makes them competent in making get to the next level from where government picked it up from. The university is expanding but in the process they safeguard the green covering, that is the trees, lawns, water courses are not polluted and the environmental health is not extensively damaged. The organization is known and despite the few hiccups it experienced which made it to fail in operation and eventually taken over by the state, the staff and administration did not go against the rules and regulations governing their conduct, but it is a reputable organization that will promote education service delivery.

The university council had been a very competent institution in ensuring that in income tax is well paid. Also, internal audits are regularly done for example on weekly and monthly basis, quarterly basis which helps to address the management inconsistencies very fast so that the operations in the university are in tandem with the established goals and objectives on human resource, finance and operations management, and the institution is still in transition and internal audits are not entirely very successful in regulating performance whereas, despite the fact that the organization is formal, internal audits are necessary to stream line operations, thus their relevance.

Employee training is crucial in ensuring that employee skills are enriched and replenished for better performance. The staff are trained in using Microsoft excel, Spss, Stata and couple of other packages which are used by accountants and in analysis of study findings.

Financial performance is an extent to which a company financial health over a period of time is measured and for Naz, Farrukh , & Faizan (2016), it was noted that a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through managing its current and non-current assets, financing, equity, revenues and expenses. Its main purpose is to provide complete to the point information to shareholders and stakeholders to encourage them in making decisions. It can be used as a comparative of institutions in the same industries. The university management has been able to review the company’s policies on human resources, financial management and managerial decision making on operations.

Results of the correlation analysis revealed that there is a significant and positive relationship between internal control systems and financial performance. It was revealed that, the control environment and financial performance (r= (95) =.997, P<0.000), risk assessment and financial performance (r= (95) =.998, P<0.000) and how adherence to laws and regulations for enhance financial performance (r=(95)=.978, P<0.000). This analysis implies that Busoga University has effective internal control systems which enhances financial performance.

**CHAPTER EIGHT**

**SUMMARY, CONCLUSION AND RECOMMENDATIONS**

**Introduction**

This chapter focuses on the summary, conclusion and recommendations on the role of internal control system in financial performance in Busoga University. The study was guided by the following study objectives; to examine how control environment ensures financial performance in Busoga University, to examine how risk assessment associated with the system ensures financial performance in Busoga University and to assess how examine how adherence to laws and regulations for enhance financial performance in Busoga university.

# Summary of findings

The following is the thematic summary of the findings;

**Control environment and financial performance at Busoga University**

According to he study, the university council is responsible for overall business strategies and policies of the university, with 95.8% if the respondents in agreement, it indicates that the university council of makes the decisions on how to market, manage, enhance and plan for the various strategies and policies on the advancement of the performance of the university. The university council is the ultimate body in charge of decision making in the university and their decision is often final, and 84.2% agreed that the ultimate and unquestionable decisions on management and administration including human resources management, financial planning and management, construction development and others crucial for the continued existence of the university are taken by the university council and communicated to management through the vice chancellor who then leads the workers including teaching and non-teaching staff to implement for the smooth running of the institution. The findings of the study revealed that the university council has an oversight role on the management to ensure efficiency and effectiveness, so with 86.5% of the respondents in agreement, it means that the university council provides governance through viable policy making, and guidance of the operations, and supervision of the senior management led by the vice chancellor by assessing their periodic performance. This has led to better on spot, on job and improvement in the performance of the institution in some facilities like human resources, though as indicated by 13.7% of the respondents, there is no clear indicators that the university council is responsible for such advancements, but by policy and inclination they have succeeded in keeping the university operating though at the minimum.

Senior management led by the Vice Chancellor ensure the day to day successful operation of the university’s administration and management, that is 66.3% noted that senior management has ensured that the lectures and taught finances are in place, the study centres are fully operational, the students go through the normal admission and graduation process, and all the financial planning, auditing, human resource management are adequately done to the advantage of the university fraternity. Finance is the bloodline of the business, and findings revealed that 84.2% in agreement, it includes that senior management carries out budgeting, expenditure planning, income planning, forecasting planning, auditing, requisition management and other financial controls are in place to ensure that the money is safeguarded against fraud. The online payments are effectively managed to ensure the university does not experience financial improprieties which can fail its operations when finances have been embezzled or misused.

According to the study, there are a lot of similarities between the manual stipulations on human resource acquisition and the ways it is being practically done, 71.6% of the respondents in agreement it means that the ways in which the human resource is hired, identified, recruited, trained, promoted and compensated is well documented in the human resource manual and is formerly followed to the dot. The finding thus show that there is formal human resource process in place in which specific skilled people are hired, trained and made ready to perform to the growth and development and not to the detriment if the institution, though 16.9% did not agree, because they reasoned that some employees are recruited as internees and others are transformed from being volunteers and recruited into the organization while some are hired clandestinely or due to nepotism. However the normal procedure which is are laid out in the manual is used, hence good degree of transparent in the recruitment process in exhibited in recruiting both the technical and non technical staff.

The study findings revealed that the management of the university follows a well managed competent and multifaceted style of task execution for the good performance of the organization, thus 78.9% in agreement; it indicates that the management causes well educated men and women (officers) with higher degree qualifications (PhDs), professional, business, and academics. And social competence who have the required skills, competence and technical knowhow to carry out their work which has enabled the university to excel, but on the other hand, 6.3% disagreed which means that there are some ceremonial and less technical people in administration and management like the chancellor who do not need highly proficient skills. However, generally the university is managed by proficient management who show signs that in future the institution will become more competent and developed to compete well with the well established ones in the country and beyond.

The findings of the study show that there are appropriate measures taken to ensure that there is concurrence in internal operations, and thus 69.4% in agreement, it means that there is internal appraisal of performance, checks and balance, internal auditing and other methods are used to check on the consistency fluency and abilities of the staff. The study revealed that the institution has to place financial mechanisms for ensuring proper financial accounting and management, thus 89.5% in agreement it means that the management has ensured that there is an electronic finance payment, follow up software development and generation if accounting information ranging from financial receipts to expenditures. This helps in tracking the financial performance of the institution to ensure proper accountability.

Results of the study revealed that any officer within the university or anyone affiliated or related in anyway who engages in fraud is strictly punished. the findings revealed that 87.3% agreed that whenever any case of fraud is detected, those responsible are reprimanded immediately using any means to pursue justice and ensure that such preventive mechanisms are in place not to have the mistake repeated for example dismissal of culprits, remanding them in prison, forcing them to pay and any other workable means to the satisfaction of the management and administration of the university. The findings of the study show that the employees are trained and skilled to carry out their routines although this has its own challenges, and every employee in the system have their own and well proven skills to execute duty and contribute to the progress of the university.

**Risk assessment of inherent risk associated with the system at Busoga University**

According to the study, management has the mandate define and provide work objectives upon which strategic goals are built, so with 78.9% in agreement, it indicates that there are well defined goals and objectives on human resource management, financial performance, performance management, planning which have defined how the organization performs. This has helped in defining the clear path of the organization thereby giving it strategic direction in operations for its current and foreseeable future success. Any organization thrives on identifying what can make it fail to achieve its stated objectives findings revealed that 63.2% agreed that management has been able to identify the weak performers at every stage where some are often disguised, the leakages in finance are budged and define the way human resources must perform and conform to the norms of the organization.

The findings revealed that identifying fraud is so vital if the organization is to ensure that safeguards are in place to ensure financial compliance. Findings revealed that 71.5% agreed that the management has been able to identify the weak areas of fraud and ensure there is financial audit and compliance in the financial management. Findings of the study on whether there is mitigation of the extremes of fraud revealed that 72.6% of the respondents in agreement, it means that there are well defined and practical ways to mitigate fraud for example demanding for all expenditure and income reports including audits, on financial incomes and expenditure as well as worth for money, 8.5% disagreed which means that not all leakages that cause fraud have been budget yet. But the management has been able to safeguard against extreme cases of loss of money.

The findings of the study revealed that there are internal control system on financial management through auditing and other accountability mechanisms, 72.7% agreed that the various offices, computerized accounting system and manual system as well as liaison with banks helps the management to identify financial improprieties if any exists, and also the expenditure and income information is well scrutinized with physical inventory management to check the worthiness and value for money. The university council seats at the help of administration of the university, 76.9% agreed that the university council easily liaises with the administration on ground and get the details of the financial statement, audit reports and can call for an impromptu meeting to assess the financial details for ensuring they get to know the state of financial health of the institution. This has ensured that there is reliable and non-gullible operations by the finance officers in the organization.

According to the study, it was revealed that respondents availed varying opinions regarding generation of financial records in the university; hence 81.1% agreed that financial records generated ranging from the daily cash book, imprest, records, ledgers, trial balance and others generated are used in auditing and for the university administration to audit the performance of tasks at hand. Accountability is both financial and the works or efforts on display to qualify a certain amount of money and what it was used for must be well observed, findings revealed that 96.9% agreed that the financial matters/ information helps in fostering accountability which then reduces the chances of fraud and finance misappropriation. This has ensured sanity in the institutions.

The findings revealed that the cost of unit in production/ or running operations fluctuates, the study revealed that 56.9% disagreed because it is hard to quantify units of production in such a large and bureaucratic driven organization which means that employees are paid according to contract and not the unit of production. The management of the university ensures proper oversight on how funds are managed. Findings of the study revealed that 99.0% of the respondents in agreement, it implies that the management undertakes steps like gathering accounting information which it is relied upon for making managerial decision on how to generate, utilize, keep and recover funds for sustained performance of the university. The research study findings revealed that the organization has clear objectives in place for guiding the performance of the institution. The results show that the stated objectives on human resource, finance management and others are not achieved for the wellbeing of the institution hence it often fails to be competent like other competing private institutions, and 45.2% agreed which means that there are set objectives which enable the institution to plan her activities well and on schedule.

According to the study, the university has the human resource and operations manuals which are well elaborated. Findings show that 86.3% who agreed revealed that each position, officer, office has they have to go about their routine. This establishes clear operational boundaries to avoid collision and fusion of roles, thus the established structure of hierarchy in which all responsibilities are well laid and observed. This has created an operational system in place for coherence of the organization. From the field of study, it was discovered that the management reviews the audit reports in order to make reliable financial decisions. The external and internal audit reports have been useful in tracking financial performance and establishing the value for money, while for those who do not comply often face sanctions for causing financial loses to the institution for example loss of job due to dismissal/ contract termination whereas in extreme cases, those in grave misplacement are taken reprimanded in to courts of law.

**How adherence to laws and regulations for enhance financial performance in Busoga University**

The findings of the study revealed that the university has in place established accounting manual with rules and regulations thus 73.7% in agreement, it means that the university is private and all its operations thrive on spending money which they have to earn, even since government took it over, they are financing operations and thus there is accountability for all the money used. The results of the study revealed that the current management, though is not without faults, acts or execute their roles with integrity so 63.2% of the respondents in agreement, it means that the management in place are professionals with integrity in management including human resource, administration and finance as well as general services which makes them competent in making get to the next level from where government picked it up from. Whereas 26.3% did not agree because there had been cited cases of poor financial general administration characterized by late or no service delivery to the clients and misuse of funds.

Management of organization comply with environmental and protection laws; money laundering is a bad trait which disturbs the financial flow and service provision in an organization. Findings revealed that 50.5% in agreement, it means that there are legal mechanisms to counter money laundering for example reprimanding whoever steals funds, assessing accountabilities well and tasking every accounting officer to take the financial responsibility for entrusted funds. For 39.0% noted these have not been effective enough to stop money (financial) misappropriations and loss. But generally the financial health of the institution is maintained. The staff are inducted well and made to follow the established policies and procedures of authorization so that they know the process of obtaining what is required for work, how to procure the best supplies for use, and authority permeates hierarchically down wards from the university council to the lowest subordinate staff. This has ensured coherence in work and each officer is responsible for their defined span of control.

A chart accounts can be presented to the organization fraternity on the official notice board or to every faculty or department for everyone to view. The chart of accounts that is income and expenditure excerpts are provided to faculties and departments for all the staff who are concerned to see and analysed but not the entire classified information is availed, internal audits are crucial as fact, finding mechanisms for smooth operations of the university because they are regular and on spot. Findings revealed that internal audits are regularly done for example on weekly and monthly basis, quarterly basis which helps to address the management inconsistencies very fast so that the operations in the university are in tandem with the established goals and objectives on human resource, finance and operations management, and internal audits are necessary to stream line operations, thus their relevance.

Employee training is crucial in ensuring that employee skills are enriched and replenished for better performance. Findings of the study revealed that 78.9% in agreement, it means that staff are trained in using Microsoft excel, Spss, Stata and couple of other packages which are used by accountants and in analysis of study findings. The findings of the study revealed that internal audits are carried out to help management address internal weaknesses regarding financial accounting, human resource and performance management, internal audits are vital in ensuring that they get to know all details about financial management and the corresponding weaknesses that need to be addressed for example bridging the expenditure gaps and ensuring better financial discipline.

The study found out that there is definition of roles for all staff and management, and with 82.1% of the respondents in agreement, it means that the university management has been able to review the company’s policies on human resources, financial management and managerial decision making on operations. Senior management take steps to see that companies policies are followed by all employees of the organization, and when even weakened he university whereas 85.2% agreed that the senior management take steps to see that the University’s policies are followed by all employees of the organization. Management makes sure that competent people are employed in the University. The management makes sure that there are competent employees who can discharge their duties professionally, whereas the general agreement is that the existing staff serves diligently to the development of the institution. Every employees is obliged by their conscious and by rules and regulations to ac and execute duty is a method that is not against the established standards whatsoever, and this a peak includes being ethical in making managerial decisions on operations. Hence management within their wider discretion ensures that good professional ethics are practiced with in the organization.

# Conclusion of the study

**Control environment and financial performance at Busoga University**

The study revealed that control environment and financial performance at Busoga University is well defined. It was established that there is a significant relationship between control environment and financial performance. The observed value of 0.483 of R square is significant and positive; this means that the control environment has policies and procedures in place, the management review the University’s financial performance, the control environment has an operating has an operating plan that specifies the organizations’ functions, activities and objectives. There is a linear regression relationship between control environment and financial performance at Busoga University. The result indicates that there is effective control environment that improves the financial performance of all sections in Busoga University. The study found a positive relationship between control environment and financial performance in Busoga University

**Risk assessment of inherent risk associated with the system at Busoga University**

The study revealed that *R* square = 0.661, and with the observed value of 0.432, there is a significant and positive relationship showing that at Busoga University, the Council reviews key risks to ensure the integrity of the University’s financial reporting and they monitor the effectiveness of the management practices, thus Risk Assessment improves the financial performance of Busoga University. It was established that risks assessment is an effective way to ensure the integrity of the financial reporting, reviews key executive and councils compensation and effective financial performance; and there is effective risk assessment that improves the University’s financial performance in Busoga University.

**How adherence to laws and regulations for enhance financial performance in Busoga University**

The study concludes that *R* square = 0.669 of the observed variability in Busoga University, and with observed result of 0.669 is significant and this implies that there is adherence to laws and regulations and financial performance. So, Busoga University administration and management always have the capacity to provide more finance, and every member works together towards the success of the university as a whole. It was established that Adherence to laws and regulations (ß=0.487, t=45.188, P<0.000) prepares financial information in accordance with high quality finance standard, the organization has effective policies and procedures, the University Council monitor management’s activities, the University Council have the capacity to provide more finance, among others, these has influenced proper University’s Financial performance.

# Recommendations of the study

Having carried out a successful study on the role of internal control system in financial performance in Busoga University, the following are he recommendations of the study;

1. There should intensification of the control environment for example strengthening internal and external audits in order to strengthen financial compliance in Busoga University and elsewhere.;
2. There should be intensification of risk assessment system to ensure there is no creation of many loopholes for financial fraud in Busoga University and elsewhere;
3. There should be intensification of adherence to financial laws and regulations in order enhance financial compliance and improve financial performance in Busoga University and elsewhere.

# Areas for further study

The following areas roll out for further study;

1. Control environment and staff performance in Uganda;
2. Financial risk assessment and financial performance in Uganda, and;
3. Intensification of financial adherence to financial laws and regulations and finance performance in Uganda.

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# APPENDICES

# APPENDIX 1: INTERVIEW GUIDE

**Dear Respondent**,

My name is **Nakisuyi Lydia.** I am currently carrying out a study for the purpose of writing a dissertation as a requirement for the award of Master of Business Administration and Management of Nkumba University.

You have been selected to participate in this study due to the importance of your position in the Institution. The information you provide will only be used for the purpose of this study and will be treated with utmost confidentiality.

Kindly help me generate solutions to the following Questions:

1. What is your position in the Institution?

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

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

Your role supports it?

4. In your opinion, what would you consider to be the main measures of financial?

5 In your opinion is having enough money the best measure of performance of University?

What would be the other measures you would consider appropriate

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

7 How long have you worked with the organization?

8 How does control environment contributed to the effectiveness of operation of Busoga university?

9 what are the weaknesses in internal control system and how can these be minimized

10how are board of directors of Busoga University established adequate and effective control system.

11 what are the steps followed by senior management to ensure that activities are conducted by qualified staff,

12 Is there adherence to financial and accounting rules and regulations?

13 How does Busoga University assess the Inherent risk associated with the system?

**Thanking you for your participation.**

# APPENDIX 2: QUESTIONNAIRE GUIDE

**Dear Respondent,**

My name is **Nakisuyi Lydia.** I am currently carrying out a study for the purpose of writing a dissertation as a requirement for the award of Master of Business Administration and

Management of Nkumba University titled,

***“ The role of internal control system in financial performance of private universities in Uganda a case of Busoga University” .***

You have been selected to participate in this study due to the importance of your position in the Institution. The information you provide will only. Be used for the purpose of this study and will be treated with utmost confidentiality.

Kindly help me generate solutions to the following Questions:

**SECTION A: RESPONDENT’S BACKGROUND**

1. Gender (Please tick appropriately)

1. Male  ii) Female 

2. What is your highest level of education attained?

i) PhD  ii) Masters  iii) Bachelor  iv) Diploma  v) Certificate 

4. In what age bracket do you fall? (Circle where appropriate)

i) 18-25  ii) 26-35  iii) 36-45  iv) 46-55  v) 56+ 

5. For how long have you served in your organization/Institution?

i) Less than a year  ii) 1-3 years  iii) 4-6 years  iv) 7-10 years  v) 10+ years 

**SECTION B: Control environment and financial performance at Busoga University**

Under the following section please tick according to your level of agreement 5 strongly agree, 4 Agree not sure 3 Disagree 2 strongly disagree 1

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **S. No.** | **Statement** | **5** | **4** | **3** | **2** | **1** |
| 1. | The university council have responsibility for approving the overall business strategies and policies of the company |  |  |  |  |  |
| 2. | The university counsel ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained. |  |  |  |  |  |
| 3. | The university council provide governance, guidance and oversight to senior management. |  |  |  |  |  |
| 4. | Senior management commitment to internal control system in organization. |  |  |  |  |  |
| 5. | Senior management take steps to monitor implementation of controls over financial activities in the organization. |  |  |  |  |  |
| 6. | The words, attitude and actions of the board of directors and senior management affect the integrity, ethics and other aspects of the bank’s control culture. |  |  |  |  |  |
| 7. | Methods, by which persons are hired, trained, promoted, and compensated, comply with control processes provided in the human resource manual. |  |  |  |  |  |
| 8. | Management acts with a great degree of competence and integrity in execution of their roles. |  |  |  |  |  |
| 9. | Appropriate measures are taken to prevent and correct errors in operation of internal control system. |  |  |  |  |  |
| 10. | Our institution has an accounting and financial management  System. |  |  |  |  |  |
| 11. | Stringent action taken against employees involved in fraudulent activities. |  |  |  |  |  |
| 12 | University staff have the required knowledge and skills necessary to accomplish tasks assigned. |  |  |  |  |  |
| 13. | Activities are performed in an atmosphere of creativity and innovation. |  |  |  |  |  |

**Section C: Risk Assessment of inherent risk associated with the system at Busoga University**

Scale :( strongly agree =5, agree=4, Neutral=3, Disagree=2, strongly Disagree=1)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **S. No** | **Statements** | 5 | 4 | 3 | 2 | 1 |
| 1. | Management has defined appropriate objectives for the organization |  |  |  |  |  |
| 2. | Management identifies risks that affect achievement of the objectives. |  |  |  |  |  |
| 3. | Management has criteria for ascertaining which fraud related risk to the organization are most critical |  |  |  |  |  |
| 4. | Management has put in place mechanism for mitigation of critical risk that may result from fraud |  |  |  |  |  |
| 5. | Management put in place strong internal control system to minimize risk which may occur to organization |  |  |  |  |  |
| 6. | The university council has clear administration for handling financial management so as to avoid risk |  |  |  |  |  |
| 7. | The is proper records for financial performance of the organization hence minimizing risk |  |  |  |  |  |
| 8. | Proper accountability in financial matters of the organization reduces risk in an organization |  |  |  |  |  |
| 9. | There is effective cost management in the organization hence reducing risk that may occur to an organization |  |  |  |  |  |
| 10. | Management make it that the cost per unit of operation are low hence minimizing risk in an organization |  |  |  |  |  |
| 11. | Management take steps to monitor the financial activities of organization hence minimizing the risk that may occur to an organization |  |  |  |  |  |
| 12. | Management identifies risks that affect achievement of objectives |  |  |  |  |  |
| 13. | Management has put in place mechanisms for mitigation of critical risk that may affect results |  |  |  |  |  |
| 14. | Management has provided a system for timely review of audit reports and resolutions of noncompliance |  |  |  |  |  |

**Section D: Adherence to laws and regulation for effective financial performance at Busoga University**

Scale ( Strongly agree=5, agree=4, Neutral=3, disagree=2, strongly disagree=1)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Statements** | 5 | 4 | 3 | 2 | 1 |
| 1. | The university comply financial accounting roles and regulation |  |  |  |  |  |
| 2. | Our governing council and its committees are independent of management |  |  |  |  |  |
| 3. | Management acts with a great degree of integrity in execution of their roles |  |  |  |  |  |
| 4. | Management of organization comply with environmental and protection laws |  |  |  |  |  |
| 5. | Senior management take steps to monitor and see that civil and rights laws are followed |  |  |  |  |  |
| 6. | Senior management makes steps to see that money laundering regulations are followed |  |  |  |  |  |
| 7. | The organizations reputation is protected due to compliance with rules and regulations |  |  |  |  |  |
| 8. | Management closely monitors implementation of Internal control systems in our institution |  |  |  |  |  |
| 9. | The university counsel comply with income tax regulations |  |  |  |  |  |
| 10. | Policies and procedures of authorization are well documented and understood by staff |  |  |  |  |  |
| 11. | Specific lines of authority and responsibilities are well established to ensure compliance with policies and procedures |  |  |  |  |  |
| 12. | There is a clear and well documented chart of accounts |  |  |  |  |  |
| 13. | Internal audit periodically reviews operations and programs to ascertain that results are consistent with established objectives and goals |  |  |  |  |  |
| 14. | Staff undergo training in the implementation of accounting system |  |  |  |  |  |
| 15. | Weaknesses pointed out by internal audit are usually addressed by management |  |  |  |  |  |
| 16. | There is adequate segregation of duties in the institution’s departments |  |  |  |  |  |

**Section E: Assessment of interviewing Variables at Busoga University**

Scale ( Strongly agree=5, agree=4, Neutral=3, disagree=2, strongly disagree=1)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **S. No** | **Statement** | **5** | **4** | **3** | **2** | **1** |
| **1.** | Management has responsibility for approving and reviewing the companies’ policies periodically. |  |  |  |  |  |
| **2.** | Senior management take steps to see that companies policies are followed by all employees of the organization |  |  |  |  |  |
| **3.** | Management makes sure that competent people are employed in the organization. |  |  |  |  |  |
| **4.** | Ethical values are upheld in all management decisions |  |  |  |  |  |
| **5.** | Management make sure that good professional ethics are practiced within the organization. |  |  |  |  |  |
| **6.** | Un ethical practice within an organization lead to punishment |  |  |  |  |  |
| **7.** | Incompetence among staff members can lead to disqualification. |  |  |  |  |  |

**End**

# APPENDIX 3: RESEARCH SCHEDULE

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year**  **Actual** | **2019** | | | | | | | | | | | | |
| **June** | | | | **July** | | | | **Aug** | | | | |
| **W1** | **W2** | **W3** | **W4** | **W1** | **W2** | **W3** | **W4** | | **W1** | **W2** | **W3** | **W4** |
| Data collection |  |  |  |  |  |  |  |  | |  |  |  |  |
| Data analysis and interpretation |  |  |  |  |  |  |  |  | |  |  |  |  |
| Report writing and submission |  |  |  |  |  |  |  |  | |  |  |  |  |
| Report presentation |  |  |  |  |  |  |  |  | |  |  |  |  |

**W - Week**

# APPENDIX 4: ESTIMATED BUDGET

|  |  |  |
| --- | --- | --- |
| **ITEMS** | **QUANTITY** | **AMOUNT (SHS)** |
| Report typing | I booklet | 77500 |
| Report Printing | I booklet | 46500 |
| Spiral Binding | 3 booklets | 15000 |
| Hardcover binding | 5 booklets | 50000 |
| Transport |  | 20000 |
| Consultancy Fee |  | 50,000 |
| Research Fee |  | 800,000 |
| Miscellaneous |  | 100,000 |
| **Total** |  | **1,159,000** |

# Appendix 5 : Table for determining needed size S of a randomly chosen sample from a given finite population of N cases such that the sample proportion p is within ± .05 of the population proportion P with a 95 percent level of confidence

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| *N*  10 | *S*  10 | *N*  220 | *S*  140 | *N*  1,200 | *S*  291 |
| 15 | 14 | 230 | 144 | 1,300 | 297 |
| 20 | 19 | 240 | 148 | 1,400 | 302 |
| 25 | 24 | 250 | 152 | 1,500 | 306 |
| 30 | 28 | 260 | 155 | 1,600 | 310 |
| 35 | 32 | 270 | 159 | 1,700 | 313 |
| 40 | 36 | 280 | 162 | 1,800 | 317 |
| 45 | 40 | 290 | 165 | 1,900 | 320 |
| 50 | 44 | 300 | 169 | 2,000 | 322 |
| 55 | 48 | 320 | 175 | 2,200 | 327 |
| 60 | 52 | 340 | 181 | 2,400 | 331 |
| 65 | 56 | 360 | 186 | 2,600 | 335 |
| 70 | 59 | 380 | 191 | 2,800 | 338 |
| 75 | 63 | 400 | 196 | 3,000 | 341 |
| 80 | 66 | 420 | 201 | 3,500 | 346 |
| 85 | 70 | 440 | 205 | 4,000 | 351 |
| 90 | 73 | 460 | 210 | 4,500 | 354 |
| 95 | 76 | 480 | 214 | 5,000 | 357 |
| 100 | 80 | 500 | 217 | 6,000 | 361 |
| 110 | 86 | 550 | 226 | 7,000 | 364 |
| 120 | 92 | 600 | 234 | 8,000 | 367 |
| 130 | 97 | 650 | 242 | 9,000 | 368 |
| 140 | 103 | 700 | 248 | 10,000 | 370 |
| 150 | 108 | 750 | 254 | 15,000 | 375 |
| 160 | 113 | 800 | 260 | 20,000 | 377 |
| 170 | 118 | 850 | 265 | 30,000 | 379 |
| 180 | 123 | 900 | 269 | 40,000 | 380 |
| 190 | 127 | 950 | 274 | 50,000 | 381 |
| 200 | 132 | 1,000 | 278 | 75,000 | 382 |
| 210 | 136 | 1,100 | 285 | 100,000 | 384 |

Note: *N* is population size; *S* is sample size

***Source: Krejcie, R.V. & Morgan, D.W. (1970)***