



**EFFECTS OF INTERNAL CONTROL SYSTEMS ON THE FINANCIAL
MANAGEMENT OF PUBLIC SECTOR HOSPITALS: A CASE OF NAGURU
HOSPITAL**

BY

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DECLARATION

I, Nakalawa Barbra, declare that this dissertation entitled “Effects of Internal Control Systems on the Financial Management of Public Sector Hospitals: A Case of Naguru Hospital,” Is as a result of my own efforts. It has never been submitted to any Institution of learning for any award. All the work contained herein is original unless otherwise stated.

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APPROVAL

This dissertation titled “Effects of Internal Control systems on the Financial Management of Public Sector Hospitals: A Case of Naguru Hospital” has been done under our supervision and submitted for examination as Institute Supervisors.

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DEDICATION

I dedicate this dissertation to the almighty God, My husband Asimwe Wilfred, My Children, Leticia, Lilian and Seanice, for their support, patience, encouragement and tolerance during the entire course.

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My special thanks go to my supervisors: Dr. S. Kasozi Mulindwa and Mr. Paddy Mugambe who have guided and encouraged me all the way to this final piece of work. I thank you for your patience, inspiration, guidance and encouragement during the process of this research.

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LIST OF ABBREVIATION/ACRONYMS

AICPA	American Institute of Certificated Accountants
AUASB	Australian Auditing and Assurance Standards Board
GAO	Government Accountability Office
ICAEW	Institute of Chartered Accountants in England and Wales
ICT	Information and Communication Technology
IT	Information Technology
KCCA	Kampala Capital City Authority
NH	Naguru Hospital
PIPS	Performance review, Information processing, Physical controls and Segregation of duties
SOX	Sarbanes Oxley
SPSS	Statistical Package for the Social Sciences
UGX	Uganda Shillings
UK	United Kingdom
URN	Uganda Radio Network
USA	United States of America

ABSTRACT

The study aimed at examining the effect of internal control systems on financial management of public sector hospitals, using a case study of Naguru Hospital. The period of focus was between 2013 -2016. The study was informed by the Agency theory. A cross sectional study design was used, and qualitative and quantitative approaches were applied. From a population of 200 respondents, a sample size of 133 respondents was selected using census and simple random techniques. Data was elicited using questionnaire, interview and documentary review. Data analysis was performed using inferential (mean), and descriptive statistics that included Pearson correlation coefficient and regression analysis. A response rate of 82% was obtained from which key findings were obtained. The key findings included; a positive score for control environment (.401**), control activities has a positive relationship (.563**) and ICT has a positive relationship (.422**), with financial management. Findings of the study revealed that control environment, control activities and information and communication play a very important role on the financial management of the hospital by stopping embezzlement of cash, inflated prices and fictitious transactions. Study recommendations included that processes and procedures involved in implementing internal control systems should be observed and followed as they are laid down in the hospital manuals so as to have proper financial management. Conduct more continuous internal controls awareness through training; review its staff code of conduct where disciplinary fall; plan, budget and hire more specialized personnel, so as to safe guard the hospital finances and also to increase donor's confidence for continued inflow of funds.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

An Implementation effective internal control system is believed to be a key determinant of financial management and reporting quality. According to Nerissa, Pott and Wompener (2008), high-quality internal controls curtail the intentional manipulation of organisation resources; information reported to outsiders, reduces and mitigates the inherent risks of the organization operations and strategies that may affect the quality of reported information. Financial management simply means management of an organization's finances in order to achieve Organisational objectives. The process involves planning, decision making and control. Internal Control system was conceptualized as an independent variable while financial management was the dependent variable. This chapter therefore presents the background to the study, statement of the problem, purpose of the study, objectives, research questions, the hypothesis, scope of study, justification for the study and the operational definitions.

1.2 Background

Amin (2005) recommends that a research report should have a historical, theoretical, conceptual and contextual back ground as explained below:

1.2.1 Historical background

For many years there has been a call by the general public for safety and effective utilization of public resources, which has resulted in increased requirement for effective internal controls. This was addressed when in 1992 the COSO Model was published and Sarbanese Oxley act of

2002 which requires improvement and strengthening of internal control system for every public organisation

This study shows the evolution of public financial management and internal control systems. Public financial management using internal controls has been the subject of substantial amount of theorizing over the last 50 years. In response to a report by the National Commission on Fraudulent Financial Reporting (referred to as the Trade way Commission after its first chairman former SEC Commissioner James Trade way) on problems in financial reporting, a group of professional organisation met to determine what organisations could do to improve financial reporting. Representatives from Financial Executive Institute (FEI), the American Accounting Association (AAA), the Institute of Internal Auditors (IIA), the Institute of Management Accountants (IMA), and the American Institute of Certified Public Accountants (AICPA) collectively referred to Committee of Sponsoring of the Trade Way Commission (COSO) debated internal control theory and definitions. The Committee released its original internal control integrated framework in 1992. The framework sets the requirement for an effective system of internal control. It considers Internal Control as a process affected by an entity's board of Directors, Management and other personnel designed to provide reasonable assurance regarding the achievement of the objectives relating to operation, reporting and compliance. The American Institute of Certified Public Accountants (AICPA) issued a bulletin titled Examination of Financial Statements by Public Accountants, which defines internal control a as those measures and methods adopted within the organisation to safe guard other assets of the company as well as checking the clerical accuracy of book keeping. This definition reflects the concept of "internal check" that was popular at that time and was used to describe the practices followed within accounting and finance functions for dual purpose of minimizing clerical errors and protecting assets, particularly cash.

Cadbury report in the United Kingdom (2008), emphasized the importance of having effective control system. internal control started in 1953, when the Institute of Chartered Accountants in England and Wales (ICAEW) published the statement discussing internal audit, which included references to internal control and internal check (ICAEW, 1953), as explained in the writings of (David, 1993).

In South Africa, NGOs internal control environment was reported as not being yet at satisfactory level or ineffective due to several factors, including the small size of organisation and lack of controls. Compounding the problems, management does not always have the knowledge to implement the appropriate internal controls and maintain them in the working order (The South African Institute of Internal Auditors, 2010).

In Uganda, The government developed a national strategy to fight financial irregularities being that they had the most profound negative impact on public resources and delivery of services through establishment of laws that included; the constitution of the Republic of Uganda, Local Government Act, Finance and Accountability Act, the penal code, the NGO bill (Komuhangi, 2005). The year 2003 was the time when the Finance and Accountability Act, 2003 was enacted, to ensure commitment control system in the areas of financial management and organisational performance in terms of governance and performance management, reflecting major issues of concern for example; reliable financial reporting, Effective and efficient operations, and Compliance to laws and regulations.

1.2.2 Theoretical background

The study was informed by agency theory (Srintharan, 2011) suggests that governance in modern corporation are mainly characterized by large number of owners who allow separate individuals (Directors) to control and direct the use of their capital for a profit (Srintharan, 2011). Agency theory problem develops when cooperating parties have contradicting

objectives. The focus is placed upon the relationship between the principal and the agent (Eisenhardt, 1989). The main ambition of the agency theory is determining how best to resolve the contradiction between the objectives and desires of the principal and the agent as well as how the principal can best effectively assess the behaviours of its agents. The multiple hurdles become silent in the quest to align the goals of principal and agent which included; the self-interests of each, goal conflict and risk aversion of each. Berle and Means (1932) proposed that in order to address the concerns of separation of ownership and control, a conclusive agreement is written to help harmonise the needs of the principal and agents. It was put further improved by Jensen & Meckling, (1976) who viewed it as “agency problem” in managing organisations and identified managers as the agents who are employed to work for maximization of shareholder’s (principal) returns, their suggestions were that the relationship is improved by principal employing an expert to monitor the actions of the agent. Akonya- Okonye (2014) suggested that the relationship that results from the manifestation of the consent of one person to another and the other person shall act on his or her behalf and is subject to his or her control and consent by the other so to act. This theory was chosen for the reason that “Internal control systems” is one of the ways adopted by business to overcome agency problems” (Jensen 1983). The concepts were further elaborated in chapter two under the theoretical review.

1.2.3 Conceptual background

The key concepts in this study are “Internal control and financial management of Public Sector Hospitals.” The concept of internal controls has been looked at in varying ways by different scholars but most important to acknowledge is that most authors frame internal controls as a system of controls employed by management in the conduct of business.

The concept of internal control is operationalized into three dimensions of Environment; Activities and Information and Communications Technology. Control Environment is defined

as an internal control tool that drives an organisation by affecting the consciousness of its people in term of leadership and managerial aspects, and regarded as foundation for all the other dimensions (Australian Auditing and Assurance Standards Board (AUASB) (2001), to ensure positive financial management. Under control activities three sub-dimensions of segregation of duties, physical controls and performance review were conceptualised. Control environment is affected by board of directors and ethical code of practice. In the agency theory, owners (Principal) let separate individual (Directors) to manage and use their capital for future profits (Srinidharan, 2011). To ensure that there is efficient and effective controls, management has to ensure that the controls set are adhered to.

“Financial Management” is defined as the planning, organizing, directing, controlling, and monitoring, the monetary resources. Public enterprises financial management can be measured in terms of Liquidity, reserve fund and budget performance. According to Dixon et al. (1990), appropriate financial performance measures are those which enable Organisations to direct their actions towards achieving their goals. On the other hand, Stoner (2003) refers to Financial Management as the ability to operate effectively and efficiently, profitably, survive, grow and react to environmental opportunities and threats.

1.2.4 Contextual background

Naguru Hospital - “*China-Uganda Friendship Hospital Naguru,*” is a government owned hospital in Uganda. It was built between 2009 and 2012, at an estimated cost of approximately US\$8 million (UGX: 20 billion), by the Government of China as a gift to the Government of Uganda (New Vision of 29th June, 2014). This hospital is Naguru Hill, Nakawa Division, Kampala District. This location lies approximately 6.5 kilometers (4.0 mi), by road, east of the Central Business district of Kampala.

Kampala Capital City Authority (KCCA), donated the 5-acre (2.0 ha) site where the hospital was built and Uganda government contributed an estimated US\$2 million (UGX: 4.8 billion) in tax waivers on construction materials used to build the hospital, landscaping, road access and licensing fees. Naguru hospital was completed in December 2011 (*Uganda Radio Network (URN), 2011*). The hospital has seven buildings, four operating rooms, a maternity ward, a pediatric unit, a teenage center (adolescent health unit), a blood bank, radiology department (including a CT scanner) and housing for medical staff. It was officially handed over to the Government of Uganda on 10 January 2012, to be jointly administered by the Uganda Ministry of Health and Kampala Capital City Authority (KCCA).

Naguru hospital serves mainly the residents of (a) Nakawa Division (b) Kampala Metropolitan Area and (c) Other Ugandans as the target population. Naguru Referral Hospital was also meant to decongest Mulago Hospital, the only general public hospital serving an estimated 3 million inhabitants of the Kampala Metropolitan Area. The hospital is led by Doctor Emmanuel Batiibwe.

1.3 Problem statement

Internal controls are believed to establish protocols and procedures that help bring order and cohesiveness to organizations, and consequently support overall performance. Steinhoff (2005) argued that the failure of internal control on organizational performance of the Non-Governmental Organizations (NGO) is not always understood, until the NGO runs void of financial controls. Naguru Hospital has over the years implemented and enforced a number of internal control measures and control activities over financial management and management of operations aimed at improving organizational performance. Key internal controls implemented include; segregation of roles relating to authorizations, reviews and approvals, establishment of approval limits for financial transactions, bank mandates, password controlled

access to financial systems, establishment of an internal audit function, establishment of policies relating to asset management and personnel management (Report of the Auditor General, 2014)

Despite the internal control measures implemented at Naguru Hospital, available internal audit reports highlight some performance gaps in the areas of; expenditure management manifested through ineligible/non-budgeted expenditures, non-compliance to partner funding needs requirements/agreements, inadequacies in staff management, weak fleet management and inadequate supporting documentation for procurements (Compliance Audit Report, 2015). All these issues hindered proper implementation of the approved budgets and work plans and also undermined the objectives of the hospital and hence improper utilization, poor accountability and poor service delivery.

If the highlighted control lapses are not urgently addressed the potential for suspension of partner funding, budget over runs, procurement losses and low staff productivity among others translating into the non-attainment of organizational objectives is high. It is on the basis of the above observations that the study established why there was performance gaps in public hospitals in Uganda in spite of the existence of internal controls put in place. Naguru Hospital was used as a case study.

1.4 Purpose or general Objective.

To examine the effect of internal control systems on financial management of public sector hospitals, using a case study of Naguru hospital.

1.5 Objectives or Specific Objectives.

- 1) To examine the effect of control environment on financial management in public sector hospitals.

- 2) To find out the effect of control activities on financial management in public sector hospitals.
- 3) To examine the effect of information and communication technology on financial management in public sector hospitals.

1.6 Research Questions

- 1) What is the effect of control environment on financial management in public sector hospitals?
- 2) What is the effect of control activities on financial management in public sector hospitals?
- 3) What is the effect of information and communication technology on financial management in public sector hospitals?

1.7 Hypotheses

- 1) There is a positive significant effect of control environment and financial management in public sector hospitals.
- 2) There is a positive significant effect of control activities and financial management in public sector hospitals.
- 3) There is a significant positive effect of information and communication technology on financial management in public sector hospitals.

1.8 Conceptual framework

This sub section summarizes the hypothesized linkages between the Independent and dependent variables. It illustrates the important feedback from Organizational Performance arising from the controls basing on the internal control dimensions.

Internal Control (IV)

Financial Management (DV)

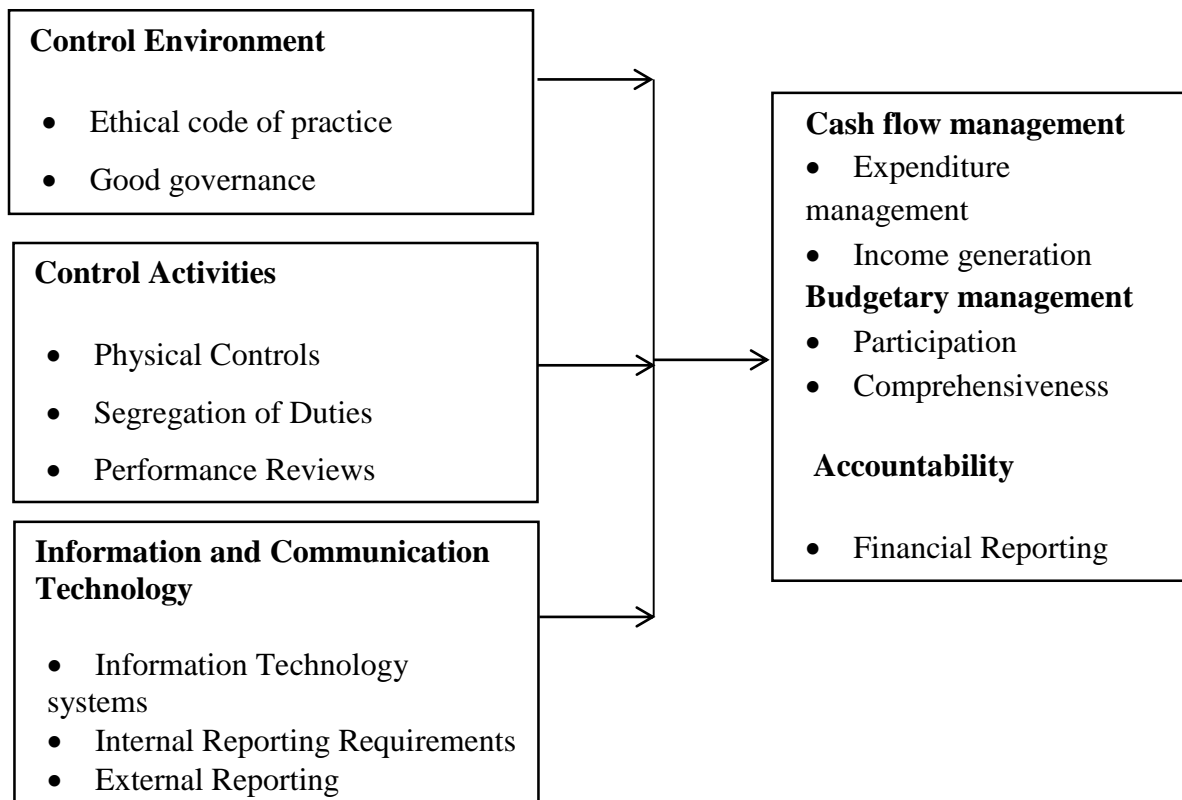


Figure 1: Conceptual framework for understanding the contribution of Internal Control on Organizational Financial Management

Source: Adapted from Department of Treasury and Finance, State Government Victoria, 2015; Financial Management and Compliance Framework and Modified by the researcher.

The conceptual framework in figure 1, above is a diagrammatic presentation of the theory in form of a model (Onen & Oso, 2009). It is a visual picture that illustrates the interconnection between the independent variable and the dependent variable. In the conceptual framework, it is hypothesized that, the attributes of internal control system positively affects financial management.

1.9 Significance of the study

The Cadbury report-U.K (2002) emphasized internal controls as a tool to ensure effective utilization of Organisational resources for efficient performance and management. This study

may be significant because may contribute to the theoretical and applied aspects. The theoretical contribution is on the body of knowledge it adds to the already existing literature and the applied aspects are in those to benefit from this research.

The study findings and recommendations will help Naguru hospital in that by applying the study recommendations, they improve on their efficiency, effectiveness; and accountability and transparency.

1.10 Justification of the study

According to Mugenda and Mugenda (1999), justification of the study highlights the reasons for conducting the study as well as the importance of carrying it out. Government pays a lot of money to hospitals for development and service delivery but the performance of budgets had not been much therefore this study, if successfully conducted would provide some leeway to address the problem of budget performance. The study affirmed that internal control is a connection net through which financial management of the hospital is improved and enhanced to ensure its efficiency and future sustainably.

It also affirmed that internal control system is a mechanism of financial management and profitability and that the success or failure of the organization also depends on how financial resources are managed.

It was necessary to conduct the study because Naguru hospital; a public sector hospital providing basic life services should ensure that to improve upon its Organizational Performance, it should provide effective internal control systems on financial management and position itself in the mind of the public, their main duty to safeguard the assets of the institution and to effectively and efficiently deliver the desired services, this being the main reason for its establishment.

Finally, the study findings may help to identify the weaknesses of internal control systems at Naguru hospital and help in the design of an appropriate internal control policies, procedure, processes and strategies to improve upon its organizational management.

1.11 Scope of the study

1.11.1 Content scope

The focus was on effect internal control systems on financial management of public sector hospitals: a case study of Naguru Hospital. Internal control was measured by Environment, C Activities, and Information and Communications technology dimensions while Financial Management was observed by Cash flow management, budgetary management and accountability. Other dimensions of financial management were beyond the scope of this study. A summary of this is reflected in the conceptual framework above.

1.11.2 Geographical (area) scope

It was conducted at Naguru Hospital, located Naguru Hill, in Nakawa Division in Kampala Capital City; for easy collecting of data and accessibility and also this is the place from where operational activities and control mechanisms are discharged. Other public sector hospitals were ignored but the results of the study were generalized to apply to all public sector hospitals.

1.11.3 Time scope

It focused on the years, 2013 - 2016, because this is the period when Naguru Hospital became self-accounting and also registered significant irregularities in internal control (Office of Audit General Reports, 2014 - 2015).

1.12 Operational definitions of terms

Control: Is a connection net through which the performance of public hospital is monitored to ensure that right actions are in place.

Organizational Performance: Is the planning, organizing, directing, controlling, and monitoring, the monetary resources of an organization.

Control Environment: Is defined as the parameter that drives the public sector hospital.

Information and Communications Technology: the channels or processes that support the identification, capture, and exchange of information in a form and time frame.

Output: is the act of producing something, the amount of something that is produced or the process in which something is delivered in the public sector hospital.

Efficiency: This is the reduction in the amount of wasted inputs.

Quality: This is the degree of excellence of service delivery in the public sector hospitals.

Cash flow management: refers to the public sector's cash inflows (Income) and cash outflows (expenditure) representing the hospital's operating activities.

Budgetary management: Refers to the public sector and coordination of the budgeting process of the hospital which determines the comprehensiveness of the hospital budget.

Public sector hospitals: Refers to government owned hospitals.

Hospital: Public sector hospital

Employee: An individual who has contract of employment and has recognized rights and duties in the public sector hospital

Client: A person or group that uses the professional advice or service of the public sector hospital

Departmental heads: Service management at the highest level of the hospital who have the day to day tasks of managing the hospital.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature on the relationship between internal control and financial management and the relationship that subsists between the variables. Literature review is the process of identifying, reading and evaluating reports of research and reports of observations, discussions, as well as opinions of individuals' planned research project (Amin, 2005,). The literature review was based on the on the purpose and objective of the study. This chapter covers namely an introduction to literature review, the theoretical literature review, and the review of literature on purpose and objectives. Additionally, it discussed the literature related to the study variables such as the components and sub-components of the internal controls and types of financial management. It formed the framework within which the research findings were interpreted.

2.2 Theoretical Literature Review

The study focused on the agency theory (Srinidhran, 2011) refers to governance in advanced corporation which are typically characterized a huge number of owners that give right to individuals (Directors) to manage and control the use of their capital for a profit (Srinidhran, 2011). Initial discussion on ownership and control in large corporation were raised by Berlie and Means (1932) who proposed that in order to address the concerns of separation of ownership and control, a detailed agreement is written to help harmonize the needs of the owners and their managers. This was improved by Jensen and Meckling (1976) who viewed it as an "agency problem" in running the corporation, they identified directors as agents who are

given authority to work for maximization of shareholder's (principal) returns, they suggest that the conflict is resolved by principal engaging an expert to oversee the actions of the agent.

Coarse (1937) however states that the relationship is affected by what is described as adverse selection and moral hazard as reflected by the agent failing to do exactly what he is supposed to do and lacking the required knowledge about what should be done. Larbi (1999) assert that the public sector fails to perform because state officials put in narrow self-interest rather than the public interest. It is very hard to extract accountability and good performance from public servants (agents) due to the fact that monopoly characteristics of public services, lack of perfect information about the services and about the abilities and interests of public employees and big transactions cost that would be involved in efforts to write and monitor detailed agreements. This problem can be solved by exposing the public service to heavy competition.

Morris (2011), hypothesized that to harmonize the interest of the agent and the principal, a detailed agreement should be written to address the needs of two. He further explains that the conflict is minimized by the owner engaging an expert to oversee the actions of the agent. A researcher finds the argument of Srindhran (2011), Berle and Means (1932), Jensen and Meckling (1976), and Coarse (1937) not explaining internal controls and public financial management. However, Larbi (1999) tried to bring in the performance from the public servants (agents), the issue internal control was isolated.

2.3 Literature review on the Purpose and Objectives of the study

The literature review aimed at analyzing how the independent variable affected the dependent variable.

2.3.1 Control environment and financial management

Control environment is influenced by the history and the culture of the organisation and has a pervasive influence on the way business activities are structured that sets a positive and supportive attitude towards internal control and conscientious management Karagiorgos, Drogalas and Giovanis, (2011) Therefore control environment plays a major part in managing an organisation and determining the management of the resources such as cash.

According to Stock (1999), the board is ultimately responsible for the system of internal control. Board will normally delegate to the management the task of establishing, operating and monitoring the system, but they cannot delegate their responsibility for it. The board should set appropriate policies on internal controls and regularly assure itself that appropriate processes are functioning effectively to monitor the risks to which the company is exposed. It is essential that the right tone is set at the top of the company that is the board should send out a clear message that control responsibilities must be taken seriously.

Effective ethical conduct and procedures enhance an organisation's control environment. The control environment is greatly influenced by the extent to which individuals recognize that they will be accountable. An organisation must take appropriate action to maintain an effective control environment. Gunderson (2008) asserts that instituting and relying upon an effective internal control environment is a sign of proper governance and proactive management. Strong internal control is a non- physical tool which assists non-profit organisation in fulfilling their fiduciary duties and ensures that the organisation is accountable for its programs and finances to contributors and members.

Internal control is more than risk management procedures, one lesson to be learnt from the Enron scandal is that it not sufficient merely to have risk management procedures in place if those procedures are ineffective. Poorly governed or not complied with. Therefore there must

a culture of compliance with risk management procedure and governance structure that prevent institutional internal controls from being manipulated.

At Naguru Hospital it can be seen from the interviews and questionnaires conducted that management has always tried to set the tone at the top by not approving claims that are not properly supported and creating an environment whereby hospital staff are made to account for financial resources advanced to them timely. All the writers seem to agree that the practice at Naguru Hospital but the only difference is that whereas the above studies were carried out in developed countries this one will be conducted at Naguru Hospital which is found in Uganda a less developed Country.

2.3.2 Control activities and financial management

O'Reilly et al (2008) strongly stress that to operate effectively; the entity needs appropriate polies and procedures for hiring, training, supervising and assessing employees to make sure they possess knowledge and experience to carry out assignments. There must be sufficient number of employees and employees must have adequate equipment. The entity human resource policies and practices should be directed towards achieving those goals. Training should include communication of roles and responsibilities which often is accomplished through training sessions and seminars. This will ensure performance of public financial management (O'Reilly et al, 2008). The researcher concur with the literature because in public sector hospital set up there must be policies as the result showed in the hospital manuals, there is a policy and procedure for hiring, training, supervising and evaluation of employees. Steinberg and Tanki (2005) defined control activities as practices and procedures put in place to enable management carry out its directives in order to achieve the objectives of the organisation.

They are established in response to perceived risks. An organisation should ensure that it has well trained personnel, placed by specific job descriptions, policies and procedures and also put in place maximum relative controls for it to have positive financial results. The auditor should obtain an understanding of those control activities when planning to audit. As he/she obtains an understanding of the other components, he or she is also likely to obtain knowledge about some control activities. For example, understanding of the documents, records, and processing steps in the financial reporting information system that pertains to cash. Properly designed and functioning controls reduce the likelihood of significant errors or fraud occurring and remaining undetected.

2.3.3 Information - communication technology and financial management

Information and communications technology are significant in ensuring flow of information about the plans, environment, risks, activities, and performance. Clear communication must be up, down, and across an organization. Information is required throughout the organisation to achieve its objectives, like operational, financial reporting and compliance. The nature and quality of information captured, maintained and reported by the systems, affects management's ability to control and manage the organisation in meeting its objectives and is measured by such factors like; content is appropriateness, timeliness, accuracy and accessibility. These factors are affected by internal control systems and must be inherent in the information to enable informed decisions to be made throughout the organisation (COSO, 1992). This implies that that communication within public sector hospitals is very important as a good internal control measure. To ensure effective internal communication, all personnel need clear message from top management about how internal control systems are important and why must be taken seriously. Specific duties must be made clear to every individual and each person should understand the relevant aspects of the internal control system and how his /her roles fit into it.

2.4 Financial Management

Financial management is concerned with decision –making, Suruma (2007). Such decisions are affected with by size, nature of assets and structure of financing. To make right decisions, it is important to understand the organisation’s goals. It is the goals that provide a basis for right kind of financial decision making. The goals are concerned with designing a method of operating the internal investment and financing of a firm hence resource management.

2.4.1 Accountability

Accountability refers to delegating authority to qualified persons to initiate, approve process and review business transactions. According to Santa B (2000), delegating authority is meant for ensuring that: a transaction is within the delegation consistent with policy, allowed, accurate and reasonable. He refers to the findings of Suruma (2007) that a financial management function such as financial reporting can lead to better performance, provided that the financial reports are clear to all stakeholders who intend to use them. Therefore a role of accountability in good financial management is very vital. Accountability refers to the liability to account of what one has done to another who has authority to assess the account and allocate, praise or blame. Jones (2008) and Stuart (1989) assert that accountability is one of the most important values affecting any administrative system of government. He further stipulates that there is no simple test of efficiency possible in the public sector and yet efficiency results from good accountability. The researcher concurs with the scholar because Naguru hospital very advanced taken accountability is required. The requirement to produce annual accounts and performance reports explains the importance of managerial accountability as compared to political accountability and it is intended to ensure effective utilization of resources (Ebrahim, 2003). The researcher concur with the scholar as Naguru hospital annual reports are prepared on time as required and the audited reports are discussed by the hospital administrative committee.

2.4.2 Budgeting

Audit Commission (2000), asserts that good budgeting means not running into deficits and also, not carrying large balances of unspent money from year to year without good reason. Suruma (2007) ,the most viable tool you have at hand and a great way to highlight your financial skills while demonstrating your contribution to bottom line is to use the budget.

Nafabi (2011) states that, a budget is a tool which forces management to become accountable in a transparent and objective manner. It fosters planning and resource allocation plus providing a mechanism for monitoring financial performance throughout the year, Suruma (2007) as cited in Whittington and Pany (2001).

Despite long period of implanting performance management in public sector, improvement in accountability, value for money and quality of services have not yet been achieved (Fryer, et. Al, 2009), In Uganda however, consistent poor performance remains a major challenge to development. In an effort to improve internal controls, the government of Uganda has come out with several reforms and the most current one being the Public Financial Management Act (2015)

2.5 Summary of literature review

The literature review highlighted the contribution of internal controls systems on financial management of public sector organisations; it also demonstrated the extent to which the internal controls as independent variable can be used to influence the financial management of public sector organisations. Researchers/ in the field of social sciences have given various views pertaining internal controls in organisations. However they have given literature on internal controls and financial management of public sector hospitals with special reference to Naguru hospital. From the above review of the theories and existing literature, before obtaining the

findings of the study, there was no conclusive evidence on those actual effects of internal control on financial management of public sector hospitals. Thus the study sought to fill this gap. It is against this background that the research was undertaken to address the short falls and come up with lasting solutions.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The chapter describes and explains the methods the researcher used when collecting data. This chapter details Research design, Population of study, Sample size and selection, Sampling techniques and procedures, Data collection methods, Data collection instruments, Validity and Reliability, Data collection procedures, Data analysis, Measurement of variables and Ethical considerations.

3.2 Research design

The research design for this study is the plan, structure and the strategy of investigations or arrangement of conditions of data collection and analysis (Kumar, 2005). The researcher used a cross sectional study design to collect qualitative and quantitative data. Cross sectional study refers to the situation where subjects are being assessed at the same time. It is very convenient in terms of time and cost. The changes in the financial management style in the service industry calls for such a study if we are to compare with what is happening elsewhere.

3.3 Study Population

The study population is one to which the researcher ultimately generalizes the study/results. The study population was 200 members. It was stratified into the respondents with a leading role in understanding the content. The population category included 86 hospital officers; 45specialists, and 3 department managers and 2 directors.

3.4 Sample size and selection

According to Amin (2005), “sampling refers to selecting a number of individuals from a population such that the selected group contains elements representative of the characteristics found in the entire group” .He describes “a sample as a collection of some elements of the

population”. The sample was confined to specific types of people who provided the desired information, because there are the only ones who had it and conformed to some criteria set by the researcher such were the departmental heads and top management.

3.4.1 Sample size

The researcher used a sample size of 133 respondents for the study. Sample size was got from the target population. Sample size to determine the respondents was calculated using **Yamane Taro (1967:886)** “formula: $[n= N/1+N (e)^2]$.” Where: n = sample size of respondents to be interviewed (133 respondents); N = Total population of respondents (200 respondents), and $(e)^2 =$ the constant equals $(0.05)^2$. The figures are substituted in the formula as follows to compute the total sample size: $133 = 200/1+200 (0.0025)$. This was the detailed breakdown of the proponents of the study

Table 1: Categorization of the study proponents

Particulars	Population	Sample Size	Sampling Technique
Directors	2	2	Census
Departmental Heads	20	15	Simple Random Sampling
Administration staff	45	40	Simple Random Sampling
Medical officers	133	76	Simple Random Sampling
Total	200	133	

Source: Naguru Hospital Records (2015)

3.5 Sampling Techniques and Procedures

In this study, Probability and non-probability sampling techniques were used. In probabilistic sampling, the researcher used simple random sampling. “It refers to where each member of the subset has equal chances of being chosen, and it is an unbiased representation of a group”.

Census Sampling was a non-probability sampling technique, constructed to serve a very specific purpose, in which the researcher may have a specific group of respondents in mind. The researcher considered it wise to select all of them because they are few in number and also they were knowledgeable in financial operations of the Hospital.

3.6 Data Collection Methods

This is the procedure of preparing and collecting data in order to make decisions about important issues, and to pass information on to others (Amin, 2005). Data was gathered by use of primary and secondary sources for both the qualitative and quantitative approaches. Quantitative data from primary sources was obtained by use of questionnaires while qualitative data was obtained by conducting interviews.

3.6.1 Key informant interview

Interview is where the researcher gathers data through direct interaction with the participants, (Amin, 2005). Personal interview with help of an interview guide was administered to accountant and procurement officer. It provided an immediate feedback of data regarding “the effect of internal control systems on financial management of Naguru Hospitals”. It was used to correct the data collected from questionnaires, and add more information which had not been got from questionnaires and documentary review. The reason of using interview was that, it allows on spot explanations, adjustment and variation can be introduced during data collection process and through respondent’s incidental comments, use of facial expressions, tone of voice, gestures, feelings and attitudes (Amin, 2005).

3.6.2 Questionnaire survey

Babbie & Mouton (2001) assert that, “a questionnaire as a set of written questions or statements to which the respondents provide data, which are relevant to the study”. The questionnaire was

administered from office to office since all respondents were confined in one location. The questionnaire was structured in structured and non- structured format. It was used to avoid subjectivity that results from close contact between the researcher and the respondent. Also a questionnaire was preferred because it collects a lot of data over a shorter time period and less expensive. This method was considered appropriate for research because respondents write answers down for future reference. The questionnaire was considered for key informants in drawing, implementing and monitoring of internal controls and management of hospital finances.

3.6.3 Documentary review

The researcher checked the available literature that relates to the study topic. This available literature was critically analyzed to collect the appropriate data that relates to the study topic. The researcher accessed documents such as financial reports, budgets, account statements, auditor reports to provide qualitative data which gave information about financial control practices and management of Naguru hospitals. This method helped the researcher to understand the policies and practice of Naguru Hospital.

3.7 Data collection instruments

The researcher applied appropriate instruments for each method of data collection as explained below:

3.7.1 Interview guide/schedule

The interview guide/ schedule was an oral questionnaire. The researcher gathered data through direct verbal interactions with the respondent. The interview guide contained structured and non-structured questions (Kothari, 2004). The researcher used an interview guide because it gives room for probing and making clarifications. These were used to collect qualitative data

from the targeted hospital specialists and departmental heads. Data obtained from the interview was supplemented that obtained through the questionnaire.

3.7.2 Questionnaire

Written set of questions to which respondents record their answers were administered. This method is appropriate for research because the respondents write answers down for future reference. Both open and closed ended questions were applied for respondents to express their feelings. Mugenda and Mugenda (1999), assert that, “questionnaires are commonly used to obtain significant information from the respondents”. Questionnaires because they gathers large amount of data within a shorter period of time and data can easily be analyzed numerically, less time consuming and gives the respondent freedom to provide answer comfortably. Finally, questionnaires were used to this category of staff because time can be saved on such a big number and the respondents could read and write in English without any assistance.

3.7.3 Documentary checklist

This is the list documents that the study consulted so as to get relevant information for the study using a check list, helped to verify facts especially during data collection. It involved a list of expected articles, annual reports, journal publications, service brochures and magazines with information pertaining to this study.

3.8 Validity and Reliability

3.8.1 Validity

Hair et al., (2007) defined “validity” of study instrument as, the degree to which a measure accurately represents what it is meant to. He identified three types: content, predictive, and

construct validity. This study used sampling validity (content validity), which ensured that the measure covered the broad range of areas within the concept under study.

$$CVI = \frac{\text{Number of valid items on the questionnaire}}{\text{Total number of items on questionnaire}}$$

Total number of items on questionnaire

Table 2: Validity results by raters

Raters	Rating	Validity output
Rater 1	26/32	0.81
Rater 2	24/32	0.75
Rater 3	27/32	0.84

Source: Primary data

Based on results presented in the above Table the validity scores were above 0.7 and therefore the instrument was rendered valid as supported by Amin (2005)

3.8.2 Reliability

Mugenda & Mugenda (1999), “Reliability refers to the degree to which a research instrument yields consistent results or data after repeated trial”. The researcher therefore pretested 10% of the instruments to the respondents outside the study population and after the exercise; questionnaires were collected, re-drafted to enable the researcher make meaningful deductions and additions in the instrument. Pilot testing was used also to minimize errors of sampling.

In a bid to ensure internal consistency of the instruments, Cronbach Alpha co-efficient was ran on the instrument using a statistical computer program SPSS considering that questionnaires were designed using 5 Likert scale. This helped the researcher to find out whether items in the questionnaire were relatively related to one another. The range of the results must be between

0 and 1, and the assessment criteria will be as follows:- $\geq .70$ = Adequate for group comparison; $\geq .9$ = Adequate for individual monitoring.

Table 3: Reliability results

Studied variables	Reliability scores	Number of Questions
Control environment	.741	8
Control activities	.765	7
ICT	.865	4
Financial management	.701	7

Source: Primary data

The alpha turned to be greater than 0.7 (see table 3 above) closer to 1. Based on the above table, it can be concluded that the instrument was reliable as the scores were above 0.7 as supported by Amin (2005).

3.9 Data collection procedure

Data collection began with proposal defense; followed by data collection that covered a period over one month. A team of 2 research assistants were led by a researcher to collect data. Data collected was edited with a view to check for completeness and accuracy. Thereafter, data was processed by means of cleaning, editing, coding, and creating a template that helped in minimizing data entry errors. Data was ready for analysis.

3.10 Data analysis

This includes data interpretation and presentation. The researcher analyzed the data collected using two methods:

3.10.1 Qualitative Data Analysis

“Qualitative data consists of words and observations, not numbers”. it involved analyzing, interpreting narrative data and content analysis to bring order and understanding, which required creativity, discipline and a systematic approach.

3.10.2 Quantitative data analysis

Amin (2005) emphasizes that before analyzing collected data, it has to be edited in order to be error free. Under quantitative data analysis, data was “transcribed, sorted, and classified into trends and categories in order to support the hypothesis tested. Detailed information was scrutinized, analyzed and correlated. The analysis was done manually, where responses were summarized in a normative form of presentation of the major findings of the study. Data was coded, edited and entered into Statistical Package for Social Sciences data editor. Data was analyzed using SPSS version 19”. Descriptive statistics such as measures of central tendency (mean, percentages and counts) were used to describe and summarize data. Other data was presented was inferential statistics for obtaining inferential results specifically correlation and regression results.

3.11 Measurement of variables

The researcher used both the nominal scale and ordinal scale in measuring the data. Nominal scale was used for capturing gender, age, occupation, and ordinal data were used in ranking the data. The researcher used the Likert scale rate system to rate the opinions of the respondents. The Likert scale was represented by: 5- strongly agree, 4 – agree, 3- neutral, 2- disagree and 1- strongly disagree.

Table 4: Likert scale Response categories

Details of items	Scale
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	5	4	3	2	1
1	SA	A	NS	D	SD

Source: Primary data

3.12 Triangulation

The researcher used methodological triangulation where more than one data collection method is used. This is because each method taps into different dimensions of the problem and leads to increased reliability, validity, or accuracy of the study. Interviews focused on a small group of participants. For this reason, it was difficult to generalize conclusions. Questionnaires increased the researcher's confidence that conclusions applied to a larger population. Qualitative and quantitative methods each compensated for the other's weaknesses and therefore increased the researcher's confidence in the whole study. Furthermore, documents was scrutinized on internal controls and financial management of public sector hospitals

3.13 Ethical considerations

Ethical means agreeing to the standard of behavior of a given profession or group (Babbie 2007). It is the code of conduct while conducting research. The researcher obtained an introduction letter from Uganda Management Institute to Naguru Hospital to enable informed consent from all respondents to the study.

The researcher introduced herself; explain to the respondents of Naguru hospital the objectives of study as it was for academic purposes also explained why the particular respondents were selected.

The information provided by the respondents, leading to benefits, discomforts and harms of the study was kept confidential, and she would also request to ask questions in relation to the study.

Finally, the researcher designed the questions in such a manner that it did not violate the rights of the informants.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTEPRETATION

4.1 Introduction

This chapter presents and discuss the analysis and interpretation of the findings, the study findings are presented, analyzed and interpreted based on the objectives. The chapter starts with the response rate obtained, bio-data of the respondents and both qualitative and

quantitative findings are presented. In addition, tests of the hypotheses are also presented, analyzed and interpreted within the chapter.

4.2 Response rate

A number of 133 respondents were selected for the study; from these, 131 answered the questionnaire and 2 to be interviewed however, results indicate that only 107 respondents answered the questionnaire and all respondents were interviewed. Response rate results were presented in Table 5 below.

Table 5: Response rate results

Instrument used	Planned (n)	Actual (n)	Percentage (%)
Questionnaire	131	107	82.0%
Interview	2	2	100%
Total	133	109	

Source: Primary data

Table 5, shows an overall response rate of 82% which was obtained $(109/133 \times 100\%)$. The rate is a good reflection of a survey population as recommended by Amin (2005).

4.3 Bio data of respondents

This part in the study presents respondents' age, gender, highest level of education obtained. The information is presented in the sub sections below.

4.3.1 Age of the respondents

Table 6 below provides findings obtained about respondents' age

Table 6: Age of the respondents

Age of respondents(Years	Frequency (n)	Percentage (%)
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21 – 30	25	23
31 – 40	40	38
41 – 50	31	29
51 – 60	11	10
Above 61	-	-
Total	107	100

Source: Primary data

The respondents' age result reflected in the Table above reveal majority 61% respondents were aged below 40 years and 39% respondents were above 41 years which suggests the age representativeness of staff at Naguru hospital who are actively engaged in its routine medical services. In addition, the respondents were able to provide their opinions about internal controls and financial management.

4.3.2 Gender of the respondents

Staff within the hospital who participated in the study were male and female as reflected in table 7 below.

Table 7: Gender of the respondents

Gender of the respondents	Frequency (n)	Percentage (%)
Male	48	45%
Female	59	55%
Total	107	100

Source: Primary data

Table 7 shows the gender of respondents who participated in the study, results reveal that majority 55% respondents were female and 45% represented male which suggests that cross cutting issues on internal control and financial performance were obtained from both male and female respondents.

4.3.3 Highest level of education attained

Participants of this study were found to possess certain education levels. The findings that were obtained are shown below.

Table 7: Education level of the respondents

Level of education	Frequency (n)	Percentage (%)
Masters	17	16
Degree	28	26
Diploma	36	34
Certificate	26	24
Total	107	100.00%

Source: Primary data

The quantified findings presented reveal that all study respondents were literate that is they possessed certificates (24%), diplomas (34%), degree (26%) and masters' degree (16%) as their qualifications which suggests that provided meaningful contributions to improving financial performance of the hospital besides the opinion that they provided for the study.

4.3.4 Control environment and financial management in Public Sector Hospitals

The first objective of the study was to examine “the effect of control environment on financial management in Public Sector Hospitals”. Control environment was measured using 8 questions from which the following opinions were extracted and are presented in Table 8 below.

Table 8: Statements about control environment

Statements about control environment	SA (5)	A (4)	NS (3)	D (2)	SD (1)	Mean
The workers are knowledgeable	36% 39	49% 53	9% 10	5% 5	0% 0	4.1776
Policies on internal controls are implemented	34% 36	47% 50	12% 13	7% 7	1% 1	4.0561
The BOD carries supervisory roles	37% 40	42% 45	12% 13	7% 8	1% 1	4.0748
Naguru Hospital employees give personal attention to clients	27% 29	47% 50	15% 16	11% 12	0% 0	3.8972
Employees attitudes and behavior is friendly	29% 31	51% 55	12% 13	7% 8	0% 0	4.0187
Employees have best interest in heart to serve	36% 38	41% 44	16% 17	7% 8	0% 0	4.0467
Facilities at Naguru Hospital are easily accessed	33% 35	35% 37	19% 20	14% 15	0% 0	3.8598
Clients quests are easily met	29% 31	41% 44	15% 16	14% 15	1% 1	3.8318

Source: Primary data

Key: SA and A represents respondents who agreed, NS is not grouped while SD and D represents respondents who disagreed. For the mean score above three (>3) reveals agree and the score above three (< 3) reveal disagree.

The mean score of 4.1776 reveals that majority of the NH staff had skills and were competent hence knowledgeable about internal controls including spending of public funds and the quest for its timely management hence financial management. To support the above findings, an interviewee said, “*Naguru hospital implements all the policies of internal control as per requirements of the law, to achieve effective financial management*”

A portion of 81% (86) respondents agreed that policies on internal controls were implemented while 12% (13) were not sure and 8% (8) respondents disagreed respectively. The results suggest that all stakeholders were mandated to adhere to the prevailing controls to ensure

availability of funds. To support the findings, one respondent said, *“The internal auditor keeps on reminding us on what to do on routine payments to avoid over payment as well as overbilling”*. To provide more evidence the NH manual () stipulates that all staff should adhered to ...rules

In addition, 79% respondents agreed that the Board of Directors carries supervisory roles as compared with 8% who disagreed and 13% that were not sure meaning that the BODs oversee the use and management of available public funds in terms of approval of such funds to cater for the routine hospital activities

The percentage score of 74%, mean score of 3.8972 reveals that Naguru Hospital Employees give personal attention to clients which means that each of all hospital staff were tasked with the responsibility of executing their designated assignments which would result in delivery of health services to patients as well as value for money. To further complement, one hospital official said, *“The hospital staff are always encouraged to adhere to its core values of which mutually serving patients is one of them”*

Mean score of 4.06 reveals that employees’ attitudes and behavior is friendly. Similarly, 77% (81) respondents agreed that employees have best interest in heart to serve however, 16% respondents were not sure and 7% respondents disagreed respectively which suggests that some NHS employees’ attitude for work were positive and has a warm welcome. This would attract more patients to the hospital premises to access health services at an affordable fee hence contribute to a better financial performance.

Lastly, 68% respondents agreed that facilities at Naguru Hospital are easily accessed, nonetheless 19% were not sure and 14% disagreed. Similarly, 70% respondents agreed that clients quests are easily met, with 15% being not sure and 15% disagreed which suggests that

laboratories, pharmacies, wards among others were all accessible to patients and other stakeholders who sought for health services in terms of treatment, diagnosis and prevention at an affordable fee hence financial performance. *“Our facilities are within the same proximity and cater for all our patients including the vulnerable groups for instance lame, blind among others”* said an interviewee

4.3.5 Control activities and financial management in Public Sector Hospitals

This was another objective of the study . Control activities were measured using 7 questions from which the computed opinions are presented in Table 9 below.

Table 9: Statements about control activities

Statements about Control Activities	SA (5)	A (4)	NS (3)	D (2)	SD (1)	Mean
There are controls in all operations in Naguru Hospital	41% 44	48% 51	7% 8	3% 3	1% 1	4.2523
Duties are segregated and assigned	39% 42	50% 53	8% 9	2% 2	1% 1	4.2430
Services are provided at the promised time	30% 32	45% 48	11% 12	13% 14	1% 1	3.8972
There is accurate billing of services by employees	24% 26	48% 51	18% 19	8% 9	2% 2	3.8411
There is accurate order fulfilling in service provision	28% 30	46% 49	12% 13	12% 13	1% 1	3.8598
There is accurate calculation of commissions by management	24% 26	44% 47	19% 20	12% 13	1% 1	3.7850
There is quality control of employees to care for the clients	33% 35	41% 44	12% 13	14% 15	0% 0	3.9252

Source: Primary data

Key: SA and A represents respondents who agreed, NS is not grouped while SD and D represents respondents who disagreed. For the mean score above three (>3) reveals agree and the score above three (< 3) reveal disagree.

Statistics reflected by 89% agreed that there are controls in all operations in Naguru Hospital however, 7% respondents were not sure as 4% disagreed which suggests effective controls have been attached to a number of hospital activities that prevents hospital staff upon from abusing the entire system while executes its routine activities

The mean of 4.2430 was obtained to present majority respondents who agreed that duties are segregated and assigned. The findings reveal that with a handful of Naguru hospital staff are hired based on their knowledge, skills, competence and qualification for instance doctors, nurses, administrators, guards, cleaners and lab technicians among others. To complement, an administrator said, *“We at the hospital are a team of experts each tasked to play different roles where we are specialized. Our efforts have ensured that the hospital realizes it’s set goals”*.

A portion of 75% respondents agreed that services are provided at the promised time however, 11% respondents were not sure and 14% disagreed respectively. The findings suggest that the hospital has official start and end time upon which its staff execute their roles and such a time is convenient to patients and other stakeholders who seek for health services at a fee hence financial performance. *“Like any Government health facility, Naguru hospital operation official time is between 08:00 am to 5:00pm however given the nature of our working environment, shifts are deployed to cater for the demand of health services”*.

There is accurate billing of services by employees was another question asked. Responses that were obtained include 72% (77) agreed, 18% (19) respondents were not sure and 10% (11) respondents disagreed respectively. The results suggest that the hospital has an effective tracking system that ensures that the health services sought by its patients’ are carefully assessed and billed accordingly which explains financial performance.

Additionally, the mean score of 3.8598 clearly explains that there is accurate order fulfilling in service provision which suggests that Naguru hospital boasts of a centralized system where patients’ details are tracked from the beginning at registration, wards, pharmacy and the gate to ensure quick tracking of patients’ records. *“At Naguru Hospital, it is easier than ever to retrieve patients’ details at every point where they seek health services. This makes billing easier for both patients and hospital staff”* said an interviewee.

Many respondents 68% agreed that they there is accurate calculation of commissions by management however, 19% respondents were not sure and 13% disagreed. The results suggest that extra fees are embedded in the health services provided and therefore paid by the patient which improves the hospitals’ financial flow.

Lastly, the mean score of 3.9252 reveals that there is quality control of employees to care for the clients which suggest that most Naguru hospital staff value a patient as a customer and therefore are carefully served at a subsidized fee which creates a sounding financial base for the hospital.

4.3.6 Information and Communication Control Technology and Financial management in Public Sector Hospitals

The third objective of the study was to examine, effects of information and communication technology on financial management in public sector hospitals. Information and communication technology was measured using 4 questions from which the computed opinions are presented in Table 10 below.

Table 10: Statements about ICT

Statements about ICT	SA (5)	A (4)	NS (3)	D (2)	SD (1)	Mean
Workers are aware of internal controls	31% 33	55% 59	10% 11	3% 3	1% 1	4.1215
There are convenient operating hours as required	29% 31	47% 50	11% 12	13% 14	0% 0	3.9159
Employees understand clients specific problems	30% 32	43% 46	16% 17	11% 12	0% 0	3.9159
Communication in Naguru Hospital to clients is effective	33% 35	41% 44	15% 16	10% 11	1% 1	3.9439

Source: Primary data

Key: SA and A represents respondents who agreed, NS is not grouped while SD and D represents respondents who disagreed. For the mean score above three (>3) reveals agree and the score above three (< 3) reveal disagree. Findings reveal that 86% respondents agreed that Naguru workers are aware of internal controls meaning that staffs are aware of the different controls and where and when they are applicable. The findings can be complemented by an interviewee whose opinion was that, *“Every designated office has got its controls for instance*

accounts one needs to initiate a request, which is verified, counter checked, approved and forwarded for payment processing. The security has its own controls among others”

It is worth noting that 76% respondents agreed that there are convenient operating hours as required however, 11% respondents were not sure and 13% disagreed respectively which suggest that the hospital have official arriving and departure time upon which its staff execute their roles and such a time is convenient to patients and other stakeholders who seek for health services at a fee hence financial management.

Statistical findings mean of 3.9159 reveal that many employees understand clients’ specific problems the hospital boasts of a team of experts who are specialized to offer varying health services to their clients. The finding correlate with what an interviews said that, *“The Hospital has many staff each attached to a respective departments who are specialized to execute different tasks for instance Doctors, lab technicians, accountants, nurses, mid wives among others”*

Finally, 74% (79) respondents agreed that communication in Naguru Hospital to clients is effective however, 15% were not sure and 11% respondents disagreed accordingly. The results suggest a top-bottom, bottom-up structures of communication which create a path for smooth communication among Naguru hospital and patients. *“The avail forms of communication are mainly formal done through hospital medical forms and the informal one that entails verbal communication between our hospital staff and the patients”* was voiced by one of the respondents/interviewee

4.4 Pearson correlation matrix “for internal controls and financial management”.

The Pearson product correlation procedure was used to determine whether internal control dimensions (control, activities and ICT) were related with financial management in the public sector hospitals. The results that emerged are reflected in Table 11 below

Table 11: Correlation results for dimensions of internal control systems and financial management

		Financial management	
Control environment	Pearson Correlation	1	.401**
	Sig. (2-tailed)		.000
	N	107	107
Control activities	Pearson Correlation	1	.563**
	Sig. (2-tailed)		.000
	N	107	107
ICT	Pearson Correlation	1	.422**
	Sig. (2-tailed)		.000
	N	107	107

** . Correlation is significant at the 0.05 level (2-tailed).

Table 11 shows correlation results for all the three objectives of the study. “The findings between control environment and financial management”, revealed a positive relationship with scores indicating r as .401**, sig as .000 ($p < 0.05$) and n as 107 which suggests that continuous adhering to ethical code of practices as well as good governance would improve financial performance of Naguru Hospital in terms of cash flow, budget management as well as accountability.

In addition, results between control activities and financial management revealed a positive relationship with quantified values obtained indicating r as .563**, sig as .000 ($p < 0.05$) and n as 107. The results suggest that increased physical controls, segregation of duties as well as conducting performance reviews would improve financial management of Naguru Hospital in terms of cash flow, budget management as well as accountability.

Finally, inferential results obtained between ICT and financial management suggest a positive relationship with quantified values obtained indicating r as .422**, sig as .000

($p < 0.05$) and n as 107 suggests that adoption of IT systems, use of both internal and external reporting mechanisms would improve financial management of Naguru Hospital in terms of cash flow, budget management as well as accountability.

4.5 Regression matrix for internal control systems and financial management in Public Sector Hospitals

The regression analysis technique was used to give the level of variance “internal control systems had on the financial management of Public Sector Hospitals”. The findings that were computed are presented in Table 12 below:

Table 12: Regression matrix results for internal controls and financial management

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.401 ^a	.161	.153	.54388
1	.563 ^a	.317	.311	.49059
1	.422 ^a	.178	.171	.53810

Source: primary data

- a) Predictors: (Constant), Control environment
- b) Predictors: (Constant), Control activities
- c) Predictors: (Constant), ICT

The above Table 12 shows regression matrix results regarding to the three objectives of the study. Findings presented reveal r as .401, r^2 as .161, adjusted r^2 as .153 and standard error of the estimate as .54388 using the predictor: control environment. The r^2 score of .161 explains a 16.1% (.161 x 100%) variance that control environment had on financial management with the remaining percentage of 83.9% attributed to other factors that might not have been part of the study. Therefore this can be interpreted that if Naguru hospital

can maintain good governance and continue to adhere to ethical code of practice the hospital financial management can also be maintained in terms of cash flow, budget management as well as accountability.

Secondly, results reveal r as .563, r^2 as .317, adjusted r^2 as .311 and standard error of the estimate as .49059 using the predictor: control activities. The r^2 score of .317 explains a 31.7% (.317 x 100%) variance that control activities had on financial managements with the remaining percentage of 68.3% attributed to other factors that might not have been part of the study. This therefore can be interpreted that if Naguru hospital can maintain the policies and procedures in place, financial management may be maintained in terms of cash flow, budget management and accountability.

Finally, results reveal r as .422, r^2 as .171, adjusted r^2 as .171 and standard error of the estimate as .53810 using the predictor: ICT. The r^2 score of .178 explains a 17.8% (.178 x 100%) variance that ICT had on financial managements with the remaining percentage of 82.2% attributed to other factors that might not have been part of the study. This is interpreted as, “that there was a significant relationship between ICT and financial management”. Improving information and communication technology in form of information systems, internal and external reporting will improve financial management in relation to cash flow, budget management and accountability.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary, discussion, conclusion and recommendations based on specific objectives of study. In addition, this chapter presents the limitations and areas for further study. The objectives included to examine the effects of control environment on financial management in Public Sector Hospitals; to find out the effects of control activities on financial management in Public Sector Hospitals and to examine the effects of Information Communication and Technology on financial management in Public Sector Hospitals.

5.2 Summary of the Study

The purpose of study was to examine effects of internal control systems on financial management of Public Sector Hospitals, using Naguru Hospital as a case study. The study had three objectives which were; to examine the effects of control environment on the financial management of Public Sector Hospitals, to find out the effect of control activities on financial management of Public Sector Hospitals, to examine the effects of information and communication technology on financial management of Public Sector Hospitals. Summary of the findings provides a brief explanation of the actual results as were obtained from the field of study in relation to specific objectives of the study.

5.2.1 Control environment and financial management in Public Sector Hospitals

Key findings obtained showed a positive relationship (.401**) between control environment and financial management which would suggest that adhering to the ethical code of practice and good governance within the hospital would improve financial management of Naguru Hospital.

5.2.2 Control activities and financial management in Public Sector Hospitals

Inferential statistics showed a positive relationship (.563**) between control activities and financial management which suggest that increased physical controls within the hospital, segregation of duties as well as conducting performance reviews would improve financial management of Naguru Hospital.

5.2.3 Information and Communication Technology and financial management in Public Sector Hospitals

Findings about ICT and financial management revealed a movement in the same direction reflected by .422**, correlation score which suggests that adoption of IT systems, use of both internal and external reporting mechanisms would better financial management at Naguru Hospital.

5.3 Discussion of the study

The section below discusses the major findings as per the study variables namely; Control environment, Control activities and Information and Communication Technology with its effect on financial management. The discussion provides a detailed account of the linkage between chapter two and results of the fourth chapter while identifying the possible gaps.

5.3.1 Control environment and financial management in Public Sector Hospitals

Control environment and financial management were found to move in the same direction with a moderate connection between the variables. Study results established that, there are specific lines of authority and responsibility to comply with the policies to improve on the financial management of the hospital, this is in agreement with hospital manual (2004) which asserted that it focuses on the overriding philosophy and operating style within the organisation which shows management involvement in establishment of a control system that they believe is

effective, this view further shared by Whittington and Pany (2001), who alleges that “control environment is the most important component of internal control system” as it drives of the organisation by affecting the consciousness of management. To support that discussion, an interviewee said, “*Naguru hospital implements all the policies of internal controls as per the requirement of the law, to achieve effective financial management*”. The statement is a reflection of the more agreed scores that were obtained for instance key findings obtained revealed that workers were knowledgeable about the internal controls. The findings are supported by COSO (1992) which stresses that “control environment affects the overall attitude, awareness and actions of directors and managers regarding internal controls and their importance”. “It is the foundation for all components of internal controls, providing both discipline and structure”. To supplement Steinberg & Tanki (2005) argue that organisations with efficient control environment “set a positive tone at the top management, hire and retain competent people and promote integrity and control consciousness”. The issue of employees possessing adequate information about internal controls deters any attempts to exploit the existing system and therefore proper financial management. To further compliment, one hospital official said, “*The hospital staff is always encouraged to adhere to its core values of which, mutually serving patients is one of them*”. However despite this, it can be noted that some respondents lacked adequate knowledge about the internal controls as reflected by the percentage that disagreed. The lack of knowledge can be attributed to lack training and awareness which may affect the management of finance.

Finally, respondents agreed that they had friendly attitudes and behavior. The statistics are a reflection of Hamed & Babak (2009) who concluded that “control environment factors include: integrity and ethical values, commitment to competence, board of directors or audit committee participation, management’s philosophy and operating style, Organisational structure,

assignment of authority and responsibility;, human resource policies and practices”. Furthermore, Quall (2004) stresses that leadership/management should have significant “knowledge of the control environment to understand management's and the board of directors' attitude, awareness, and actions concerning the control environment, considering both the substance of controls and their collective effect”. To support the discussion, one respondent said, “*The internal auditor keeps on reminding us on what to do on routine payments as well as overbilling*”. It is critical that all staff remain appreciative and motivated to carry on their assigned duties including managing finances among others. Much as some staff hold friendly attitudes and behavior others were found not to as represented by the disagreed score. This explains personality gaps especially with patient-medical personnel interaction thus a gap that needs mending.

5.3.2 Control activities and financial management in Public Sector Hospitals

Majority of the respondents in the study agreed that it is only top management to authorize any expenses in the hospital to minimize unnecessary expenses; this is in agreement with COSO (1992) which mentions “control activities as another component of internal controls”. To compliment, an administrator said, “*We at the hospital are a team of experts each tasked to play different roles where we are specialized. Our staffs have ensured that the hospital realizes its goals*”. It notes that “control activities are policies and procedures that help ensure that management directives are carried out. For example, comparing actual performance with budgets, forecasts and prior period performance, information processing (necessary checks accuracy, completeness and authorization of transactions), physical controls (necessary to provide security over both records and other assets), and segregation of duties (where no one person should handle all aspects of a transaction from the beginning to the end)”. It can be seen that control activities are established in response to perceived risks within an organisation.

Control activities drive an organization to ensure that it has “professionals, segregated by specific job descriptions, policies and procedures that are in place to provide the maximum relative controls for it to have positive financial results”.

The above is a reflection of this study, as results obtained revealed that control activities were positively related to financial management in Naguru Hospital. In addition, descriptive statistics computed revealed that 89% respondents agreed that their duties were segregated and assigned. They help to “ensure that necessary actions by management are taken to address risks in order to achieve the objectives of the organization”. It can be argued that ensuring that staffs execute their assigned role in a hospital is very phenomenon to realizing an organizations’ expectations hence providing health support to patients for this matter is important. In addition, it is important that professionals are equipped with specific job descriptions, policies and procedures to relatively maximum controls for it to have positive financial results however, it can be noticed that 11% respondents either disagreed or were unaware of the above. Such a discrepancy explains gaps in the segregation or assigned duties of personnel which may deprive the patients their right to full pledge medical service hence a threat to expected revenue as other patients may shy away from seeking for health services from Naguru hospital. Secondly, the ratio of doctors to patients is lacking where specialized doctors are fewer compared to the number of patients who seek for medical attention hence a gap.

Finally, 75% respondents agreed that health services were provided at promised time. These revelations are in line with Whittington & Delaney (2009) who asserts that “without effective internal control systems, management has little assurance that its goals will be achieved”. Well-designed efficient control systems minimize the likelihood of significant errors and fraud occurring as well as remaining undetected. Internal control systems help to ensure that departments are performing as expected. “Control activities, whether automated or manual,

have different objectives and are applied at different organizational and functional levels”. The issue of valuing time as a resource is very critical to the operations of an organization Naguru Hospital inclusive as all assigned duties and responsibilities are executed at the earliest hence yielding positive outcome. One of the hospital administrators said, *“Like any Government health facility, Naguru hospital operation official time is between 08:00am to 5:00 pm however given the nature of our working environment, shifts are deployed to cater for the demand of health services”*. Nonetheless, it can be argued that delays were encountered which created more patient queues, time wastage and reduced doctor to patient interaction as reflected by the portion of respondents who disagreed.

The study findings revealed that there are corrective actions taken to address weaknesses in the hospital which limits losses, this is in agreement with COSO, (2013) who asserts that “to be efficient, control activities must be effective, function consistently according to plan, throughout the period and be cost effective, comprehensive and reasonable and should directly relate to the objectives”. *“At Naguru Hospital, it is easier than ever to retrieve patient’s details at every point where they seek health services. This makes billing easier for both patients and hospital staff”*, Said by an interviewee.

5.3.3 Information Communication Technology and financial management in Public Sector Hospitals

The researcher wanted to examine effects of information and communication technology on financial management in public sector hospitals. In addition, answers were provided for research question three that was asked that, what are the effects of information and communication on financial management in public sector hospitals? To answer that question, responses were elicited and computed accordingly for instance inferential results obtained showed a positive relationship between ICT and financial management reflected by a .422** score which suggests adoption of IT systems, use of both internal and external

reporting mechanisms would improve financial performance of Naguru Hospital in terms of cash flow, budget management as well as accountability.

Descriptive findings reveal that 86% respondents agreed that NH workers were aware of internal controls. The findings are supported by the COSO (1992) which further recommended that communication should take the form of policies and procedures, manuals, management directives, memoranda, bulletin on notice boards and emails. The above is true as being aware of internal controls done through information and communication enable staff fully understand their expected roles within the hospital parameters and understanding what is expected of them and contributed to good reporting habits. An interviewee said, *“Every designated office has got its controls for instance; accounts one need to initiate a request, which is verified, counter checked, approved and forwarded for payments processing. The security has its own controls among others”*. From the findings, it can be observed that a portion of 14% respondents disagreed or were not aware of what entailed internal controls which still explains gaps in awareness levels. Such gaps could be attributed to the fact that internal controls are strategically designed, implemented and adhered to within organizations, low scores of staff are sensitized or made awareness of such controls which leaves many of such staff partially knowledgeable and therefore an administrative gap.

Finally, 74% respondents agreed that communication in Naguru Hospital to clients is effective. The findings are in line the COSO (1992) which stipulates that “information and communication technology are essential to affecting control. Information about an organization's plans, control environment, risks, control activities, and performance must be communicated up, down, and across an organization”. This can be complimented by what an interviewee said that, *“The available forms of communication are mainly formal through hospital medical forms and informal ones that entail verbal communication between our*

hospital staff and patients". The findings are a true reflection of the need for the right flow of quality information among key stakeholders within any organization that can be used to aid decision making. In addition, information is said to appropriate if it is timely, accurate and accessible. The fact that NH staff are able to formally and informally communicate to its clients is an indicator for an effective communication system as reflected by respondents who agreed. On the hand, it can be seen that 26% of the study participants disagreed to the fact that communication to the clients was effective. This percentage is an eye opener that communication to clients' encounters road blocks, a dis-service is to patients who seek for health service because they consume volumes of item while inquiring to be directed to facilities and medical personnel within the hospital parameters.

The study findings revealed that reviews of implementation of information and communication systems are conducted periodically in the hospital to avoid miss use of information systems. This view is in agreement with COSO (1992), which affirms that since internal control systems are "processes, it is usually accepted that they need to be adequately monitored in order to assess the quality and effectiveness of their performance overtime". An interviewee said, "*The Hospital has many staff each attached to a respective department who are specialized to execute different tasks for instance Doctors, laboratory technicians, accountants, nurses, midwives among others*".

5.4 Conclusions of study

From the findings, the researcher made the following conclusions on each of the specific objectives of the study.

5.4.1 Control environment and financial management in Public Sector Hospitals

From the study, it can be concluded that much as policies on internal controls were considered, fewer were implemented hence with the delay affecting financial management. Much as the

hospital administration was solely responsible for conducting supervisory roles, the roles were lately conducted. In addition, some Naguru Hospital employees harassed patients and much as the hospital has accessible facilities some areas were not accessible to the vulnerable.

5.4.2 Control activities and financial management in Public Sector Hospitals

It is generally accepted good practice that financial duties undertaken by hospital personnel should reflect level of authority and responsibility whilst management may retain the overall responsibility for financial management. COSO (1992) observed that if authorization and execution are segregated, it would be difficult to manipulate the controls. From the study, it can be concluded that less effective controls would jeopardize many operations in Naguru Hospital while duty segregation and assignment, Services are provided at the promised time, There is accurate billing of services by employees, There is accurate order fulfilling in service provision, There is accurate calculation of commissions by management and There is quality control of employees to care for the clients.

5.4.3 Information Communication Technology and financial management in Public Sector Hospitals

From the study, it was found out that Workers need more reminders about the existing controls. Late arrival and early departures at the hospital causes delays in the provision of health services and obstacle of communications prevailed within Naguru Hospital.

5.5 Recommendations of study

From the conclusions presented above, the study makes the following recommendations to strengthen the existing internal control systems which will improve the financial management of Public Sector Hospitals.

5.5.1 Control environment and financial management in Public Sector Hospitals

The study comes up with the following as control environment recommendations namely:

- The study recommends that Naguru Hospital management through its administration department should ensure that there is continuous training and awareness of internal controls. This will enlighten the staff about internal controls and financial management within the Hospital.
- The study recommends that Naguru Hospital management through its administration department should review its staff code of conduct where disciplinary fall. This will be intended to improve employee behavior and attitude towards patients who seek and pay for the medical services provided by the hospital.
- The study recommends that Naguru Hospital put in place a policy for improving the generation of finances for the operation of the Hospital. it can be done through writing projects proposals, and other competitive endeavors which are directly aimed at winning funds for the hospital.
- This study recommends that the Hospital establishes a board of directors committee to oversee the operations of the service providers and also allow it to indulge the Hospital matters and operations. This will establish a corporate governance framework which will ensure transparency and accountability in the Hospital.

5.5.2 Control activities and financial management in Public Sector Hospitals

The study comes up with the following as control activity recommendations namely:

- 1) It is recommended that Naguru Hospital management based on patients information devise strategic means (plan, budget and hire) more specialized medical personnel to attend to the overwhelming number of patients who seek for medical support within the hospital

- 2) From the above discussion about the issue of time, it is important that Naguru Hospital management through its department head formally communicate to its staff stressing the need for proper time management and possible consequences including disciplinary actions for routine culprits. This help the perennial late comers realize the value of time in line with expected performance and value for money for patients.
- 3) According to Leslie (1994), segregation of duties is one of the prime means of control activities, that if employed would not enable one individual to record and complete a single transaction alone. At Naguru Hospital once enforced, it would reduce the risk of mistakes, inappropriate actions and protects employees from possible allegations.
- 4) Since it was evident the staffing level in the internal audit department is not adequate to cover the entire hospital, as evidenced by not conducting regular audit activities, not operating efficiently as well as their reports not being regular, the study recommends competence profiling which should be based on what the hospital expects internal audit to do and what appropriate number of staff would be required to do the job.

5.5.3 Information Communication Technology and financial management in Public Sector Hospitals

The following are recommendation for ICT and financial management namely:

- 1) The study recommends that Naguru Hospital management should task its administrative department to design and frequently conduct more internal control trainings annually so as to impact more knowledge to its workers. This will help the workers/employees stay informed and properly adhere to the prevailing internal controls which will trigger better financial performance of the hospital.
- 2) The study recommends that hospital administrator be encouraged to have routine chats with patients so as to bridge the gap. The routine conversation would encourage its

clients to frequently use the intercoms, emergency calls and notice boards for relevant information and communication as well as close the communication gap.

- 3) The aspect of supervision should be improved. Let the supervisors out the needs of their supervisees so that they empower them with the relevant skills. This way they will achieve the benefits of knowledge building, coaching and empowerment.
- 4) Payment should at least be signed by two signatories to avoid fraud. For each payment, it is safer and faster to use Electronic Funds Transfer (EFT) and cheque than cash.
- 5) Continuous budget monitoring should be done to avoid budget overruns at the year end. Investment in budget monitoring software that captures balances whenever expenses are charged is paramount.

5.6 Limitations of the study

First, an overall response rate obtained was 82% for the instruments that were used (questionnaires and interviews). For the interview a 100% was realized hence a good return however, for the questionnaires, only 82% was obtained with a short fall of 18% therefore results could not be generalized to the study. This was because some respondents were not willing to fill the questionnaires since they had a lot of other assignments to do. However the researcher had to convince the respondents that the research was for academic purposes.

The second limitation was biasness portrayed by some of the respondents who thought was aimed at paving way for their performance evaluation. This was addressed by the researcher through laboring to explain the reason for study and the benefits of the findings to hospital

Finally, locality where the study was conducted hence Naguru Hospital in Kampala was another limitation of the study since there are several of such facilities located nationally and practice internal controls and financial management it would not be wise to generalize findings

that what transpires in Naguru Hospital is similar to what takes place elsewhere or simply the situation is the same.

5.7 Contribution of the Study

1. Though a lot had already been said by previous researchers and seemingly there was a lot of information on the role internal control systems in the financial management of Public sector Hospitals, the gap existed as to application of internal controls in Public sector Hospitals. The study has revealed that only providing funds and medical equipment is not enough to safeguard financial resources of the Public sector hospitals and that Internal controls are very important in the financial management of these hospitals.
2. The study contributed to the body of knowledge in the financial management in not for profit organisation. Theoretically, the study summarized the COSO model and its components and provided linkage, and influence of one component (control environment) and interrelated with financial management. The important contribution is the awareness of the relationship between control environment and financial management.
3. The study findings provides a foundation of further research in examining appropriate ways of managing internal controls and financial management in Public Sector Hospitals, while at the same time help Public Sector Hospitals and other stakeholders like donors in designing appropriate systems for implementing financial management
4. Through the study findings and conclusions, an effort has been made to make recommendations of significant policy and management implications to policy makers. Administratively and managerially, the recommended areas go a long way in drilling issues critical for the well-functioning of the Hospital. The top management availed with up-to-date information on efficient policies upon which internal controls practices in line with financial management can be anchored.

5.8 Areas for further study

The study findings together with the drawn conclusions on each of the study objectives, limitation and recommendation found out that there are opportunities for further research that would give further insight into the area longitudinal study of relationship between internal controls and financial management. This study focused only on three components of internal control system namely: control environment, control activities and information and communication to examine “the effects of internal controls on financial management in Public sector hospitals”. “COSO’s Internal Control Integrated Framework”, stipulates that the dimensions include control environment, control activities, monitoring, risk assessment and information and communication. A study covering all the components of internal controls is needed to show whether there will be anything different or in addition or any addition to discover from this study.

The study concentrated on Naguru Hospital and did not consider other public sector hospitals. Therefore, studies to other public sector hospitals would provide a more conducive to a deeper meaning of the effects of internal controls on the financial management of public sector hospitals.

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APPENDICES

Appendix 1: Questionnaire to Naguru hospital staff

Dear respondent,

I am NAKALAWA Barbra; Registration No.15-MBA-00-KLA-WKD-0052, a participant at Uganda Management Institute – Kampala main campus in the faculty of Economics and Managerial Science, pursuing a degree of Masters in Business Administration. I am conducting a research on the topic; *“The effects of internal control on financial management of Public Sector Hospital: a case of Naguru Hospital.”* This questionnaire is to help me gather data that will enable me make conclusions and recommendations. Your contribution to this course will be treated with the confidentiality it deserves.

Your sincere co-operation is most welcome.

Tick the most appropriate

1. To which Age bracket do you belong?

a) 21-30 b) 31-40 c) 41-50 d) 51-60 e) 61 and above

2. What is your Gender?

a) Male b) Female

3. What is your highest level of educational attainment?

a) Certificate b) Diploma c) Degree Master Degree

e) PhD f) others Specify.....

Appendix 2: Questionnaire of Internal Control on Financial Management

This table shows the rating of performances by Naguru Hospital. You are kindly requested to rate these performances as specified, by ticking your correct choice. The Likert Scale rating is as follows: 5 for strongly agree; 4 for agree; 3 for Not Sure; 2 for Disagree and 1 for Strongly Disagree

Internal Control on Financial Management	5	4	3	2	1
There are controls in all operations in Naguru Hospital					
Duties are segregated and assigned					
The workers are knowledgeable.					
Workers are aware of internal controls					
Policies on internal controls are implemented					
The BOD carries supervisory roles					
Services are provided at the promised time					
There is accurate billing of services by employees					
There is accurate order fulfilling in service provision					
There is accurate calculation of commissions by management					
There are convenient operating hours as required					
Naguru Hospital Employees give personal attention to clients					
Employees understand clients specific problems					
Employees attitudes and behavior is friendly					
Employees have best interest in heart to serve					
Communication in Naguru Hospital to clients is effective					
Facilities at Naguru Hospital are easily accessed					
Clients quests are easily met					
There is quality control of employees to care for the clients					

Thank you

Appendix 3: Interview Guide

Interview guide for the hospital Procurement Officer and Accountant

I Nakalawa Barbra, Registration number **15-MBA-00-KLA-WKD-0052**, a student of Uganda Management Institute, Kampala, carrying out a research on the topic; “*Effects of Internal Controls on Financial Management in Public Sector Hospitals: a case study of Naguru Hospital.*” do hereby request you to give response to this questions in order to enable me conduct this research successfully.

Name (Optional)

Title:

(Tick the most appropriate one)

1. How old are you? A) 18 - 25 B) 26-35 C) 36-45 D) 46-55 E). Above 55
2. What is your Sex A). Male B). Female
3. What is your level of Education? A) Post primary B) Diploma C) University graduates
4. What is your religion? A) Anglican B) Muslim C) Catholic D) Others
5. what is your occupation/ title? A) Staff B) Executive B) Any other
6. What is your marital status? A) Single B) Married C) Divorced D) Widowed

Give a precise answer for the above

1. What are the types of Internal controls in Naguru Hospital?

.....
.....

2. Is there any effect of internal controls on financial management in Naguru hospital?
.....
.....
3. There has been effective service delivery at Naguru Hospital due to effective internal controls
.....
.....
4. Are there Challenges hindering the internal controls towards effective financial management in Naguru Hospital?
.....
.....
5. Does Naguru Hospital have policies governing Internal Controls?
A. Yes B. No C. I am not sure
6. Does Naguru Hospital gain any advantages of internal controls towards effective financial management?

A. Yes B. No C. I am not sure
7. Does Naguru Hospital implement all the policies of internal controls as per the requirements of the law, to achieve effective financial management?

A. Yes B. No C. I am not sure
- Do you think Naguru Hospital has improved its operations because of adherence to internal controls?
A. Yes B. No C. I am not sure
8. Is it true that Internal controls contributes to effective financial management in local Government, taking a case study of Naguru Hospital

A. Yes B. No C. I am not sure
9. Do you think Naguru Hospital does implement internal controls in order to achieve effective financial Management?
A. Yes B. No C. I am not sure

Thank you

Appendix 4: Documentary checklist

Documentary data were collected using a documentary checklist. The documents assessed provided information related to the variables of the study as per conceptual framework.

Variable	Unit to Review	Department	Remarks
Financial Management -Operating Revenue -Operating Expenditure -Net Operating Income	-Naguru Hospital audit Reports 2013/2014-2015/2016 Internal audit Reports 2015/2016	Finance	
Control Environment -Hospital policies and practices -Integrity and Ethical values	- Hospital Policy manuals -Terms and conditions of service manuals -Organisation charts	- Directorate of Human Resources -Directorate of Hospital Administration	
Control Activities -Segregation of duties -Authorization of transactions -Arithmetical and Accounting activities -Physical control of cash	-Finance manuals -Human resource policy manuals -Payment Vouchers -Reconciled books of Accounts -Safe for keeping cash	- Finance -Human resource	
Information and Communication -Internal audit -External Audit -Supervision	-Internal Audit Reports -External Audit Reports -Board minutes -Memo's	-Hospital Administration -Finance	