



**EFFECT OF INTERNAL CONTROLS ON REVENUE PERFORMANCE IN
ORGANIZATIONS:
A CASE OF THE NATIONAL FORESTRY AUTHORITY (NFA), UGANDA**

BY

KIRASI SIMON

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DECLARATION

I hereby declare that this dissertation entitled: “*The Effect of Internal Controls on Revenue Performance in Organizations: A Case of the National Forestry Authority*” is my original work and has never been submitted before for any award in any other university or institution of higher learning.

Signed :.....Date:.....

Kirasi Simon

15/MBA/00/KLA/WKD/0036

APPROVAL

This dissertation has been under our supervision and is ready for submission with our approval for the award of Masters Degree in Management Studies (Business Administration) of Uganda Management Institute.

DR. SATURNINUS KASOZI MULINDWA

Uganda Management Institute

Signature.....Date.....

And

MR. PADDY MUGAMBE

Uganda Management Institute

Signature.....Date.....

DEDICATION

This piece of work is dedicated to my lovely wife Tracy for the continuous encouragement during the study time. I would also like to appreciate the endless jokes of my children, Rodney, Catherine, and Peter which turned out to be a driving force for me to finish up this work as well as everyone who has supported me during my studies and subsequent writing of this dissertation.

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LIST OF ABBREVIATIONS

| | |
|-----------|--|
| COSO | Committee of Sponsoring Organization of Tread way Commission |
| CVI | Content Validity Index |
| DV | Dependent variable |
| E'plyees | Employees |
| FYs | Financial Years |
| ICS | Internal Control Systems |
| IV | Independent Variable |
| M&E | Monitoring and Evaluation |
| Max. | Maximum |
| Mgrs | Managers |
| Min | Minimum |
| NFA | National Forestry Authority |
| Popn. | Population |
| QRV | Question Rated Valid |
| QS | Question Section |
| RP | Revenue performance |
| Std. Dev. | Standard deviation |
| UMI | Uganda Management Institute |

ABSTRACT

The general study objective focused on examining the effect of internal controls on revenue performance in organizations: a case of the National Forestry Authority (NFA) in Uganda. The specific objectives included examining the relationship between control environment and revenue performance, examining the relationship between control activities and revenue performance and examining the relationship between monitoring and revenue performance. “Agency theory” by Meckling (1976) was adopted to underpin the study findings. A cross-sectional research design was used where 61 respondents were randomly and purposively sampled out of a population of 73 employees. Descriptive statistics, correlation and regression approaches were used to analyze data. Hypotheses were tested at 5% significance level and revealed that control environment carried a weak negative relationship ($r = -0.170$) to revenue performance and not significant since the calculated $p = 0.203 > 0.05$. Control activities exhibited a weak positive correlation ($r = 0.192^*$) at significance level of $p = 0.150 > 0.05$. Monitoring exhibited a moderately positive correlation ($r = 0.458$) at $p = 0.000 < 0.05$. This resulted into rejection of the former two and acceptance of the latter hypothesis. The study revealed that the three dimensions of internal controls covered in this study performed fairly and accounted for 24% of the total revenue in NFA. Therefore, it is recommended that management investigates other factors that may be affecting revenue performance as well as working to improve on the implementation, supervision, enforcement, and monitoring of its established internal control frame works in the organization.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The study aimed at investigating the effect of internal controls on revenue performance of the National Forestry Authority (NFA). Chapter one presents: - Background of the Study, Statement of the Problem, General and Specific Objectives of the study. In addition, the Research questions, Hypotheses, Significance, Conceptual Framework, Justifications, Scope and Operational Definition of terms and concepts.

1.2 Back ground to the study

This section focused on: - the historical background, the theoretical background, the conceptual background and the contextual perspectives.

1.2.1 Historical Perspective of Internal Controls

The history of internal controls can be traced as far back as the old days of the Greece, Babylon, Roman Empire and States of Italy (Sridhar, 2003). The leaderships of these governments were concerned with officials entrusted with the management of public funds but distained to swindle government funds whenever opportunity arose (Sridhar, 2003). The expanded nature of organizations beyond control of the “boss” (Brewer, 2004) coupled with advance in civilization (Mautz and Sharaf, 1961), made advisability of some kind of checks on the fidelity of trustees in organizational management a necessity. The 18th century fraud cases such as the South Sea Bubble and the Tulip Scandals (Sridhar, 2003) together with the “Bubble Burst” at Enron, US Energy Company in 2000 (COSO, 2009), offered a justified and strengthened position on the requirement of internal control establishment for effective organizational management. The

establishment of effective internal control framework requires a dynamic process, with deliberate and purposeful actions to ensure compliance with plans and policies previously developed in the organization (Chandan, 2003). Properly designed and functioning controls reduce the likelihood that significant errors and fraud occur and remain undetected (Thomas, 2010).

The National Forestry Authority (NFA) as a government parastatal set up in 2003 to manage all Central Forest Reserves in the country in a businesslike manner, was required to raise funds from sale of its products and services and eventually become self-sustaining (Isoke and Akakwa, 2007). The task required NFA Board of Directors and Senior Management to craft up a series internal controls to safe guard its resources including revenues. Performance monitoring indicators were defined including revenues and the gaps that could trigger reviews. Internal control reviews occur when very significant gaps are realized in performance, resulting from non-adherence to established controls and standards. Non-adherence always manifests in forms of fraud, poor performance and loss of confidence by the stakeholders (Doyle et al, 2005).

The establishment of internal controls in NFA aimed at restoring confidence of all stake holders and enabling the organization manage its inherent risks that could hamper the achievement of its strategic objectives supported by the organizational structures (NFA Financial Management Manual, 2015).

1.2.2 Theoretical Perspective

“Agency Theory” by Jensen and Meckling (1976) was adopted to guide this study. The theory addresses conflicts that occur in organizational management between the Principal (who the owners) and the Agents (who are the employees). The theory is built on the assumption that the

principal's role was to own all the economic resources while the Agent was to use and control those resources on behalf of the former (Adam, 2009). The difference occurring in pursuance of this assumption, results into conflict. The theory asserts that the primary objective of the Principal is profit maximization and other value related objectives from the organization. Yet the Agents look for means to maximize wealth in terms of salary and other monetary benefits whenever an opportunity arises. The principals state their requirement/targets through the mission statements, organizational objectives and vision which they clearly communicate to the Agents. However, for selfish motives the agents may fault on disclosing some information, activities and profits to the Principal during the course of work performance.

The "Agency theory" hence emphasizes the critical need of control establishment in organizations to harmonize relationship between the owners and employees. This theory posits that employing and strengthening organizational control mechanisms plays an instrumental role in reducing conflicts in organizations (Adam, 2009). Other proponents of agency theory such as Jussi and Petri (2004) believed that organizational internal control systems works best when interventions like better incentive programs, reporting and performance measurements were in place.

Those in support of the "Agency Theory" stress that internal control function ensures better organizational performance and that other than prevent and detect fraud; internal controls help to reveal the strength of the overall accounting environment in an organization (Jussi et al. (2004). Kenyon and Tilton (2006) assert that if the Agency theory is to remain relevant in organization management, it must be reinforced with a very strong and effective internal control system. An

effective internal control system is determined by the level of skills and fidelity of people in the organization, thus, making it critical to train, educate and sensitize employees (Brewer, 2004).

The application of the “Agency theory” to this study was aimed at postulating the different organizational behavioral, economical and controlling roles which provides a compelling framework upon which promulgation of the management control systems is based. The implementation and success of any control mechanism depends on the amount and content of information that exist in the domains of organization’s management systems. The disseminated information and the concurrent variables surrounding the agency relations were also vital elements in creating any control system (Mohammad, 2012). The “Agency theory” was therefore used to establish the differences between idealism and realism on assertions illustrated by Brewer (2004) and Jussi et al 2004) on the different aspects assumed to affect the normal functioning of organization’s established internal control frame works.

1.2.3 Conceptual perspective

“Internal controls” provide the means through which organizational goals get aligned to employee aspirations, capabilities, activities and performance (Sushma and Gupreet, 2000). The establishment of “internal controls” in organizations is an activity of organizations’ top management. The purpose of organization internal controls is to enable delivery and monitoring achievement of established strategic objectives. “Internal controls” are therefore agreed rules and regulations principally put in place by management to improve on the working environment in the organization (Muraleetharan, 2011). “Internal controls” are very instrumental in setting grounds upon which performance can be measured. The weaknesses and absence of a good control system in organization means that things are likely to be done haphazardly. A strong

internal control system ensures that risks are mitigated and resources protected (Jensen, 2011). An effective control system is one that enhances reliability and improves on the accountability in the organization (Fadzil, 2013).

On the other hand, “Revenue Performance” can be one of the parameters to measure the level of effectiveness of organizational control system. Many organizations set revenue projections before or at the start of the next financial period. The variations realized at end of period can be explained by different factors including the control system of an organization (Hongreen, 2002).

1.2.4 Contextual Perspective

The National Forestry Authority (NFA) which was established by an Act of Parliament in 2003, became operational in April 2004 (Isoke and Akakwa, 2007). It was required to operate in business-like manner with adequate freedom and flexibility to mobilize financial resources from sale of its products and services to run its activities. This subsequently resulted in crafting of a number of internal controls by management to guide and regulate revenue mobilization activities. Revenue Controls include revenue management procedures, pricing approaches of products and services and approval procedures of major transactions (NFA Financial Management Procedure Manual, 2015). NFA however, by FY 2011/12 had failed to meet its revenue targets for the last six years and NFA performance reports for the last six years with even some years posting less than 50% of the targets as illustrated in **Figure 1.1**. In 2012, NFA could not sufficiently fund its activities and central government took over its wage bill. This meant that now the collected revenues were used to fund other organizational routine activities.

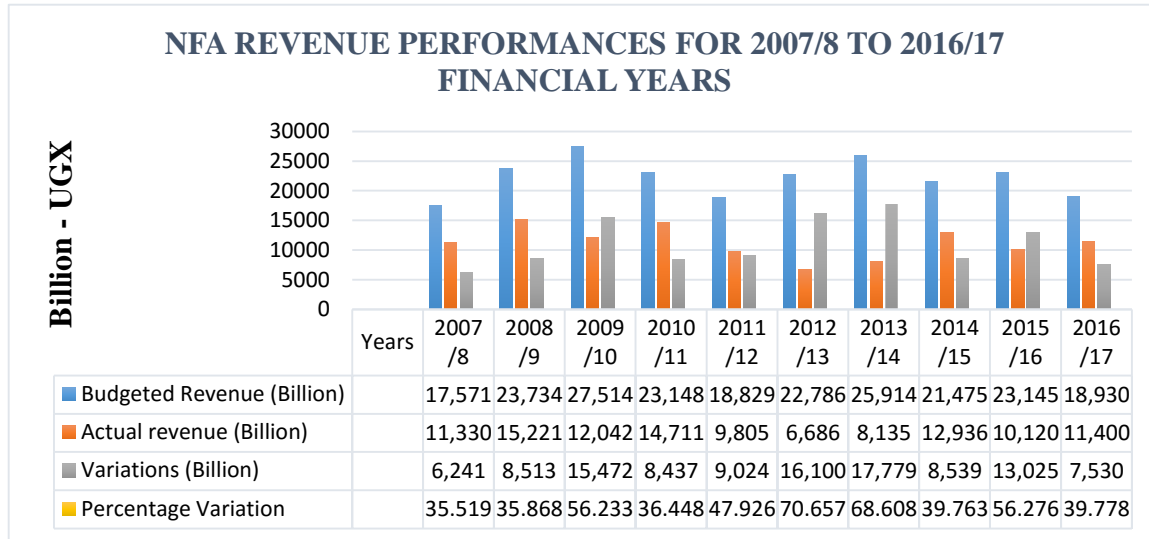


Figure 1:1 NFA Revenue performance for the period FY 2007/8 to FY 2016/17

Source: NFA Performance Reports modified by Researcher (2017)

1.3 Statement of the Problem

NFA is a semi-autonomous organization with the mandate to operate in a business-like manner in order to raise its financial requirements for self-sustenance through the sale of its different products and services. This activity is guided by a number of established internal controls that addresses all aspects relating to revenue activities (NFA Revenue management Manual, 2015). Revenue targets and projections take a bottom-up approach aimed at having staff own up the revenue mobilization, collection and management. That notwithstanding, NFA has always failed to achieve its revenue targets. The variance in actual and projected revenue in 2012/13 FY increased to 70.66% from 47.92% in 2011/12 while that in 2015/16 increased to 56.27% from 39.76% in 2014/15. In 2012, NFA financial position went low making it difficult for the organization to sufficiently fund its core activities and this resulted into Government taking over NFA wage bill. The failure to meet the revenue targets has been attributed to staff and

weaknesses in the internal control systems amidst claims that the authority has sufficient resources to meet its revenue targets and become self- sustaining. Therefore this study sought to critically look at the effect of NFA's internal control system on revenue performance.

1.4 General Objective

The general objective of the study was to examine the relationship between internal controls and revenue performance of NFA during the period 2012 -2017FYs.

1.5 Specific Objectives

The study sought to achieve the following specific objectives;

- i. To examine the relationship between control environment and revenue performance in NFA.
- ii. To examine the relationship between control activities and revenue performance in NFA.
- iii. To examine the relationship between monitoring and revenue performance in NFA.

1.6 Research Questions

- i. What is the relationship between control environment and revenue performance in NFA?
- ii. What is the relationship between control activities and revenue performance in NFA?
- iii. What is the relationship between monitoring and revenue performance in NFA?

1.7 Hypothesis of the Study

The study tested on the following hypothesis:-

- i. H₀₁: There is relationship between control environment and revenue performance of NFA.
- ii. H₀₂: There is relationship between control activities and revenue performance of the NFA.
- iii. H₀₃: There is a relationship between monitoring and revenue performance of the NFA.

1.8 Significance of the study

The study findings will be significant in the following ways;

- i. The study findings will set out as building blocks for NFA in developing an effective internal control system.
- ii. It was also believed that the findings will add to existing body of knowledge and help the researcher get a deeper understand of internal controls operation in NFA.
- iii. Finally, the study prepared the researcher for more complex studies, besides being awarded a Master's degree in Business Administration.

1.9 Justification of the Study

The failure of NFA to raise its own revenues and eventually become self-sustaining as earlier thought is a critical issue concerning the management. Constantly, staffs have been blamed for the failure to meet revenue targets. In an attempt to meet revenue targets resources such as trees are disposed-off before rotational periods in a bid to raise revenues. New products and services have been introduced to the market every year but with little achievement. Financial management procedures have been revised (including the recent one of 2015) as an intervention to counteract cases of misappropriation but with little or no change at all. Therefore, this study rolled out to investigate and provide firm ground to the management on possible alternatives to better revenue performance.

1.10 The Conceptual Framework

A conceptual framework according to Jonker and Pennink (2010) illustrates the linkages that exist between the different variables and it shows the direction and the relationships of the different elements in the study. In this study it was perceived that the sub-variables in the three

dimensions of internal controls yields independent effects on the revenue performance and the general performance of the organization. The conceptual frame work adopted to guide and accomplish this study was as illustrated in **Figure 1.2** below.

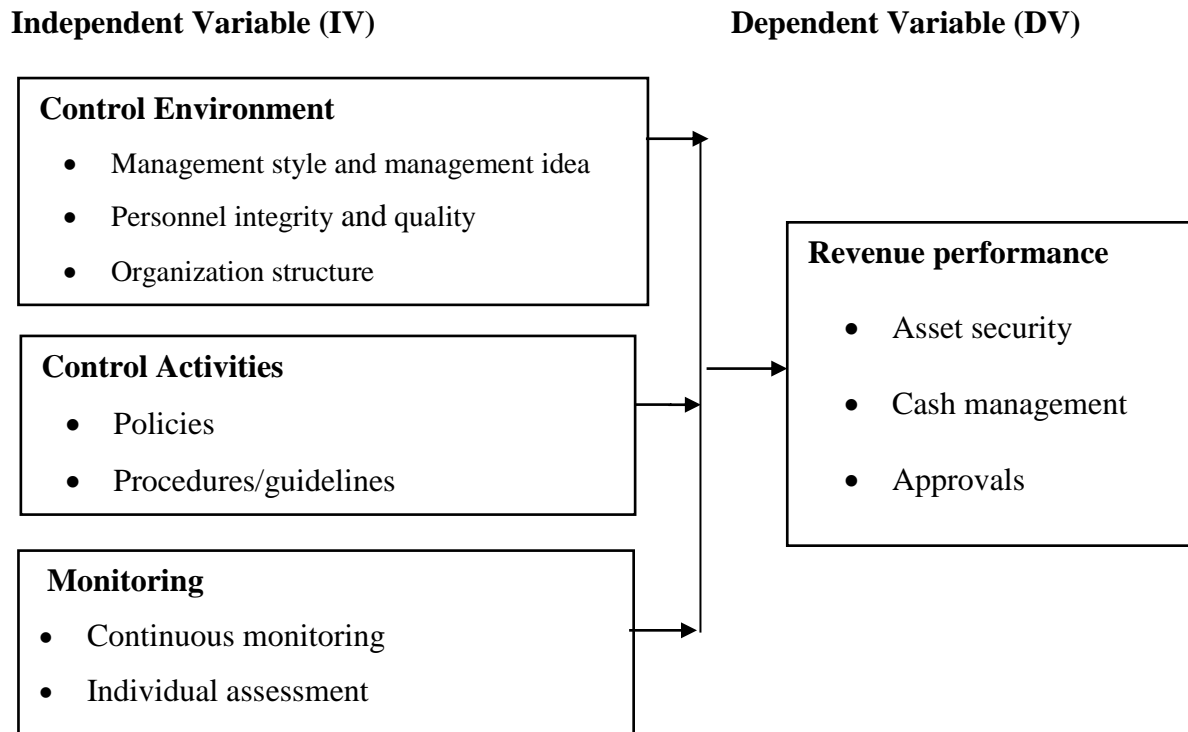


Figure 1.2: The Conceptual Framework of internal controls on revenue performance

Source: Adopted from Owusu (2012) and modified by the Researcher

1.11 Scope of the Study

A study scope describes the extent the study covers at a time (Babbies, 2000). In this case it covered the geography, content and the time scope as presented below.

1.11.1 Geographical Scope

The study covered four Directorates of NFA: - Directorate of Cooperate Affair, Directorate of Finance and Administration, Directorate of Natural Forests and Directorate of Plantations. Much

concentration was on the Directorate of Finance and Administration as it is the one directly concern with finance and the internal audit function in the organization.

1.11.2 Content Scope

Internal controls were examined on three dimensions: - the Control Environment, Control Activities and Monitoring as the independent variables. The Control environment was viewed on areas of management style, structure and personnel integrity, control activities were restricted to policies and procedures/guidelines while monitoring was viewed on continuousness of the monitoring processes and individual assessments. Revenue performance as a dependent variable was viewed and restricted to liquidity, asset security, cash management and approvals

1.11.3 Time Scope

The study covered the period of five financial years (2012 -2017) looking at NFA revenue performances in relation to established internal control system. This period was chosen because NFA revenue generation declined greatly with higher percentage variations between the actual and projected revenues (NFA Reports, 2013 and 2014)

1.12 Operational Definitions of terms and concepts

This describes the different terms and how they have applied in this study and they include the following:-

Internal control: this was used to mean procedures, rules, policies, guidelines and structures developed by the board of directors, implemented by management (employees) to provide a reasonable assurance in achieving firm's strategic objective. They were perceived to offer acceptable levels reliability of management to the principal (Board), ensure compliance with

applicable laws and regulations and to enhance and protect the organization's reputation (Kaplan, 2008).

Revenue Performance (RP): A strategy for deriving real sales growth by quantifying and optimizing your marketing processes. Revenue Performance is a goal-driven approach that turns your marketing department into a profit center (Awitta, 2010). Performance can be as projected, less or more depending on level of compliance with control system of an entity.

Revenue: In this case revenue meant inflows in terms of incomes derived from the sale of different products and services presented to the market by NFA (Schwinger, 2005). In general, revenue in the study referred to business incomes received during a given period involving an exchange of goods and services.

Control Environment: This was used to mean the general setup of the organizations structures that make the functioning of other control systems in organization to be formulated and function effectively (Whittington and Pany, 2001). Control environment actually defines structural setups of the hierarchy, coordination of activities and monitoring. One of the functions of control environment as viewed in this study included; setting up objectives of the entity, establishment of monitoring parameters, and development of overall strategic plans.

Control activities: These was used to mean policies, procedures, techniques, guidelines and methods employed by management to minimize risks and ensure effective and efficient performance of activities (Muraleetharan, 2013). Any faults at any level in the control activities results into poor performance.

Monitoring: This refers to approaches adopted by management to ensure compliance (Colbert and Bowen, 1996). It involved the process of gathering and putting together information over a period of time, analyzing it and using that information to track progress in relation established objectives and subsequently guide management on decision making.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the broader context of the study variables in terms of past scholarly works. It covers the theoretical review and thematic relevant literature related to the study objectives illustrating the relationships between internal controls and revenue performance in organizational management. This section tries to build an understanding of the existing gaps which this study sought to fill and some of the selected sources of literature included:- Academic journals, NFA reports and memos, Newspapers, previous studies in similar field and internet among others.

2.1 Theoretical Review

“Agency theory” by Jensen and Meckling (1976) provides ground for the establishment of control mechanism in organizational management (Kartika, 2013). In implementing an effective control mechanism, the agency theory assumes that: - control systems are merely based on output under conditions of uncertainty and information about agent’s actions and efforts. It assumes that Agent monitoring controls are based on output and additional variables (Mohammad, 2012). These assumptions focus on streamlining and monitoring activities of Agent to deliver output desired by the principal ignoring the fact that both are utility maximizers.

In the development processes of organization’s control system, the proponents of this theory argued that issues like performance measurements, activity controls, reward systems, standards and procedures, and contracting terms must get defined and communicated to the Agents by the principal (Mohammad, 2012). The counter argument by Osterman (2006) was that the behaviors of the agent-principal relationship could be complicated by individual characteristics, attitude,

work-aversion and culture rather than organizational environment. Shapiro (2005) believed that contract imperfections that may exist in the agency relationship also makes it very difficult for the principal to observe the true efforts of the agent. He argued that such imperfections escalate the problem of information asymmetry that results into the emergency and encouragement of moral hazards in the organization, which is the situation where the principal is not in the position to know whether the agent acted in line with the principal's interest (Shapiro, 2005). Moral hazards yields substantial costs to the firm (Gomez-Mejia et al. 2005). The level of costs depend on the ability of the principal to find an appropriate solution to reducing information asymmetries through measuring managerial performance, determining effective incentives, as well as implementing rules and regulations to limit unwanted behavior or moral hazard (Gomez-Mejia et al. 2005).

Moral hazard is the exact issue that "agency theory" is designed to address through various mechanisms (Eisenhardt, 1989). The theory provides the best prescription to the principal on how to design and develop effective controls to reduce managerial opportunism and self-interest (Daily and Dalton, 2003) and this explains why this theory was adopted for this study. The theory advocates for a fair treatment of all parties in the relationship (Payne, 2003) which acts as a benchmark towards management of operational costs of the firm. Specifically, the theory was applied in this study to test the assumptions that poor performance was a result of conflicts that exist between the principal and the agent and that the structural framework of internal controls can substantially affect performance.

2.2 Concept of Internal Controls

Internal controls are differentiated from other controls by simply how they come into existence (Thomas, 2010). The development and implementation organization internal controls starts with the Board as the highest level management. The Board sets the tone of success, establish and communicate code of conduct required and expected of employees while observing the same (Thomas, 2010).

Revenue management controls at NFA are codified into what was referred to as “Financial Management Procedure Manual” approved by the Board tackling issues to do with finances. The manual established controls ranging from procedures on revenue source identification, pricing of products and services, approvals of sales and receipting among others (NFA Financial Manual 2015). The challenge however was to establish the level of compatibility of these controls with revenue performance, which this study set out to establish.

2.2.1 Control Environment and Revenue Performance

Control environment forms the foundation upon which internal controls are developed in organizations. It provides the mean for the organization leadership to exhibit its level of assurance to ethical and truthful conduct (Thomas, 2010); therefore forming a basis for control establishments by providing fundamental discipline and structure (Applegate et al, 1999).

Rezaee (2010) argued that control environment offers an ideal ground for evaluating the sufficiency and appropriateness of organizations control systems. The status of control environment determines the implementations and functioning of organizations’ internal controls Rezaee, (2010). The weakness or strength of control environment results into either negative or

positive performance (Thomas, 2010). This was supported by COSO (2009) that asserted that control environment determines the functionality of other controls and carries significant influences on the perception of its people.

Effective organizational control environment is a function of management philosophy and operating style. It defines how power is assigned and duties, guides on the development of structures and development of employee strategies, (Douglas, Micah and Tom, 2014, KPGM, 1999, Justice Ray, 2015). Justice Ray (2015) in his study revealed that top management conveys their commitment through their actions which is in agreement with the “Upper Echelon theory” by Hambrick and Mason (1984); suggesting that behavior of key decision makers carries a reciprocal impact on the organizational strategy and its performance overall (Hambrick et al., 1984). This re-enforced Thomas’ (2010) argument that in an organization, employees learn and copy behaviors exhibited by their superiors, such that if policies and rules were bent by top executives, employees will do the same.

The effectiveness of the Board may be determined by factors including how they (Board) come into existence (Opio, 2013). The appointment of Boards of Directors and other top management officials in government organizations often has political inclinations, overriding desired interests (Opio, 2013). This renders the independence of the control function in organizations largely theoretical (Sridhar’s (2003).

The analysis showed that the weaknesses that exist in the control environment, affect performance of entire control frame work. This study was therefore undertaken to investigate

control environment on aspects grouped under management style and idea, personal integrity and structure as identified gaps upon which successful control environment rotates.

2.2.2 Control Activities and Revenue Performance

Control activities describes guidelines, methods, approaches, strategies and actions put in place by management to ensure right decisions are taken (Rezaee, 2010). Control activities are intended to manage possible risks that could hamper achievement of entity's objectives and they can achieve purpose, when respected and exercised uniformly throughout the organization (Rezaee, 2010).

Thomas (2010) grouped Control activities into four categories. The first category covered "*directive controls*" which offer guidance to employees on how to deliver overall objective accomplished through proper Job design and descriptions, setting up of proper policies and code of ethics. The second category covered "*preventive controls*", meant to reduce error chances. "*Detective controls*"; meant to allow timely error detection and undesirable occurrences, for example; errors occurring in reconciliation) and finally, "*corrective controls*" (Actions to identified flaws). The implementation and monitoring of these control activities can be made possible with the help of the audit function in organizations (Thomas, 2010).

The COSO (2009) breaks down control activities into approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties. Whatever the classification control activities takes, the primary objective of their existence in organization is to reduce on the possible danger that affects performance. Organizations'

management need to implement control activities that work to reduce the likelihood of risks and working towards reducing the impact if such risks occurred (Thomas, 2010).

Apparently, these control activities are quite well developed in all organizations backed by other laws of the land. However, due to human manipulations they do not leave to serve their purpose due deliberate errors caused to fault systems and controls. In this study, the researcher intended to investigate effectiveness of control activities by looking at NFA policies and guidelines/procedures.

2.2.3 Monitoring and Revenue Performance

Monitoring is a sustained approach adopted by an organization to watch over the quality of its activities, action, decisions over time (Yumi, 2007). Monitoring provides information on the direction the organization is taking by tracking events and achievements which results into proper and timely decisions. It forms the basis for accountability, learning and evaluation (Douglas et al., 2014).

Monitoring is possible when activities, procedures, performance indicators are established and known by the Agents (Rezaee, 2010). A number of factors affect the monitoring function in an organization (Yermark, 2012). The failure to draw out cost-benefit relationship, collusion and management overrides are some of the limitations to effective monitoring (Thomas, 2010). It's very central therefore that those performing the monitoring function be independent of those being monitored (Cohen *et al.*, 2000).

Monitoring involves supervision, listening and taking on customer complaints and feedbacks, conducting periodical audits and reconciliation of performance (Rezaee, 2010). Monitoring is

done at two levels as a continuous process or individual assessments. Continuous monitoring covers a wider spectrum with each staff at different strata of the hierarchy analyzing and evaluating the effectiveness and efficiency of control system. Individual assessment is done by independent unit in the organization, which is always the Audit section (Rezaee, 2010).

2.3 Concept of revenue performance

Revenue performance can be measurement subjectively or objectively Ndifon (2014). An appropriate revenue performance measure enables the organization to direct its actions towards achieving its strategic objectives Ndifon (2014). The subjective measurement illustrates the difficulties associated with collecting qualitative revenue performance data and the reliability of such data arising from differences in accounting methods used by firm. The objective measurement involves looking at profit growth, revenue build-ups, and return on capital (Kent, 2009).

Internal control systems in an organization are established to primarily enhance the reliability of financial reporting and accountability among the information providers (Jensen, 2001). Internal controls pre-empt financial information holders to the disclosure requirement which is aimed at reducing fraud, mismanagement and misappropriations of funds (Doyle et al., 2005). Internal controls can therefore be referred to as an independent appraisal used to ensure quality and monitor managerial performance in organizations (Fadzil et al., 2005)

Muraleetharan (2011) examined the internal controls and impact on financial performance in organizations based aspects of control activities, control environment, risk assessment and Monitoring. Profit, efficiency and liquidity were used to measure financial performance and concluded that internal controls as whole significantly influence performance. This is in

agreement with Mawanda (2008) who measured financial performance using elements of liquidity, accountability and reporting. In contrast, the study about internal control and their effect on revenue performance in Kenya Revenue Authority by Mwachiro, (2011), found that internal controls contributed only 33.9% to revenue performance in organizations.

2.4 Summary of Literature Review

The reviewed Literature shows that organizational control frame work cannot achieve its purpose if its different dimensions are not coherently functioning. In practices, a sound frame work starts with establishment of a sound control environment followed by other control dimensions. However, the point of success/ failure of organizational control frame work starts at any stage of framework during the implementation. The significance of proper and continuous assessment of the effectiveness, relationships and impact of organizational control system overtime become a necessary aspect for progressive organizations to remain on course. From the literature, one can easily suggest that a loophole at one stage in the internal control framework carries a spilling affect to the entire framework, leading to fluctuating effects in the general performance of organizations. This study will therefore seek to investigate critically this scenario.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

Chapter three describes methods used in the study. It presents the Research Design, Target population and Area, Sample Size and the Sampling Techniques and Instruments of data collection. It highlights how the variables were measured and approaches to data processing and analysis.

3.2 Research Design

This study used both quantitative and qualitative techniques (triangulation). A cross sectional survey design was used in order to collect data from a section of respondents from a population sharing similar characteristics. This design was considered useful in this study because it is usually simple, less expensive in terms of costs and time and can yield meaningful information if conducted well (Babbie, 2002). The investigation approaches adopted sought to establish levels of differences in perception about different variables under study using probing questions that required respondents to either agree or disagree depending on the magnitude.

The qualitative part of the study was investigated using oral questions that involved an interaction of the researcher with selected respondents on the different study variables. Correlation approaches were used to establish the level of relationships between the variables.

3.3 Study Population

The study population covered four directorates: - Corporate Affairs, Finance and Administration, Natural forests and Plantations and the office of the Executive Director with a total population of

73 employees based at NFA Headquarters. The key interviewees were Heads of Directors and Managers. Other respondents included employees of the four directorates.

3.4 Sample Size Determination

Krejcie and Morgan (1970) sample size formula table (appendix 1) was used to determine the sample size of 61 respondents from a population of 73 staffs of NFA. Both probability and non-probability sampling technique were used to get the actual respondents. Purposive sampling as a non-probability technique was used on Directors and Managers because they are few in number and they are routinely involved decision making activities of NFA. Directorate Heads and Managers formed key respondents of the study and the findings from this category covered the qualitative part of this research, involving face to face interaction of the respondents and the researcher.

Random sampling technique was used to pick respondents from employees who are the majority. These were included in the study to establish their perceptions about the variable of the study and the data collected from this category was in quantitative terms collected using a five Likert scale graduated questionnaire.

Finally, in Directorates where the population of employees was small, it was taken in its entirety in accordance with Krejcie and Morgan's (1970) formula table for sample sizes.

Table 3:1 Departments and Target Respondent according to Krejciec and Morgan (1970)

| Directorate | Population details | | | Study Popn. | Sample size | Sampling technique |
|---|--------------------|------|----------|-------------|-------------|--|
| | Heads | Mgrs | E'plyees | | | |
| Executive Director's office | 1 | 2 | 15 | 18 | 14 | Purposive (Heads and Managers), random for employees |
| Corporate Affairs | 1 | 1 | 15 | 17 | 14 | Purposive (Heads and Managers), random for employees |
| Finance and Administration | 1 | 1 | 7 | 9 | 9 | Purposive |
| Plantations | 1 | 2 | 16 | 19 | 14 | Purposive (Heads and Managers), random for employees |
| Natural Forests | 1 | 2 | 7 | 10 | 10 | Purposive |
| Total Population and Sample Size | | | | 73 | 61 | |

NOTE: All Directorate Heads and Managers were purposively sampled and they answered both the questionnaires and direct interviews.

Source: Compiled by the Researcher (2017).

3.5 Sampling Techniques and Procedures

Since the study aimed at getting both quantitative and qualitative data from the field at the same time from the same respondents, both probability and non-probability based sampling techniques were used.

3.5.1 Purposive sampling

Purposive sampling was used in soliciting qualitative information from study participants through direct interaction with the Researcher. This category of respondents were chosen on account of seniority, experience and knowledge about the study variables. In this study, this covered Heads of Directorates and Managers.

3.5.2 Random Sampling

Simple random sampling was used in soliciting quantitative information from the study population. The randomly sampled respondents acted as representatives of the study population so that the results could be generalized to bind the entire population. This technique meant that all individuals in the study population had equal and independent chances of being selected. This technique was instrumental in avoiding bias (Amin, 2005).

3.6 Data collection Methods

The following data collection methods were used to obtain adequate variable data:-

3.6.1. Questionnaire Survey

A self-administered questionnaire with alternatives requiring respondents to tick off the most appropriate alternative was used to collect primary data. Mugenda & Mugenda (2005), asserted that this method is vital in obtaining information from a study population and ensures wide coverage within a short time. Sekaran (2003) regarded this method as very effective because it enables the Researcher to know exactly what is required and how to measure the variables of interest. This method offers anonymity of respondents and its time saving nature Amin (2005).

3.6.2 Interview

This method involved direct asking of questions and receiving responses from Head of Directorates and Managers who were purposively selected. Respondents in this category were subjected to both the questionnaires and direct interviews because they were considered to have more information relevant to this study and probably not well covered in the questionnaires. This method enabled the researcher correlate the findings and conclude on the study. Creswell (2013) asserted that this method of data collection helps in getting historical information from respondents using unstructured and generally open-ended questions.

3.6.3 Documentary Review

The researcher used documents from NFA concerning finance and revenue generation such as quarterly and midyear revenue performance reports to get required data. The data collected was used to relate the internal control variables to revenue performance in NFA.

3.7 Data Collection Instruments

Interview guides, documentary reviews and the self-administered questionnaires was used to collect the required data.

3.7.1 Self-Administered Questionnaire

The questionnaire was distributed to selected respondents who independently completed and returned them to the researcher. The questionnaire had responses graduated using a five-point Likert scale requiring respondents to pick the most appropriate answer per question. The different responses from respondents were aggregated for analysis. Preference was given to the questionnaire because the study intended to prove the extent of the hypotheses. The advantages

of this included the ease to formulate, administer, and the straight forward way of classifying respondents' attitudes, beliefs and motives (Robson, 2002).

3.7.2 Interview Guide

Both structured and unstructured questions were used to carry out face-to-face interviews with the respondents. The instrument was used to get core information on revenue performance in NFA. The interview guide allowed for probing and extracting other unknown information not covered in the self-administered questionnaire.

3.7.3 Documentary Review Guide

The documents reviewed included: - NFA performance reports, Minutes, NFA memos and academic journals relating to the variables under study (Appendix 2). This helped in backing up data generated from respondents.

3.8 Quality Control (Validity and Reliability tests)

Quality control was intended to ensure that the information generated using the questionnaire gave reliable findings. Pre-testing for validity and reliability of research instruments ensured appropriateness and consistency in measuring variables under study (Amin, 2005).

3.8.1 Validity of Data Collection Instruments

Testing validity of data collection instrument was aimed at getting justifiable and truthful data from the field (Amin, 2005). Two independent respondents from same sector were used to check the instrument validity by rating questions in each section of the questionnaire. The rate were then subjected to Content Validity Index (CVI) formula ($CVI = \frac{\text{Questions Rated Valid}}{\text{Total Questions}}$)

(QRV)/Question in section (QS) X 100). Results showed the overall content validity of 0.78 as indicated in **Table 3.2** below implying that content validity index (CVI) adequately corresponded to the content of the theoretical concept designed (Amin, 2005), deeming the instrument fit for data collection.

Table 3.2 Content Validity Index of the instrument

| Variable | Rater One | Rater Two | Mean rate | Remarks |
|-------------------------|------------------|------------------|----------------------|----------------|
| Control Environment | 0.78 | 0.67 | 0.73 | Valid |
| Control Activities | 0.67 | 0.89 | 0.78 | Valid |
| Monitoring | 0.86 | 0.86 | 0.86 | Valid |
| Revenue performance | 0.83 | 0.71 | 0.77 | Valid |
| Overall mean CVI | | | 0.78 | Valid |

Source: Field data (2017)

3.8.2 Reliability of Data Collection Instrument

Reliability test aimed at generating consistent results whenever the instrument was applied as Amin (2005) asserts. Ten respondents were used to pilot test the instrument at NFA- Muzizi river range in Kyenjojo and Fort portal districts. These were provided with the questionnaire and requested to respond to the questions as well as checking on the level of completeness, structure and simplicity of language. Other issues checked included the suitability level, length and privacy of respondent. The results were tested using Cronbach Alpha Coefficient yielding 0.62 as indicated in the **Table 3.3**, deeming the questionnaire fit for data collection (Sekaran, 2003).

Table 3.3 Reliability Statistic of Data Collection Instrument

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | Number of Items |
|------------------|--|-----------------|
| .624 | .627 | 30 |

Source: Field data (2017)

3.9 Procedure for Data Collection

After proposal defence and approval, UMI granted permission (appended) to go for data collection. Consent to do data collection at NFA was sought from NFA management and granted (license appended) before administering the questionnaires and interviews. This helped create confidence on the side of respondents without fear of being victimized. The Research Assistant collected data by administering questionnaires while the Researcher conducted interviews with key interviewees.

3.10 Data Analysis

Data analysis involved organizing and summarizing of study findings for meaningful interpretations. The analysis followed the order below:-

3.10.1 Quantitative Analysis

The Quantitative analysis involved synthesizing and analyzing collected data to give meaning to the specific objectives of the study. The findings were tabulated and presented using Statistical Package for Social Scientists (SPSS) to generate frequency tables, mean and correlation coefficient between variables and hypotheses were tested using Pearson correlation.

3.10.2 Qualitative Analysis

The qualitative data was analyzed under categorized themes of the study and discussed alongside the quantitative findings. Triangulation of both quantitative and qualitative findings aimed at drawing meaningful conclusions and recommendations of the study.

A linear regression model 3.1 was used to show the extent of effect of independent variables on the dependent variable.

$$RP = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon \dots\dots\dots 3.1$$

Where;

RP = Annual Revenue Performance

β_0 = constant or interception

X = effect of internal control (to be measured on three variables)

X₁= is Control environment (to be measured on management style, integrity and organizational structure).

X₂ = is control activities (to be measured on effective policies, procedures, and mechanisms in place to ensure proper directives).

X₃ = is monitoring (to be measured on continuity process and individual assessment and reviews)

ε = is the error term for the model.

3.11 Measurement of Variables

The variable of this researcher were measured using both the nominal scale and ordinal scale. Nominal scaling was used basically for naming elements like gender, age, religion while ordinal scale was used in ranking the data. The researcher used five Likert scale system to rate opinions of respondents.

3.12 Ethical Considerations

The research attracted no personal gain to the researcher to cause negative effects on others; all respondents were treated as people of integrity. The Researcher after clearance from UMI to go for data collection, sought permission from NFA Management before interfacing with the respondents (License attached). Respondents were required to remain anonymous in their responses to guarantee privacy and build up confidence among the respondents. Plagiarism and fraud were avoided by the researcher acknowledging all the work reviewed (Mugenda & Mugenda, 2003). The researcher guarded against falsification of information by making sure that what the respondents have gave was formed basis for discussions and conclusions of this study and finally all the questionnaires used were destroyed after data analysis.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter presents data analysis, discussion and interpretation of findings. The presentation followed the study objectives and sequence of questions in the questionnaire. The analysis was done with the aid of Statistical Package for Social Scientists (SPSS) version 20 and the findings were presented and displayed in terms of frequency tables, mean and standard deviation tables.

4.1 Response Rate

Out of 61 questionnaires distributed to the target sample, 58 were returned constituting the realized sample, translating to 95.1% response rate. An interactive interview targeted 12 respondents purposively sampled out of the main sample and 8 were accessed translating to 66.6%. The interviewees in this category also answered the questionnaires.

Table 4.4: Questionnaire Response Rate

| Description | Number | Percentage |
|--|-----------|-------------|
| Number of questionnaires distributed | 61 | 100 |
| Number of questionnaires Not Retrieved | 2 | 3.3 |
| Non-qualifying questionnaires | 1 | 1.6 |
| Total realized sample | 58 | 95.1 |

Source: Primary data 2017

4.2 Demographic Characteristics and General views of the respondent

Part one of the questionnaire covered different demographic aspects about respondents including Sex, Age, Education Level, time spent working with NFA, general assessment and rating of internal controls at NFA. The findings were as presented in **Table 4.5**.

Table 4.5: Demographic Characteristics and General views of the Respondents

| Characteristics | Category | Frequency = 58 | Percentage |
|--|-----------------------|----------------|--------------|
| Sex | Male | 39 | 67.2 |
| | Female | 19 | 32.8 |
| | Total | 58 | 100.0 |
| Education Level | Diploma | 12 | 20.7 |
| | Bachelors | 27 | 46.6 |
| | Masters | 14 | 24.1 |
| | Others | 5 | 8.6 |
| Age of the respondents | 20-29 years | 8 | 13.8 |
| | 30-39 Years | 26 | 44.6 |
| | 40-49 years | 17 | 29.3 |
| | 50 and above | 7 | 12.1 |
| Time spent working at NFA | Less than 5 years | 16 | 27.6 |
| | 5-10 years | 33 | 56.9 |
| | 10-15 Year | 9 | 15.5 |
| NFA internal controls sufficiently and effectively support revenue performance | Yes | 17 | 29.3 |
| | No | 41 | 70.7 |
| Rating of internal controls in relation to revenue performance | Poor | 24 | 41.4 |
| | Good and adequate | 12 | 20.7 |
| | Good but not adequate | 8 | 13.8 |
| | Not Adequate | 14 | 24.1 |

Table: 4.5 revealed that 67.2% of the respondents were male and 32.8% were female. This could have indicated that there were few female employees in NFA but it provided a balanced picture for this study in terms of gender. Majority of the respondents had both bachelors and Masters Degrees (70.7% combined) - (**Table 4.5** and **Appendix 1**). This implied that the biggest percentage of respondents were in the ability to assess the functioning of NFA's internal control systems and its effect on revenue performance, hence, their views considered reliable in achieving objectives of this study.

86% of the respondents were adults aged between 30 and 50 years and more. This implied that the study involved mature people whose judgments and views about the study variables were both reliable and accurate. 72.4% of the respondents had worked with NFA for periods between 5 and 15 years. This meant that majority were experienced and knowledgeable about NFA internal controls operations and their effect on revenue performance.

70.7% of the respondents indicated that NFA internal controls did not sufficiently and effectively support revenue performance while on 29.3% believed otherwise. 41.1% of the respondents rated NFA's internal control system as poor, 24.1% indicated that the internal controls were not adequate while 13.8% indicated that NFA internal controls were good but not adequate. Only 20.7% indicated that NFA internal controls were good and adequate. Therefore these big variations in perception implied that NFA internal controls were not functioning and delivering to expected levels.

4.3 Descriptive Statistics

This section dealt with the respondents' understanding of the different variables about NFA internal control systems in relation to revenue performance. Respondents were required to show their views on the different statements provided under each variable by either agreeing or disagreeing. Variations in the levels of agreement or disagreement were measured at five Likert scale where: - **1 = strongly disagreed, 2 = disagreed, 3 = not sure, 4 = agreed and 5 = strongly agreed.** The descriptive analysis followed order of objectives as presented below.

4.3.1 Control Environment and Revenue Performance

Different statements were used aiming at finding out how respondents rated NFA style of management, structure, integrity and the general control environment in relation to revenue performance. The findings were analyzed and presented in **Table 4.6** and ranked according to their mean and standard deviation to derive meaningful interpretation.

Table 4.6: Control Environment and Revenue Performance

| | N | Min | Max | Mean | Std. Dev. |
|--|----|-----|-----|------|--------------|
| NFA Board and management established and adhered to its internal control systems | 58 | 1 | 5 | 3.59 | 1.109 |
| NFA Organizational structure clearly reflected were clear chain of command | 58 | 1 | 5 | 3.62 | 1.006 |
| NFA Board of Directors and Management were people of high integrity and acted exemplary | 58 | 1 | 5 | 3.45 | 1.202 |
| Ethical values in NFA were upheld in all decisions and monitored adequately | 58 | 1 | 5 | 2.84 | 1.225 |
| Organizational environment supported NFA business objectives and internal control function | 58 | 1 | 5 | 3.21 | 1.210 |

| | | | | | |
|---|----|---|---|------|-------|
| NFA staff were honest, competent and worked for the benefit of the organization | 58 | 1 | 5 | 3.19 | 1.131 |
| NFA monitoring unit adequately communicated with the entities external and internal Auditors | 58 | 1 | 5 | 3.43 | 1.061 |
| Honesty and fairness was exercised when dealing with all stake holders, benefiting the organization | 58 | 1 | 5 | 3.29 | 1.200 |

Source: Field findings (2017)

Respondents agreed that NFA Board and Management established and adhered to its internal control systems at a mean value of 3.59 skewed towards maximum. The Board and Management was composed of people with high integrity and acted exemplary with a mean values of 3.45. The standard deviation values for the two variables indicated a relatively significant levels of disparity from the mean values probably caused by variation in perceptions by the different respondents. It could have also implied that despite agreement by some respondents, there issues that did work out well with the internal control system in relation to organizational revenues.

Respondents indicated that NFA organizational structure somehow reflected a clear chain of command as explained by mean value of 3.62 but the standard deviation of 1.00 meant that some respondents did not subscribe to this assertion.

Respondents disagreed with the statement regarding ethical values in NFA with mean value of 2.84 with a standard deviation of 1.23. The standard deviation of 1.23 raised a red flag for the organization in regard to revenue performance. On the contrary, they agreed with the statement that staff were honest, competent and worked for the benefit of the organization with a mean value of 3.19 and standard deviation of 1.13. The disparities between the mean and standard

deviation on these two variable could have indicated that the respondents were not transparent about the issues.

Respondents agreed with the statement that NFA's organizational environment supported organizational business objectives but with a very weak mean value of 3.21 and standard deviation of 1.21. The disparity between the mean and standard deviation was very significant and could have meant that management had not adequately supported the business objective in terms of marketing, advertisement, and investment to maximally exploit opportunities for better revenue performance as discovered from interactive interviews.

Relatedly, respondents agreed that NFA honestly and fairly deals with its stake holders at a mean value of 3.29 skewed towards maximum agreement scale with a standard deviation of 1.20. The deviation of 1.20 could be used to mean that management had not exploited that opportunity of its stake holders to improve its business objective and yield better revenues.

Lastly, it was indicated that NFA monitoring unit adequately communicated with the entity's external and internal Auditors at a mean value of 3.43 and standard deviation of 1.06. The disparity may have suggested that management was not giving enough attention to the findings of these independent bodies, let alone facilitating them to perform, resulting into poor revenue performance of the organization.

4.3.2: Control Activities and Revenue performance in NFA

This section aimed at finding out the respondents' level of understanding and appreciation of different control activities in areas of policy, procedure and guideline in NFA. The findings were presented in the table below.

Table 4.7: Control Activities and Revenue Performance in NFA

| | N | Min | Max | Mean | Std. Dev. |
|---|----|-----|-----|------|--------------|
| NFA policies and procedures on major revenue operations were established at higher levels and respected | 58 | 1 | 5 | 3.29 | 1.414 |
| NFA had clear separation of roles in revenue collection, handling and management | 58 | 1 | 5 | 3.36 | 1.347 |
| NFA had established mechanism to address weaknesses realized with its internal control system (ICS) | 58 | 1 | 5 | 2.93 | 1.309 |
| NFA human resource manual provided for appropriate behavior of staff and in cases of non-compliance | 58 | 1 | 5 | 4.00 | 1.108 |
| NFA revenue reconciliations were done on regular basis | 58 | 1 | 5 | 3.50 | 1.188 |
| There was an effective reporting of revenue performance in NFA | 58 | 1 | 5 | 3.59 | 1.170 |
| NFA had adequate channels and approaches to watch over its operations and staff activities all the time | 58 | 1 | 5 | 3.00 | 1.376 |
| Each staff in NFA was supervised by not more than one senior staff | 58 | 1 | 5 | 3.17 | 1.110 |

Source: Field findings (2017)

Respondents agreed with the statement that NFA policies and procedures on major revenue operations were established at higher level and respected at a mean value of 3.29 and standard deviation. The bigger deviation could be used to explain for the bigger proportion of the respondents who believed that this was not the case as reflected in **Appendix 1, Table 14**.

Respondents agreed that there was a clear separation of roles in revenue collection, handling and management with mean value of a mean value of 3.36 but the standard deviation of 1.34 needed an explanation. It may have meant that equally a larger proportion of the respondents did not think so or lacked adequate knowledge about the issue.

The mean value of 2.93 showed that respondents disagreed with the view that NFA had established mechanisms to address weakness when realized with its internal control systems. In the **Appendix 1, Table 16**, you notice that the difference between those agreeing and disagreeing was only 1% and this explained the existing standard deviation of 1.31. Another implication could have been that some respondents did not notice these mechanisms if they existed and exercised.

84.5% of the respondents in the study results appended, agreed that NFA human resource manual provided for appropriate behavior of staff translating to a mean value of 4.00 with a standard deviation of 1.11 in **Table 4.5** above. This implied that the manual guided fairly on the conduct of employee in relation to management of institutional assets including revenues but being let down by irregularities that possibly existed in other internal controls.

The mean values of 3.50 indicated that respondents weakly agreed with the view that NFA revenue reconciliations were done regularly and it was also agreed that an effective revenue reporting existed in NFA with a mean value of 3.59. The standard deviation of the two variables (1.18 and 1.17 respectively) implied that some loopholes existed in the two processes resulting into disagreement by some respondents.

Respondents agreed with the view that NFA had adequate channels and approaches to watch over its operations and staff with a 55.2% response rate translating to a mean value of 3.00 and standard deviation of 1.38 in **Table 4.7**, clustering them around the not sure zone. This implied that respondents either did not sufficiently have relevant information about the issue or were not ready to disclose facts and preferred to remain cagy about the view.

The study results showed that 48.3% agreed that staff were supervised by not more than one individual translating to a mean value of 3.1 and standard deviation of 1.11 (**Table 4.7** and **Table 21** in appendix). The disparity between the mean and standard deviation could be linked to the study results appended indicating that 22.4% respondents choose to remain neutral on this issue together with the 29.3% that disagreed was quite a significant proportion. This meant that respondents didn't fully disclose a true picture and if they did, then it indicated that there was a problem in the administrative structure of the institution, contradicting with the view above about NFA having clear chain of command.

4.3.3 Monitoring and Revenue Performance

This section aimed at establishing how respondents evaluated monitoring as a dimension of internal controls in relation to revenue performance in NFA. Monitoring was assessed on two sub variables; as a continuous process and individual assessment over time. Continuous monitoring was considered covering the performance of entire organization over specified intervals while individual assessment was assumed to be under taken by departments, units and staffs to inspect, analyze and evaluate performance visa-vis internal control effectiveness and efficiency. The findings were analyzed descriptively and presented in study results appended and descriptively as in **Table 4.8**.

Table 4.8: Monitoring and revenue performance

| | N | Min | Max | Mean | Std. Dev. |
|--|----|-----|-----|------|--------------|
| NFA revenue performance was periodically reviewed before end of year report | 58 | 1 | 5 | 3.60 | 1.123 |
| An independent monitoring unit existed in NFA | 58 | 1 | 5 | 3.10 | 1.385 |
| Management was often up-dated on the effectiveness of on-going monitoring processes, risks and control matters | 58 | 1 | 5 | 3.07 | 1.226 |
| Results of audit and monitoring unit were reviewed by management and appropriate actions devised with utmost urgency it deserved | 58 | 1 | 5 | 3.14 | 1.235 |
| NFA internal control systems were independently checked and evaluated on ongoing basis | 58 | 1 | 5 | 2.97 | 1.169 |
| Monitoring had helped in assessing the quality of revenue performance in NFA over time | 58 | 1 | 5 | 3.03 | 1.270 |
| Complaints affecting revenue performance of the organization were handled in a professional manner by management | 58 | 1 | 5 | 2.74 | 1.292 |

Source: Field findings (2017)

Table 4.8 revealed that respondents agreed that revenue performances were periodically reviewed translating to a mean value of 3.60 skewed towards the maximum level of agreement. The standard deviation of 1.12 could have implied that this was very un-popular to all respondents or that even when done, did not change performance as it may have lacked mechanisms to compel employees to effect change after reviews.

Respondents agreed that an independent monitoring unit existed in NFA with a skewed mean of 3.10 skewed towards the maximum agreement zone but close to not sure zone with a standard deviation of 1.39. The study results appended in **Table 23** showed 53.5% level of agreement leaving behind 46.5% in disagreement. This was interpreted to mean that despite the existence of the units, a significant number of respondents did not believe in the services offered or they did not deliver to their expectations resulting into poor revenue performance.

Respondents further agreed that NFA management was often updated on the effectiveness of the ongoing monitoring processes, risks and control matters with a mean value of 3.07 and standard deviation of 1.22. In effect the deviation was significant implying that possibly these updates even if effected, they were not always acted upon as indicated in the direct interviews, making it inconsequential in explaining revenue performance of the organization.

The mean value of 3.14 in **Table 4.8** showed that respondents agreed with the view that results of the audit and monitoring units were reviewed by management and appropriate actions devised with utmost urgency they deserved. The standard deviation of 1.24 could be taken to cater for proportion of respondents who did answer in favor for reasons similar to those raised in the above paragraphs of this section.

Respondents showed a more balanced level of agreement and disagreement on the view that NFA internal controls were independently checked and evaluated on an on-going basis with a mean value of 2.90 more skewed towards the neutral scale with a very small margin of 0.1% between agree and disagree (**Table 26**). This yielded a standard deviation value of 1.17, implying that it was not very well known to staff.

The skewed mean value 3.03 towards the maximum scale of agree indicated that respondents agreed that monitoring had helped in the assessing the quality and quantity of revenue performance in NFA. The standard deviation 1.30 possibly explained the weaknesses that existed in the monitoring function resulting into poor revenue performances.

Respondents disagreed with the view that complaints related to revenue performance were handled professionally by management with a mean value of 2.74 and a standard deviation of 1.30. The standard deviation showed the level disparity in views amongst respondents and could be related to individual emotions and judgement.

4.3.4 Revenue Performance

This section aimed at getting respondents' views related to revenues as assets, liquidity, cash management and approvals among others. The findings were analyzed using frequency tables appended under **Appendix one** and descriptively as presented in **Table 4.9** to ease interpretation.

Table 4.9: Descriptive statistics showing the responses on the level of Revenue performance

| | N | Min. | Max. | Mean | Std. Dev. |
|---|----|------|------|------|-----------|
| NFA revenue targets were always realistic and achievable | 58 | 1 | 5 | 2.45 | 1.127 |
| Revenues from NFA products and services sufficiently funded NFA operations | 58 | 1 | 5 | 2.16 | 1.073 |
| NFA revenue management policies and procedures existed and adhered to by every staff | 58 | 1 | 5 | 3.02 | 1.177 |
| Prices for the different NFA products and services were set by top management and made known to all | 58 | 1 | 5 | 3.47 | 1.158 |

| | | | | | |
|---|----|---|---|------|-------|
| employees | | | | | |
| Highest level of integrity was exercised in every disposal process allowing NFA to achieve its maximum revenue from every transaction | 58 | 1 | 5 | 2.98 | 1.207 |
| Major disposals went through a series of approvals | 58 | 1 | 5 | 3.81 | 1.067 |
| The existing internal control system adequately protects NFA's assets resulting into better performance | 58 | 1 | 5 | 2.95 | 1.220 |

Source: Research data (2017)

The mean of value 2.45 corroborated the study results in **Table 29** in **Appendix 1** indicating that respondents disagreed with the statement that NFA revenue targets were realistic and achievable. The standard deviation value 1.12 implied that there was significant variations in responses by the respondents and could be used to measure the level of criticality of the variable in as far as revenue performance was concerned.

Majority of the respondents disagreed with the view that NFA's own revenues could sufficiently fund its operations with a mean value 2.16. The standard deviation of 1.07 could have been brought about by those who had worked at NFA for a shorter period and not very keen at analyzing revenue trends. On the other side it could mean that some respondents especially those interacted with through direct interviews believed that if revenues were not mismanaged, the organization could become self-sustaining.

It was also revealed that respondents agreed that NFA revenue management policies and procedures existed and adhered to by staffs with a weak skewed mean of 3.02 towards the maximum scale of the agreement. The standard deviation of 1.18 was significant, attributed to a

variety of issues including hardship to enforce and monitor compliance emanating from weaknesses that existed in the control environment as revealed in direct interviews.

The mean value of 3.47 tending towards the maximum mean, implied that respondents agreed with the statement that all prices for the different products and services of NFA were set by top management and made known to all employees. However the standard deviation of 1.16 could have implied that the price list was not exhaustive of all the products as indicated in the qualitative results. This also collaborated well with price list came across during documentary reviews. The list only covered products and services respondents described as “core products and services”.

Respondents disagreed on the view that NFA handled disposal processes with highest level of integrity with a mean value of 2.98 with a standard deviation of 1.21 which implied some respondents believed that some revenue got lost in the trenches of disposal irregularities due lack of considerable levels of integrity resulting into poor organizational revenue performance.

Closely connected was that 81% of respondents agreed that major disposals went through a series of approvals (**Table 34 in Appendix 1**) translating to a mean value of 3.81 but the standard deviation of 1.07 could be explained by the interpretation in the immediate previous paragraph.

Respondents disagreed on the view that the existing internal control in NFA sufficiently protected organizational assets with 48.2% (**Table 35 in Appendix1**) translating to mean value of 2.95 under descriptive analysis. The standard deviation of 1.22 implied that there was section of respondents (5.2%) who opted to remain neutral and the number of those that agreed almost

equal to those disagreed. This implied that there was a lot needed to be put right to improve on the performance of these controls.

4.4 Qualitative Analysis

The qualitative analysis covered information collected through direct interaction with purposively sampled respondents and documentary reviews. It was aimed at corroborating findings generated using the questionnaire. The findings were presented under general sub headings derived from the study.

4.4.1 Control Environment

The findings carried mixed views about the overall control environment. Some respondents gave credit to management indicating that they had often given the desired support to deliver to the strategic objectives of the organization. Management was praised for undertaking periodical reviews of organization policies, development and management of organizational budgets, work plans and setting a generally fair environment for all employees to perform their duties.

Some respondents, however, viewed management as weak and non-supportive, preferring to use different terms to express their opinion. The board was termed as an “invisible layer” while other referred to it as “blind and silent”. The weaknesses of management was attributed to political patronage where the top managers have occupied those offices as political rewards rather than on merit.

Management was faulted for unfair contract terms of employees in terms of duration, remunerations, and multiple tasks to staff. It was argued that the three years contract period of employees made staff concentrate on how to leave at the end of contract than working for the

organization. Staff remuneration was indicated as meagre compelling staff into dubious activities and loss of revenue. This response fitted perfectly well into the assumptions of “Agency theory” leading to hasty conclusion that NFA revenue was lost under such circumstances.

Some respondents alluded that NFA management was never consistent with its work plans and budgets as working documents. For example they indicated that some budgeted revenues activities go untapped into during budget period due to failure by management to license and delayed disposal processes.

4.4.2 Control Activities

All the respondents asserted that NFA had sufficient control activities in terms of policies, guidelines, regulations and methods of work. Respondents indicated that the existing internal controls were backed by Government laws, policies and regulations and therefore implementable but faulted deliberately. It was also revealed that to ensure validity and relevancy of these controls, there was mechanism to constantly review them, citing the recently reviewed Financial Management Manual 2015. It was found that most of these controls were communicated to staff on entry into NFA during the orientation week and hard copies given out for references. In particular, some of the internal controls related to revenue management mentioned included; receipting process and issuance, approval of revenue sources, reviews and reporting, pricing and cash management. The challenges of effectively implementing internal controls included; collusion of staff, inadequate supervision, conflict of interest and disintegration of units.

4.4.3 Monitoring

Respondents appreciated the presence of the monitoring unit which backstopped the Internal Auditing unit but each working independently. According to the findings, the two units had not sufficiently done their work due to lack of regular movements to the field attributed to lack of funds. This was actually linked to the assertion in the control environment that management was not offering sufficient support to staff to established control systems to deliver.

Respondents however, expressed their disappointment with top management failure to implement recommendations made by the various units during their monitoring exercises. It was indicated further that the Monitoring and evaluation unit (M&E) was not fully constituted which made them rather inefficient.

4.4.4 Revenue Performance

All respondents indicated that the revenue performance of NFA was poor and degenerating to the worst. During the FY 2016/17 NFA collected only 11.4 billion shillings out of 19 billion shillings planned. Some respondents attributed the poor performance to shifting from conservation approaches to preservation especially with the natural forests. NFA had relied more on plantations and failed to license harvesting in natural forest. Respondents argued that the failure of NFA to add value to its products resulted into loss of revenue. Some respondents indicated that poor revenue performance resulted from failure by management to prioritize funding of revenue activities.

In addition, respondents indicated that NFA Revenue leakage was high through collusion of staff with prospective customers and amongst staffs. Other failure cases were attributed to lack of proper revenue investment plan, failure to manage market for its products, lack of harvesting plan

and failure to regularly update the pricelist. Respondents observed that there was also general lack of institutional commitment to revenue activities and this patched into the control environment questioning the commitment level of management in pursuing organizational objectives.

4.5 Correlation Analysis

Correlation analysis aimed at testing validity of stated hypotheses in chapter one, each tested independently at 5% (0.05) level of significance using Statistical Package for Social Scientists (SPSS) version 20 as presented in different tables below.

4.5.1 Relationship between Control Environment and Revenue Performance in NFA

The test results in table 4.8 below showed that a weak negative relationship existed between the Control Environment and Revenue Performance in NFA ($r = -0.170$) and not significant where $p = 0.203 > 0.05$. This implied that the first hypothesis stated above that a relationship existed between control environment and revenue performance in NFA was rejected.

Table 4.10: Relationship between Control Environment and Revenue Performance

| Variable | | Revenue performance |
|---------------------|---------------------|---------------------|
| Control environment | Pearson Correlation | -.170 |
| | Sig. (2-tailed) | .203 |
| | N | 58 |

Source: Research Data (2017)

4.5.2 Relationship between Control Activities and Revenue Performance in NFA

The test showed that there was a weak positive relationship between control activities and revenue performance in NFA ($r = 0.192^*$) but since the test yielded $p = 0.150 > 0.05$, it meant that relationship was not significant resulting into rejection of the stated hypothesis that there was a relationship between control environment and revenue performance in NFA as displayed in Table 4.11 below

Table 4.11 Relationship between Control Activities and Revenue Performance

| Variable | | Revenue Performance |
|--------------------|---------------------|---------------------|
| Control Activities | Pearson Correlation | .192* |
| | Sig. (2-tailed) | .150 |
| | N | 58 |

Source: Research data (2017)

4.5.3 Relationship between Monitoring and Revenue Performance in NFA

The analysis showed that there was moderately strong positive relationship between monitoring and revenue performance in NFA at $r = 0.458$ and since the tested yielded $P = 0.000 < 0.05$, the hypothesis stating that there was a relationship between Monitoring and revenue performance was accepted.

Table 4.12: Relationship between Monitoring and Revenue Performance in NFA

| Variable | | Revenue Performance |
|------------|---------------------|---------------------|
| Monitoring | Pearson Correlation | .458** |
| | Sig. (2-tailed) | .000 |
| | N | 58 |

Source: Research data (2017)

4.6 Regression Analysis

In **Table 4.13** the three dimensions of internal controls covered in this study accounted for 24% of the revenue performance in NFA as presented by the R^2 , meaning that the 76% catered for factors not covered by this study as indicated in **Table 4.13**.

Table 4.13: Regression Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | .490 ^a | .240 | .198 | .47510 |

Source: Research data (2017)

4.6.1: Anova Analysis

The anova analysis indicated the predictors (Independent variables) significantly affected revenue performance (dependent variable) where $df(3:54) = F = 5.696 > 0.002$. This implied that the regression model yielded significant result at 0.002 and the entire model accounted for 3.857 (about 39%) as presented in **Table 4.14**.

Table 4.14: ANOVA^a

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|-------|-------------------|
| 1 | Regression | 3.857 | 3 | 1.286 | 5.696 | .002 ^b |
| | Residual | 12.189 | 54 | .226 | | |
| | Total | 16.046 | 57 | | | |

Source: Field data (2017)

4.6.2 Coefficient Determination

The analysis aimed at generating coefficient values for the different independent variables and the level of effect on revenue performance in NFA at a given time. Therefore substituting the computed coefficients in model above, it appeared that:- $RP = 2.301 + - 0.190X_1 + 0.05X_2 + 0.417X_3 + 0.475$, where, **RP** was the dependent variable (Revenue Performance), **X₁** - control environment, **X₂**-control activities, **X₃**- monitoring and **ε**- error factor. This implied that Monitoring affected revenue performance highest followed by control activities while the control environment had a negative effect if other factors were held constant as presented in **Table 4.11**.

Table 4.15: Coefficient Determination

| Model | Unstandardized | | Standardized | t | Sig. |
|---------------------|----------------|------------|--------------|--------|------|
| | Coefficients | | Coefficients | | |
| | B | Std. Error | Beta | | |
| 1 (Constant) | 2.301 | .554 | | 4.154 | .000 |
| Control environment | -.190 | .134 | -.177 | -1.421 | .161 |
| Control activities | .005 | .139 | .005 | .036 | .971 |
| Monitoring | .417 | .127 | .457 | 3.274 | .002 |

Source: Research findings (2017)

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The study sought to examine the effect internal controls on revenue performances in organizations with reference to the NFA in Uganda. This chapter presents Summary of the Study, Discussions, Conclusions and Recommendations of the study findings. Limitations and suggestions for further study are also presented in this chapter.

5.1 Summary of the study findings

Summary on the study findings are presented in this text in the order of objectives as stated in chapter one.

5.1.1 Control Environment and Revenue Performance in NFA

The first objective stated that there was a relationship between the Control Environment and Revenue Performance in NFA. The descriptive findings showed that respondents agreed with most of the tested issues but registering high standard deviations with the mean values. Such standard deviations implied that weaknesses/issues existed in the control environment to account for the revenue performance in NFA, corroborating with the qualitative findings. Correlation and regression findings showed that a negative relationship existed between control environment and revenue performance in NFA (at $r = - 0.170$ and $\beta = - 0.190$ respectively). The P-value of $0.203 > 0.05$, under correlation analysis meant that this relationship was insignificant leading to the rejection of this objective.

5.1.2 Control Activities and Revenue Performance in NFA

The second objective stated that there was a relationship between Control Activities and Revenue Performance in NFA. The descriptive findings showed that control activities were not performing well in NFA to effectively impact on revenue performance. The descriptive analysis yielded lower mean values but with higher standard deviations. The qualitative findings indicated lack of good will during implementation of the control activities in the organizations, justifying the higher levels of standard deviations in the descriptive findings. Correlation and regression analysis showed a positive relationship between control activities and revenue performance in NFA (at $r = 0.192^*$ and $\text{Beta} = 0.005$ respectively). The P-value of $0.150 > 0.05$ under correlation analysis indicated that the relationship between control activities and revenue performance was insignificant leading to rejection of the stated objective.

5.1.3 Monitoring and Revenue Performance in NFA

The third objective tested the relationship between Monitoring and Revenue Performance in NFA. The descriptive findings corroborated with the qualitative findings indicating that monitoring as a dimension of internal controls did not sufficiently perform to lead to better revenue performance in NFA as indicated with higher standard deviation values from the mean (**Table 4.8**). However, both correlation and regression analysis showed that a positive relationship existed between monitoring and revenue performance in NFA ($r = 0.458$ and $\text{beta} = 0.417$ respectively). The P-value under correlation of $0.000 < 0.005$, meant that the relationship was significant, hence acceptance of the earlier stated objective.

5.2 Discussion of Findings

The study findings are discussed following the arrangement of the study objectives. The discussion here triangulates the qualitative and the quantitative findings of the study as presented below.

5.2.1 Control Environment and Revenue Performance in NFA

The analysis indicated that respondents agreed with almost every statements covering control environment except one that tested whether Ethical values in NFA were upheld in all decisions and monitored adequately. 53.5% disagreed and 1.7% remained silent. The descriptive analysis even where the respondents agreed, the different mean values were more skewed towards not sure scale with high levels of standard deviations ranging from 1 to 1.2. This implied that in both cases (agreement and disagreement), there were issues in the control environment resulting from the management style, people integrity and organizational structures. The institute of internal Auditors (2005), asserted that control environment act as first line of defense to manage financial risks in organizations and provides the foundation for a progressive internal control system. It creates discipline and structure in organizations (Justice, 2015). Rittenberg (2005) pointed out that if the tone at the top management is lax, then inefficiencies and fraudulent activities crop up in the organization, thus affecting performance. Therefore, though indicated in the descriptive analysis that NFA Board established and adhered to its policies and employees were people of high integrity, the standard deviations realized raises questions about the style of management especially on enforcement and implementations of these controls.

5.2.2 Control Activities and Revenue Performance in NFA

The study findings on control activities followed similar trend as the first one with majority respondents agreeing with most statements. The disparity was on whether NFA had established mechanism to address weaknesses within its internal control system (ICS) and the number against equaled those in support at 48.3%. The test on whether each staff was supervised by not more than one senior staff, the response appeared as if the those agreeing with the statement were more than those disagreeing (46.3% against 20.7%) but registered 22.4% as not sure. In addition just like the discussion findings on objective one, the descriptive analysis here showed skewed mean value towards closer to neutral scale and high standard deviations. This implied that there were undisclosed weaknesses in the control activities that required management intervention. Control activities were policies and procedures that helped management directives and activities carry their activities flawlessly to ensure achievement of institutional objectives (Muraleetharan, 2013). They included approvals, authorizations, verifications, reconciliations, and reviews, security of assets and segregation of duties. The interaction with the purposively sampled respondents, revealed that all these existed in NFA, However, their effective functioning based on the soundness of the control environment (COSO, 2009). The weaknesses that existed in the control environment could be used to re-enforce the assertion under qualitative findings that control activities in NFA were failing to deliver at implementation stage.

5.2.3 Monitoring and Revenue performance in NFA

Monitoring according to Douglas (2014) is the process that assesses quality of systems performance over time and deficiencies reported up stream for management to act. The study

findings indicated that true the monitoring function existed in NFA but there inherent problems stemmed from lack of funds, failure by management to act on findings, and inadequate staffing among others. It was indicated that respondents agreed to most statements but in the descriptive analysis, the mean values were so low skewed towards the neutral zone and with bigger standard deviations. The implication of such disparities could comfortably be attributed to some irregularities' that required management to handle in order to deliver better revenue performance.

Despite the weaknesses with the internal control system, respondents alluded to a number of issues that could be used to explain revenue performance at NFA. 79.3% of the respondents indicated that NFA revenue targets were always unrealistic. 91.4% believed that the disposal processes were not handled with integrity and that there was general lack of good will to fund revenue operation by the top management. These and other issues put together meant that the thinking that NFA could become self-sustaining get eroded as indicated by 75.9% response (**Table 30 in appendix1**).

5.3 Conclusions

Basing on the study findings, it was concluded that the three dimensions of NFA internal control frame work affected revenue performance differently as indicated in the different analyses.

5.3.1 Control Environment and Revenue Performance

Basing on the study findings it was concluded that NFA's control environment did not adequately support revenue performance. Both the qualitative and quantitative results indicated that this dimension of internal control which ought to set the tone of success of the other

controls, had a lot in desire that needed attention by NFA management before better performances as argued by Razaee (2010). Some of the challenges discovered hampering proper functioning of the control environment stretched to cover elements such as the management style, personality integrity and quality and organizational structure as indicated in the qualitative findings.

5.3.2 Control Activities and Revenue Performance

The study findings indicated that all respondents agreed that sufficient control activities existed in NFA. Thomas (2010) argued that effective implementation of control activities in organizational management start with establishment of an effective and strong control environment. Based on the higher standard deviations and findings from interactive interviews during data collection phase, the study concluded that challenges existed in the implementation and enforcement of NFA control activities and this could provide reliable grounds in explaining revenue performance of the organization.

5.3.3: Monitoring and Revenue Performance in NFA

The study established that a fairly strong positive relationship existed between monitoring as a dimension of internal controls and revenue performance in NFA and very significant. The high standard deviations values with the mean together with findings from qualitative analysis, suggested that the challenges that existed in monitoring controls in NFA, bogged down its effectiveness and efficiency in as far as revenue performance was concerned.

Finally, the study findings indicated that NFA internal control implementations had many lapses which could be used to explain its revenue performance. However, from the regression analysis,

revenue performance in NFA could not entirely be explained by the level of effectiveness or weaknesses that existed in the internal control frame work but also the revenue projections were noted to be unrealistic, failure to exercise a better degree of integrity in disposals activities and failure to invest in revenue activities by NFA management among others, accounted to fluctuating revenue performances for the periods covered in this study.

5.4 Recommendations

In light of the study findings and conclusions above together with the study objectives outlined in chapter one, this study offers varied recommendations grouped under the respective study objectives as presented below.

5.4.1 Control Environment and revenue performance

The study recommends that NFA top management needed to exhibit more visible leadership in all revenue operations by acting exemplary and consistent in the implementation of all established controls. Deliberate mechanism are needed to be undertaken to communicate, involve and enforce revenue controls by all staff in the organization. Management needed to undertake deliberate approaches developed within their structures to motivate staff in revenue mobilization and management. Some proposed activities included appreciation of workers/unit/management areas that excel in achieving their revenue targets for the period. The qualitative findings suggested and recommended that top leadership of NFA needed to be bound by a stringent performance contracts signed at the time of entry into the organization to keep them at tenterhook to deliver. Lack of performance contract was alluded to by some respondents as a point of weakness leading to laxity and weak control environment in NFA. Relatedly, it was

recommended that the short contract periods and meagre salaries lead to complacencies and greed amongst staff and may require a critical look at by management.

Other recommendations from the study findings targeting improvement in revenue performance in NFA but required an effective control environment included;

- i. Exploring more new revenue opportunities rather than concentrating on the limited products and services currently offered
- ii. Re-orienting and entrenching business-like thinking from top to the lowest level of the hierarchy of the organization.
- iii. Prioritizing investment in revenue activities

5.4.2 Control activities and revenue performance

Based on the study findings, it's recommended that internal controls, particularly those that guide and direct on mobilizations and management of NFA revenue operations needed to be strengthened by having well streamlined and established structures for implementations, supervisions and enforcement. This starts with having well-coordinated organizational structure to minimize lapses in implementation and information flows. It was recommended that revenue transections needed to go through a series of approval according to organizational administrative hierarchy to improve on the level of transparency and accountability. NFA management needed to improve on the working relationship with its stakeholders such as customers and governments to help offer feedback on enforcement and implementation of established control activities.

5.4.3 Monitoring and Revenue performance

The study findings indicated that monitoring positively related to revenue performance and very significant. The standard deviations and findings from the qualitative data suggested some challenges. It is recommended therefore that; NFA management needed to appreciate the role played by the monitoring units and start investing in it, act with urgency required on reports and recommendations written and submitted.

5.4 Limitations of the Study

The study focused on only three dimensions of internal control and therefore its findings cannot be used to draw definite conclusion on all dimensions. The findings of this study accounted for only 24% of the revenue performance in NFA, leaving out 66% to other factors that may need an independent study to establish.

The study findings are limited to a single organization (NFA) and cannot be generalized to other study settings apart from acting as a reference point. The study was basically academic and the Researcher being an amateur in the field, may have failed to filter out biasness in the data provided by respondents given that some respondents were in positions mandated to oversee the functioning of established controls in the organization.

Engaging purposively selected respondents for both interviews and the questionnaire was rather tough as others opted for one type and other offered to meet on different days. This actually resulted into leaving out four targeted respondents (33%) due to failure to harmonize with their programs

5.5 Areas for further Research

This study focused on establishing the relationships between NFA internal Controls and Revenue Performance at NFA. Based on the study findings, future studies/research should explore the following Areas;

- i. Internal Controls and Revenue Performance in other Government Institutions such as Uganda National Roads Authority (UNRA), Uganda Revenue Authority (URA), and Uganda Wildlife Authority (UWA) among others
- ii. Internal Controls and Revenue Performance in Non-Governmental Organizations.
- iii. Internal Controls and Revenue Performance in Private Sector Organizations in Uganda
- iv. Other factors affecting Revenue Performance in NFA other than Internal controls.

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APPENDICES

Appendix 1: Study Results

SECTION A: PERSONAL DATA

Table 1: Sex

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------------|-----------|--------------|---------------|--------------------|
| Valid | Male | 39 | 67.2 | 67.2 | 67.2 |
| | Female | 19 | 32.8 | 32.8 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 2: Education Level of the respondents

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------------|-----------|--------------|---------------|--------------------|
| Valid | Diploma | 12 | 20.7 | 20.7 | 20.7 |
| | Bachelors | 27 | 46.6 | 46.6 | 67.2 |
| | Masters | 14 | 24.1 | 24.1 | 91.4 |
| | Others | 5 | 8.6 | 8.6 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 3: Age of the respondents

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------------|-----------|--------------|---------------|--------------------|
| Valid | 20-29 years | 8 | 13.8 | 13.8 | 13.8 |
| | 30-39 Years | 26 | 44.8 | 44.8 | 58.6 |
| | 40-49 years | 17 | 29.3 | 29.3 | 87.9 |
| | 50 and above | 7 | 12.1 | 12.1 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 4: Duration with the organization (NFA)

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|--------------|---------------|--------------------|
| Valid | Less than 5 years | 16 | 27.6 | 27.6 | 27.6 |
| | 5-10 years | 33 | 56.9 | 56.9 | 84.5 |
| | 10-15 Year | 9 | 15.5 | 15.5 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 5: In your opinion, are the organizations' internal controls sufficiently and effectively supporting the revenue generation and performance in NFA?

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----|-----------|---------|---------------|--------------------|
| Valid | Yes | 17 | 29.3 | 29.3 | 29.3 |

| | | | | |
|--------------|-----------|--------------|--------------|-------|
| No | 41 | 70.7 | 70.7 | 100.0 |
| Total | 58 | 100.0 | 100.0 | |

Table 6: How would you NFA rate internal controls generally in relation to revenue performance?

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------------------|-----------|--------------|---------------|--------------------|
| Valid | Poor | 24 | 41.4 | 41.4 | 41.4 |
| | Good and adequate | 12 | 20.7 | 20.7 | 62.1 |
| | Good but not adequate | 8 | 13.8 | 13.8 | 75.9 |
| | Not Adequate | 14 | 24.1 | 24.1 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

SECTION B: Control Environment

Table 6: NFA Board and management establish and adhere to its internal control systems

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--|-------------------|-----------|--------------|---------------|--------------------|
| | Strongly Disagree | 3 | 5.2 | 5.2 | 5.2 |
| | Disagree | 11 | 19.0 | 19.0 | 24.1 |
| | Not sure | 1 | 1.7 | 1.7 | 25.9 |
| | Agree | 35 | 60.3 | 60.3 | 86.2 |
| | Strongly agree | 8 | 13.8 | 13.8 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table7: NFA organizational structure clearly reflects a clear chain of command

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|--------------|---------------|--------------------|
| Valid | Strongly Disagree | 2 | 3.4 | 3.4 | 3.4 |
| | Disagree | 9 | 15.5 | 15.5 | 19.0 |
| | Not sure | 5 | 8.6 | 8.6 | 27.6 |
| | Agree | 35 | 60.3 | 60.3 | 87.9 |
| | Strongly Agree | 7 | 12.1 | 12.1 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |
| | | Frequency | Percent | Valid Percent | Cumulative Percent |

Table 8:NFA Board of Directors and Management are people of high integrity and act exemplary

| | | | | | |
|-------|-------------------|-----------|--------------|--------------|-------|
| Valid | Strongly Disagree | 4 | 6.9 | 6.9 | 6.9 |
| | Disagree | 13 | 22.4 | 22.4 | 29.3 |
| | Not sure | 3 | 5.2 | 5.2 | 34.5 |
| | Agree | 29 | 50.0 | 50.0 | 84.5 |
| | Strongly agree | 9 | 15.5 | 15.5 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 9: Ethical values in NFA are upheld in all decisions and monitored adequately

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|--------------|---------------|--------------------|
| Valid | Strongly Disagree | 7 | 12.1 | 12.1 | 12.1 |
| | Disagree | 24 | 41.4 | 41.4 | 53.4 |
| | Not sure | 1 | 1.7 | 1.7 | 55.2 |
| | Agree | 23 | 39.7 | 39.7 | 94.8 |
| | Strongly agree | 3 | 5.2 | 5.2 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 10: Organizational environment supports NFA business objectives and internal control function

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|--------------|---------------|--------------------|
| Valid | Strongly Disagree | 4 | 6.9 | 6.9 | 6.9 |
| | Disagree | 18 | 31.0 | 31.0 | 37.9 |
| | Not sure | 5 | 8.6 | 8.6 | 46.6 |
| | Agree | 24 | 41.4 | 41.4 | 87.9 |
| | Strongly agree | 7 | 12.1 | 12.1 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 11: NFA staff are honest, competent and work for the benefit of the organization

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|----------------------|-----------|--------------|------------------|--------------------|
| Valid | Strongly Disagree | 5 | 8.6 | 8.6 | 8.6 |
| | Disagree | 15 | 25.9 | 25.9 | 34.5 |
| | Not sure | 4 | 6.9 | 6.9 | 41.4 |
| | Agree | 32 | 55.2 | 55.2 | 96.6 |
| | Strongly agree | 2 | 3.4 | 3.4 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 12: NFA monitoring unit adequately communicates with the entities external and internal auditors

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|----------------------|-----------|--------------|---------------|-----------------------|
| Valid | Strongly Disagree | 1 | 1.7 | 1.7 | 1.7 |
| | Disagree | 16 | 27.6 | 27.6 | 29.3 |
| | Not sure | 4 | 6.9 | 6.9 | 36.2 |
| | Agree | 31 | 53.4 | 53.4 | 89.7 |
| | Strongly agree | 6 | 10.3 | 10.3 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 13: Honesty and fairness is exercised when dealing with all stake holders, benefiting the organization

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|----------------------|-----------|--------------|------------------|--------------------|
| Valid | Strongly Disagree | 4 | 6.9 | 6.9 | 6.9 |
| | Disagree | 16 | 27.6 | 27.6 | 34.5 |
| | Not sure | 4 | 6.9 | 6.9 | 41.4 |
| | Agree | 27 | 46.6 | 46.6 | 87.9 |
| | Strongly agree | 7 | 12.1 | 12.1 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

SECTION C: CONTROL ACTIVITIES

Table 14: NFA policies and procedures on major revenue operations are established at higher levels and respected

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|--------------|------------------|--------------------|
| Valid | Strongly Disagree | 8 | 13.8 | 13.8 | 13.8 |
| | Disagree | 14 | 24.1 | 24.1 | 37.9 |
| | Not sure | 2 | 3.4 | 3.4 | 41.4 |
| | Agree | 21 | 36.2 | 36.2 | 77.6 |
| | Strongly agree | 13 | 22.4 | 22.4 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 15: NFA has clear separation of roles in revenue collection, handling and management

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|--------------|------------------|--------------------|
| Valid | Strongly Disagree | 8 | 13.8 | 13.8 | 13.8 |
| | Disagree | 11 | 19.0 | 19.0 | 32.8 |
| | Not sure | 1 | 1.7 | 1.7 | 34.5 |
| | Agree | 28 | 48.3 | 48.3 | 82.8 |
| | Strongly agree | 10 | 17.2 | 17.2 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 16: NFA has established mechanism to address weaknesses realized with its internal control systems (ICS)

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|--------------|------------------|--------------------|
| Valid | Strongly Disagree | 9 | 15.5 | 15.5 | 15.5 |
| | Disagree | 19 | 32.8 | 32.8 | 48.3 |
| | Not sure | 2 | 3.4 | 3.4 | 51.7 |
| | Agree | 23 | 39.7 | 39.7 | 91.4 |
| | Strongly agree | 5 | 8.6 | 8.6 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 17: NFA human resource manual provides for appropriate behavior of staff and in cases of non-compliance

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|--------------|------------------|--------------------|
| Valid | Strongly Disagree | 4 | 6.9 | 6.9 | 6.9 |
| | Disagree | 3 | 5.2 | 5.2 | 12.1 |
| | Not sure | 2 | 3.4 | 3.4 | 15.5 |
| | Agree | 29 | 50.0 | 50.0 | 65.5 |
| | Strongly agree | 20 | 34.5 | 34.5 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 18: NFA revenue reconciliations are done on regular basis

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|--------------|------------------|-----------------------|
| Valid | Strongly Disagree | 5 | 8.6 | 8.6 | 8.6 |
| | Disagree | 9 | 15.5 | 15.5 | 24.1 |
| | Not sure | 5 | 8.6 | 8.6 | 32.8 |
| | Agree | 30 | 51.7 | 51.7 | 84.5 |
| | Strongly agree | 9 | 15.5 | 15.5 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 19: There is an effective reporting of revenue performance in NFA

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|--------------|------------------|--------------------|
| Valid | Strongly Disagree | 6 | 10.3 | 10.3 | 10.3 |
| | Disagree | 5 | 8.6 | 8.6 | 19.0 |
| | Not sure | 5 | 8.6 | 8.6 | 27.6 |
| | Agree | 33 | 56.9 | 56.9 | 84.5 |
| | Strongly agree | 9 | 15.5 | 15.5 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 20: NFS has adequate channels and approaches to watch over its operations and staff and activities all the time

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|------------------|----------------|--------------------------|-------------------------------|
| Valid | Strongly Disagree | 12 | 20.7 | 20.7 | 20.7 |
| | Disagree | 13 | 22.4 | 22.4 | 43.1 |
| | Not sure | 1 | 1.7 | 1.7 | 44.8 |
| | Agree | 27 | 46.6 | 46.6 | 91.4 |
| | Strongly agree | 5 | 8.6 | 8.6 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 21: Each staff in NFA is supervised by not more than one senior staff

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|------------------|----------------|--------------------------|-------------------------------|
| Valid | Strongly Disagree | 5 | 8.6 | 8.6 | 8.6 |
| | Disagree | 12 | 20.7 | 20.7 | 29.3 |
| | Not sure | 13 | 22.4 | 22.4 | 51.7 |
| | Agree | 24 | 41.4 | 41.4 | 93.1 |
| | Strongly agree | 4 | 6.9 | 6.9 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

SECTION D: MONITROING

Table 22: NFA revenue performance is periodically reviewed before end of year report

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|------------------|----------------|--------------------------|-------------------------------|
| Valid | Strongly Disagree | 4 | 6.9 | 6.9 | 6.9 |
| | Disagree | 9 | 15.5 | 15.5 | 22.4 |
| | Not sure | 1 | 1.7 | 1.7 | 24.1 |
| | Agree | 36 | 62.1 | 62.1 | 86.2 |
| | Strongly agree | 8 | 13.8 | 13.8 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 23: An independent monitoring unit exist in NFA

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|-----------|------------------|-----------------------|
| Valid | Strongly Disagree | 11 | 19.0 | 19.0 | 19.0 |
| | Disagree | 11 | 19.0 | 19.0 | 37.9 |
| | Not sure | 5 | 8.6 | 8.6 | 46.6 |
| | Agree | 23 | 39.7 | 39.7 | 86.2 |
| | Strongly agree | 8 | 13.8 | 13.8 | 100.0 |
| | Total | | 58 | 100.0 | 100.0 |

Table 24: Management is often up-dated on the effectiveness of the ongoing monitoring processes, risks and control matters

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|-------------------|-----------|--------------|------------------|-----------------------|
| Valid | Strongly Disagree | 6 | 10.3 | 10.3 | 10.3 |
| | Disagree | 19 | 32.8 | 32.8 | 43.1 |
| | Not sure | 2 | 3.4 | 3.4 | 46.6 |
| | Agree | 27 | 46.6 | 46.6 | 93.1 |
| | Strongly agree | 4 | 6.9 | 6.9 | 100.0 |
| Total | | 58 | 100.0 | 100.0 | |

Table 25: Results of audit and monitoring unit are reviewed by management and appropriate actions devised with utmost urgency it deserves

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|-------------------|-----------|--------------|------------------|-----------------------|
| Valid | Strongly Disagree | 6 | 10.3 | 10.3 | 10.3 |
| | Disagree | 17 | 29.3 | 29.3 | 39.7 |
| | Not sure | 3 | 5.2 | 5.2 | 44.8 |
| | Agree | 27 | 46.6 | 46.6 | 91.4 |
| | Strongly agree | 5 | 8.6 | 8.6 | 100.0 |
| Total | | 58 | 100.0 | 100.0 | |

Table 26: NFA internal control systems are independently checked and evaluated on ongoing basis

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|-----------|---------------|--------------------|
| Valid | Strongly Disagree | 5 | 8.6 | 8.6 | 8.6 |
| | Disagree | 22 | 37.9 | 37.9 | 46.6 |
| | Not sure | 4 | 6.9 | 6.9 | 53.4 |
| | Agree | 24 | 41.4 | 41.4 | 94.8 |
| | Strongly agree | 3 | 5.2 | 5.2 | 100.0 |
| | Total | | 58 | 100.0 | 100.0 |

Table 27: Monitoring has helped in assessing the quality of revenue performance in NFA over time

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|-----------|---------------|--------------------|
| Valid | Strongly Disagree | 8 | 13.8 | 13.8 | 13.8 |
| | Disagree | 17 | 29.3 | 29.3 | 43.1 |
| | Not sure | 2 | 3.4 | 3.4 | 46.6 |
| | Agree | 27 | 46.6 | 46.6 | 93.1 |
| | Strongly agree | 4 | 6.9 | 6.9 | 100.0 |
| | Total | | 58 | 100.0 | 100.0 |

Table 28: Complaints affecting revenue performance of the organization are handled in a professional manner by management

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|-----------|---------------|--------------------|
| Valid | Strongly Disagree | 10 | 17.2 | 17.2 | 17.2 |
| | Disagree | 22 | 37.9 | 37.9 | 55.2 |
| | Not sure | 4 | 6.9 | 6.9 | 62.1 |
| | Agree | 17 | 29.3 | 29.3 | 91.4 |
| | Strongly agree | 5 | 8.6 | 8.6 | 100.0 |
| | Total | | 58 | 100.0 | 100.0 |

SECTION E: REVENUE PERFORMANCE

Table 29: NFA revenue targets are always realistic and achievable

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|-------------------|-----------|--------------|------------------|-----------------------|
| Valid | Strongly Disagree | 11 | 19.0 | 19.0 | 19.0 |
| | Disagree | 26 | 44.8 | 44.8 | 63.8 |
| | Not sure | 7 | 12.1 | 12.1 | 75.9 |
| | Agree | 12 | 20.7 | 20.7 | 96.6 |
| | Strongly agree | 2 | 3.4 | 3.4 | 100.0 |
| Total | | 58 | 100.0 | 100.0 | |

Table 30: Revenues from NFA products and services sufficiently fund NFA operations

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|-------------------|-----------|--------------|------------------|-----------------------|
| Valid | Strongly Disagree | 16 | 27.6 | 27.6 | 27.6 |
| | Disagree | 28 | 48.3 | 48.3 | 75.9 |
| | Not sure | 5 | 8.6 | 8.6 | 84.5 |
| | Agree | 7 | 12.1 | 12.1 | 96.6 |
| | Strongly agree | 2 | 3.4 | 3.4 | 100.0 |
| Total | | 58 | 100.0 | 100.0 | |

Table 31: NFA revenue management policies and procedures exist and adhered to by every staff

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|-------------------|-----------|--------------|------------------|-----------------------|
| Valid | Strongly Disagree | 5 | 8.6 | 8.6 | 8.6 |
| | Disagree | 21 | 36.2 | 36.2 | 44.8 |
| | Not sure | 3 | 5.2 | 5.2 | 50.0 |
| | Agree | 26 | 44.8 | 44.8 | 94.8 |
| | Strongly agree | 3 | 5.2 | 5.2 | 100.0 |
| Total | | 58 | 100.0 | 100.0 | |

Table 32: Prices for NFA different products and services are set by top management and are made known to all employees

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|--------------|------------------|-----------------------|
| Valid | Strongly Disagree | 5 | 8.6 | 8.6 | 8.6 |
| | Disagree | 10 | 17.2 | 17.2 | 25.9 |
| | Not sure | 2 | 3.4 | 3.4 | 29.3 |
| | Agree | 35 | 60.3 | 60.3 | 89.7 |
| | Strongly agree | 6 | 10.3 | 10.3 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 33: Highest level of integrity is exercised in every disposal process allowing NFA to achieve its maximum revenue from every transaction

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-------------------|-----------|--------------|------------------|-----------------------|
| Valid | Strongly Disagree | 5 | 8.6 | 8.6 | 8.6 |
| | Disagree | 23 | 39.7 | 39.7 | 48.3 |
| | Not sure | 2 | 3.4 | 3.4 | 51.7 |
| | Agree | 24 | 41.4 | 41.4 | 93.1 |
| | Strongly agree | 4 | 6.9 | 6.9 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 34: Major disposals go through a series of approvals

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|----------------------|-----------|--------------|------------------|-----------------------|
| Valid | Strongly Disagree | 4 | 6.9 | 6.9 | 6.9 |
| | Disagree | 4 | 6.9 | 6.9 | 13.8 |
| | Not sure | 3 | 5.2 | 5.2 | 19.0 |
| | Agree | 35 | 60.3 | 60.3 | 79.3 |
| | Strongly agree | 12 | 20.7 | 20.7 | 100.0 |
| | Total | 58 | 100.0 | 100.0 | |

Table 35: The existing internal control system adequately protects NFA assets resulting into better performance

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|-------------------|------------------|----------------|--------------------------|-------------------------------|
| Valid | Strongly Disagree | 6 | 10.3 | 10.3 | 10.3 |
| | Disagree | 22 | 37.9 | 37.9 | 48.3 |
| | Not sure | 3 | 5.2 | 5.2 | 53.4 |
| | Agree | 23 | 39.7 | 39.7 | 93.1 |
| | Strongly agree | 4 | 6.9 | 6.9 | 100.0 |
| Total | | 58 | 100.0 | 100.0 | |

Appendix 2: Krejciec and Morgan Formula Table for Sample Size Determination

| <i>N</i> | <i>S</i> | <i>N</i> | <i>S</i> | <i>N</i> | <i>S</i> |
|----------|----------|----------|----------|----------|----------|
| 10 | 10 | 220 | 140 | 1200 | 291 |
| 15 | 14 | 230 | 144 | 1300 | 297 |
| 20 | 19 | 240 | 148 | 1400 | 302 |
| 25 | 24 | 250 | 152 | 1500 | 306 |
| 30 | 28 | 260 | 155 | 1600 | 310 |
| 35 | 32 | 270 | 159 | 1700 | 313 |
| 40 | 36 | 280 | 162 | 1800 | 317 |
| 45 | 40 | 290 | 165 | 1900 | 320 |
| 50 | 44 | 300 | 169 | 2000 | 322 |
| 55 | 48 | 320 | 175 | 2200 | 327 |
| 60 | 52 | 340 | 181 | 2400 | 331 |
| 65 | 56 | 360 | 186 | 2600 | 335 |
| 70 | 59 | 380 | 191 | 2800 | 338 |
| 75 | 63 | 400 | 196 | 3000 | 341 |
| 80 | 66 | 420 | 201 | 3500 | 346 |
| 85 | 70 | 440 | 205 | 4000 | 351 |
| 90 | 73 | 460 | 210 | 4500 | 354 |
| 95 | 76 | 480 | 214 | 5000 | 357 |
| 100 | 80 | 500 | 217 | 6000 | 361 |
| 110 | 86 | 550 | 226 | 7000 | 364 |
| 120 | 92 | 600 | 234 | 8000 | 367 |
| 130 | 97 | 650 | 242 | 9000 | 368 |
| 140 | 103 | 700 | 248 | 10000 | 370 |
| 150 | 108 | 750 | 254 | 15000 | 375 |
| 160 | 113 | 800 | 260 | 20000 | 377 |
| 170 | 118 | 850 | 265 | 30000 | 379 |
| 180 | 123 | 900 | 269 | 40000 | 380 |
| 190 | 127 | 950 | 274 | 50000 | 381 |
| 200 | 132 | 1000 | 278 | 75000 | 382 |
| 210 | 136 | 1100 | 285 | 100000 | 384 |

Note.—*N* is population size.
S is sample size.

Appendix 3: List of Documents to review

1. NFA performance reports
2. Minutes relating to revenue performance in NFA
3. Internal Memos
4. Academic Management Journals
5. Previous research studies relating to this study

Appendix 4: Questionnaire for Randomly Sampled Respondents

Appraisal of Internal Controls in National Forestry Authority

Dear respondent,

I am **Kirasi Simon**, a student of Uganda Management Institute carrying out a research on “Effect of *Internal Controls on Revenue Performance in Organizations: A case of the National Forestry Authority*”, as a prerequisite to the award of a Master’s Degree in Management Studies (Business Administration). Kindly, I request for your help and cooperation in completing this questionnaire. This information provided will be kept confidential and it’s strictly for academic purpose.

Instructions 1: Question 1 to 7, Please tick the option which you consider most appropriate.

SECTION A: Personal Data

1. Sex

a) Male [] b) Female []

2. Education Level of the respondents

Diploma [] Bachelors [] Masters [] PhD [] Other []

4. Age of the respondents

19 or less [] 20–29 [] 30–39 [] 40–49 [] 50 or more []

3. Current Position

4. Duration with the organization (NFA)

Less than 5 years [] 5–10years [] 10 –15 years []

5. In your opinion, are the organizations’ internal controls sufficiently and effectively supporting the revenue generation and performance in NFA? A) Yes [] b) No []

6. Do you think NFA internal controls function as intended?

a) Yes [] b) No []

7. How would you NFA rate internal controls generally in relation to revenue performance?

a) Poor [] b) Good [] c) Not adequate []

Instruction 2: Please tick appropriate option showing the extent to which you agree or disagree with the statement: where: - SA-(**Strongly Agree**), A-(**Agree**), N-(**Neutral**), D-(**Disagree**) and SD-(**Strongly Disagrees**)

| SECTION B: CONTROL ENVIRONMENT | SA | A | N | D | SD |
|---|----|---|---|---|----|
| NFA Board and Management establish and adhere to its internal control systems | | | | | |
| NFA organizational structure clearly reflects a clear chain of command | | | | | |
| NFA Board of Directors and Management are people of integrity and act exemplary | | | | | |
| Ethical values in NFA are upheld in all decisions and monitored adequately | | | | | |
| NFA organizational environment supports business objective and internal control function | | | | | |
| NFA staff are honest, competent and work for the benefit of the organization | | | | | |
| NFA monitoring unit adequately communicates with the entities external and internal auditors | | | | | |
| Honesty and fairness is exercised when dealing with all stakeholders, benefiting the organization | | | | | |
| SECTION C: CONTROL ACTIVITIES | | | | | |
| NFA policies and procedures on major revenue operations are established at a higher level and respected | | | | | |
| NFA has a clear separation of roles in revenue collection, handling and management | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| NFA has established mechanism to address weaknesses realized with its internal control systems | | | | | |
| NFA human resources manual provides for appropriate behavior of in cases of non-compliance | | | | | |
| NFA revenue reconciliations are done on regular basis | | | | | |
| There is an effective reporting of revenue performance in NFA | | | | | |
| NFA has adequate channels and approaches to watch over its operations and staff activities all the time | | | | | |
| Each staff in NFA is supervised by only one senior staff | | | | | |
| SECTION D: MONITORING | | | | | |
| NFA revenue performance is periodically reviewed before end of year report | | | | | |
| An independent monitoring unit exist in NFA | | | | | |
| Management is often updated on the effectiveness of the ongoing monitoring processes, risks and control matters | | | | | |
| Results of audit and monitoring units a reviewed by management and appropriate actions devised with urgency | | | | | |
| NFA internal controls systems are independently checked and evaluated on an ongoing basis | | | | | |
| Monitoring has helped in assessing the quality of revenue performance in NFA over time | | | | | |
| Complaints affecting revenue performance are handled in a professional manner by management | | | | | |
| SECTION E: REVENUE PERFORMANCE | | | | | |
| NFA revenue targets are always realistic | | | | | |
| Revenue from NFA products are services sufficiently fund NFA operations | | | | | |
| NFA revenue management policies and procedures exist and adhered to by all | | | | | |
| Prices for the products and services are set by top management and | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| made known to all employees | | | | | |
| Highest level of integrity is exercised in every disposal, allowing NFA achieve maximum revenues from every transection | | | | | |
| Major disposals go through a series of approvals | | | | | |
| The existing internal control system adequately protects NFA assets | | | | | |

Thank you very much for your participation and corporation

Appendix 5: Interview Guide for Purposively Sampled Respondents

- **General Statements and areas to cover**

1. Roles of management in revenue function in NFA
2. Benefit of internal controls in regard to revenue performance in NFA
3. Responsibilities of setting up internal controls
4. Implementation and monitoring process
5. Effectiveness and efficiency of established revenue internal controls
6. NFA Internal controls versus other laws of the land
7. Adequacy of NFA revenues versus objective of gaining self-sustenance
8. Challenges and recommendations

Appendix 6: Work plan

| Months | | | | | | | | | | | | | | | | | | | | |
|--|------|----|----|----|--------|----|----|----|-----------|----|----|----|---------|----|----|----|----------|----|----|----|
| Activity | July | | | | August | | | | September | | | | October | | | | November | | | |
| | | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 | W1 | W2 | W3 | W4 |
| Proposal approval and corrections | | | | | | | | | | | | | | | | | | | | |
| Instrument validations | | | | | | | | | | | | | | | | | | | | |
| Proposal defense | | | | | | | | | | | | | | | | | | | | |
| Data collection | | | | | | | | | | | | | | | | | | | | |
| Data processing, analysis and interpretation | | | | | | | | | | | | | | | | | | | | |
| Report writing | | | | | | | | | | | | | | | | | | | | |
| First submission (draft) | | | | | | | | | | | | | | | | | | | | |
| Final Research report and Viva | | | | | | | | | | | | | | | | | | | | |