UGANDA MANAGEMENT INSTITUTE

INTERNAL CONTROL SYSTEMS AND FINANCIAL ACCOUNTABILITY IN THE TELECOMMUNICATION INDUSTRY: A CASE STUDY OF WARID TELECOM UGANDA HEADQUATERS

BY

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11/MMSFM/25/074

A DISSERTATION SUBMITTED TO SCHOOL OF MANAGEMENT SCIENCES IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF MASTERS DEGREE IN MANAGEMENT STUDIES (FINANCE MANAGEMENT) OF UGANDA MANAGEMENT INSTITUTE

DECEMBER, 2013

DECLARATION

I, Rosette Komugisa, do declare that this report is my original work and has never been presented to any institution for any academic award.

Signed…………………….............. **Date……………………………….**

APPROVAL

This report by has been submitted for examination with our approval as supervisors.

SIGN…………………………………………   **Date……………………………………**

MR. ADRIAN BEINEBYABO

SIGN …………………………………….   **Date……………………………………**

MR. IVAN TWINOMUHWEZI

ACKNOWLEDGEMENT

I would like to thank a number of people who greatly contributed to the successful completion of this research project: First, I would like to thank my supervisors, Mr. Adrian Beinebyabo and Mr. Ivan Twinomuhwezi for their support and guidance, which made this research possible.

Additionally, I would like to thank the following individuals for their contributions and cooperation throughout the research: All the staff at Warid Telecom Uganda who took their time to complete the questionnaires, and members of the management team for accepting to be interviewed and providing qualitative data that helped to inform the study

I also thank my family members and friends for their support, encouragement and unfailing faith in my potential and lastly to the Almighty God for giving me the grace and wisdom to complete this project.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACRONYMS/ ABBREVIATIONS

AICP:	American Institute of Certified Public Accountants
COBIT:	Control Objectives for Information Related Technology
COSO:	Committee of Sponsoring Organizations of the Treadway Commission
CVI:	Content Validity Index
DFID:	Department for International Development
INTOSAI:	The International Standards of Supreme Audit Institutions
MTN:	Mobile Telecommunication Network
PEFA:	Public Expenditure and Financial Accountability
SAAIA:	South African Institute of Internal Auditors
SECO:	Swiss State Secretariat for Economic Affairs
UCC:	Uganda Communication Commission
UMI:	Uganda Management Institute
UTL:	Uganda Telecom Limited

ABSTRACT

The study examined the influence of internal control systems on financial accountability in the telecommunication industry in Uganda, taking a case study of Warid Telecom Uganda. The study was prompted by the high rate of financial irregularities in the company despite the existence of internal controls. The study specifically examined the influence of the control environment, risk assessment and control activities on financial accountability. Using a cross-sectional case study design, data was collected from a total of 97 respondents out of a sample of 122 respondents using closed ended questionnaires and interview guide. Results revealed that internal controls have a positive significant influence on financial accountability; risk assessment and financial accountability were found to have a positive significant relationship, while control activities and financial accountability were also found to have a positive significant relationship. The study concluded that improvement in the efficiency of control environment would lead to a corresponding improvement in financial accountability; improvement in risk assessment leads to a corresponding improvement in financial accountability and that improvement in the efficiency of control activities would lead to corresponding improvement in financial accountability. The study recommends that in order to strengthen internal controls and financial accountability, management should ensure that access to equipment, inventories, securities, cash and other assets is restricted; appropriate disciplinary action against employees who do not comply with company rules and procedures should be taken; management should design a risk management strategy; management should also introduce or strengthen training programs for employees on proper financial conduct.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The study examined the influence of internal control systems on financial accountability in the telecommunication industry, using a case study of Warid Telecom Uganda. For this study, internal control systems like the control environment, risk assessment and control activities were the independent variables while financial accountability was the dependent variable. This chapter presents the background to the study, statement of the problem, general and specific objectives of the study, research questions, hypotheses, conceptual frame work, significance and justification of the study, scope of the study and definition of key terms and concepts.

1.1 Background

1.1.1 Historical Background

In the 1930's, the concept of internal controls was limited to internal checks (Swayer, Dittenbutter, & Scheiner, 2003). In 1949, the American Institute of Certified Public Accountants (AICPA) broadened the scope of internal controls to include the plan of the organization, and all the coordinate measures adopted within the business to safeguard its assets (Norvee, 2006). In 1958 and 1972, the AICPA made amendments to the scope of internal controls and focused management, accountants, and auditor's attention on internal accounting controls (Spira & Page, 2005). Big audit failures in the 1980's were influential in prompting re-evaluation of internal controls. The National Commission on fraudulent reporting (Treadway Commission) in the United States, the commission to study the public's expectation of audits MC Donald Commission in Canada and the committee on the Financial Aspects of corporate governance (Cardbury Report) in the United Kingdom were established to investigate the reasons behind the large number of company failures. Key findings from these reports highlighted the importance of having an effective control system.

In the United States of America, the Committee of Sponsoring Organizations (COSO) produced a further report in 1992 specifically addressing the role of internal controls in securing improved corporate governance: the COSO framework, which is regarded as the foundation of modern approach to internal control (Spira & Page, 2005). Additional internal frameworks have been developed in the US which contain different approaches to the system namely; the information system audit and control foundation's control objectives for information related technology (COBIT), the institute of Internal Auditors' Research Foundation's system audibility and control SAC, the AIPA's consideration of internal control structure in financial and statement audit (SAS 55).

The International Standards of Supreme Audit Institutions (INTOSAI, 2011) reported that in New Zealand, each chief executive of a government department has an obligation as a responsible manager for establishing and maintaining a system of internal control procedures that provides reasonable assurance as to the integrity and reliability of financial reporting.

In Japan, reasonable assurance that internal controls are effectively maintained is affected by public sector activities that have become increasingly complicated and diversified in the past decades and by increasing delegation of authority to lower echelons (INTOSAI, 2011). But Japan's Constitution provides the overall foundation necessary to create an effective control environment through requirements such as for (1) the Cabinet to annually submit final accounts of State revenues and expenditures to the Diet (parliament) and (2) the Board of Audit to audit these accounts every year (INTOSAI, 2011).

In the Republic of South Africa, government internal controls are reported as not being yet a satisfactory level or effective due to several factors, including the large size of its departments and slack controls. Compounding these problems, management does not always have the knowledge to implement the appropriate internal controls and to maintain them in a working order (The South African Institute of Internal Auditors, 2010). The government realizes this problem and is addressing them by means such as implementing an internal audit function in all government entities. Also, the government has appointed local and international consultants to facilitate the establishment of a professional institute for public finance and auditing (SAAIA, 2010). In Egypt, auditors evaluate internal control systems to identify their efficiency in preventing or detecting major mistakes (Ahmed, 2008).

The Kenyan Institute of Internal Auditors (2011) notes that as the regulatory environments became complex, much more was asked of internal auditors, risk management professionals, to ensure that there were enough internal controls to safe guard the organization’s resources both financial and non-financial.

In Uganda, solid internal control measures can be traced to 1986 when the National Resistance Movement (NRM) took power (Ruzindana, 1997). When the National Resistance Movement government took power in 1986, a number of solid legal, administrative and institutional frameworks were established to fight financial mismanagement especially in the public sector. The Government of Uganda developed a national strategy to fight financial irregularities being that they had the most profound negative impact on public resources and delivery of services through establishing laws that included; The constitution of the Republic of Uganda, the Local Government Act, The finance and accountability Act, the Penal Code Act, Prevention of Corruption Act and the Local Government financial and Accounting Regulations, 2007 (Komuhangi, 2006). These laws though designed mainly to control financial irregularities in the public sector, are applicable in the private sector. This is because the public and private sectors transact business with each other. And these transactions are guided by the above mentioned legal framework.

Despite the legal framework to combat financial irregularities, poor accountability remains a challenge in Uganda. Financial irregularities mainly corruption have permeated every sphere of life; both public and private. Popular press in Uganda is awash with news of corruption in public service. With the latest cases of high level corruption being reported in the Office of the Prime Minister where billions of shillings meant to help Ugandans affected by two decades of war rebuild their lives ended up building mansions for corrupt OPM officials in Kampala and buying luxury vehicles (Daily Monitor Friday October 26th 2012). More fraud was discovered at the Ministry of Public Service where 170 billion shillings was paid to ghost pensioners. Senior Staff in the Ministry of Finance and Public Service paid the billions of money to non-existing beneficiaries between February and November 2012 (Jeanne, 2012). The telecommunication industry in Uganda has also had its own share of fraud related scandals. In 2012, staff from one of the telecommunication companies in Uganda manipulated the mobile money suspense account where cash from poorly executed transactions is kept and stole up to Shs 15 billion (Mbanga, 2012). Thus with the high level of financial irregularities in both public and private spheres, the study sought to determine if internal controls systems put in place have any significant influence on financial accountability in the telecommunication industry using a case study of Warid Telecom Uganda.

1.1.2 Theoretical Background

The study was informed by COSO's (1992) Internal Control – Integrated model, referred to as the COSO. According to COSO (1992), the internal control system has three primary objectives: effectiveness and efficiency of operations; reliability of financial reporting and compliance with applicable laws and regulations.

COSO identifies essential components of an effective internal control system as: control environment, risk assessment, control activities, procedures and practices that ensure that management objectives are achieved and risk mitigation strategies implemented, information and communication, and monitoring. These elements must be present and functioning effectively for any internal control system to achieve organization's objectives. The study examined the influence of the internal control systems that were identified by the COSO namely; control environment, risk assessment, control activities and monitoring on accountability at Warid Telecom Uganda.

Financial accountability was underpinned by the Public Expenditure and Financial Accountability (PEFA) model. The Public Expenditure and Financial Accountability (PEFA) partnership is a group comprised of the World Bank, the European Commission (EC), the UK Department for International Development (DFID), the Swiss State Secretariat for Economic Affairs (SECO), the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, the International Monetary Fund (IMF), and the Strategic Partnership with Africa.

According to PEFA's Web site, the partnership has the goals of strengthening "recipient and donor ability to (i) assess the condition of country public expenditure, procurement and financial accountability systems, and (ii) develop a practical sequence of reform and capacity-building actions." With this in mind, the purpose of the Public Financial Management (PFM) Performance Measurement Framework is to measure the competence of a country's public financial management system because it is widely believed that effective public financial management helps to create a better enabling environment for economic development and poverty reduction.

The model begins by identifying what PEFA calls six *critical dimensions of accountability*, placing them in three categories and assigning 28 indicators to measure these dimensions. The three critical dimensions of accountability are credibility of the budget, comprehensiveness and transparency of the budgeting process, predictability and control in budget execution, policy based budgeting, accountability, recording, reporting, external scrutiny and audit (PEFA, 2012). The PEFA dimensions provided the study with the conceptual framework for measuring financial accountability.

1.1.3 Conceptual Background

Internal control is the process designed to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Safeguarding assets against theft and unauthorized use, acquisition, or disposal is also part of internal control (Cliff, 2011). According to the COSO, internal control consists of five interrelated components as follows: Control (or Operating) environment, Risk assessment, Control activities Information and communication and Monitoring.

The control environment is the control consciousness of an organization; it is the atmosphere in which people conduct their activities and carry out their control responsibilities. An effective control environment is an environment where competent people understand their responsibilities, the limits to their authority, and are knowledgeable, mindful, and committed to doing what is right and doing it the right way (COSO, 1992).

Risk assessment refers to the identification of risks to the achievement of an organization's objectives and to do what is necessary to manage those risks. Thus, setting goals and objectives is a precondition to internal controls (COSO, 1992).

Control activities are actions, supported by policies and procedures that, when carried out properly and in a timely manner, manage or reduce risks (COSO, 1992).

Monitoring is defined by the COSO as the assessment of internal control performance over time; it is accomplished by ongoing monitoring activities and by separate evaluations of internal control such as self-assessments, peer reviews, and internal audits.

The purpose of monitoring is to determine whether internal control is adequately designed, properly executed, and effective.

The notion of accountability is an amorphous concept that is difficult to define in precise terms (Holder & Zakharchenko, 2002) However, broadly speaking, accountability exists when there is a relationship where an individual or body, and the performance of tasks or functions by that individual or body, are subject to another's oversight, direction or request that they provide information or justification for their actions (World Bank, 2009).

The Webster online dictionary defines financial accountability as an act of accounting for the resources of an entity needed for legal accountability for budgetary resources, stewardship over assets, protection of cash resources, and management and control of costs. Financial accountability includes the functions of budget execution, financial accounting, cash management, and cost management. The Cambridge business dictionary online defines financial accountability as the responsibility for the way money is used and managed. The study measured financial accountability in terms of credibility of the budget, comprehensiveness and transparency of the budgeting process, predictability and control in budget execution, policy based budgeting, accountability, recording, reporting, external scrutiny and audit (PEFA, 2012).

1.1.4 Contextual Background

Warid Telecom Uganda is a subsidiary of Warid Telecom International. It was the fourth telecommunication operator to enter Uganda after Zain (now Airtel) MTN, and UTL. The company offers both data and voice services (Uganda Communications Commission, 2011). In a bid to ensure proper financial accountability, the company put in place internal control systems like the control environment, risk assessment and control activities. The internal controls are designed to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. However, in spite of the company having in place a wide range of controls, there are still far too many incidences of financial irregularities related to fraud, stealing of company property and finances and unauthorized use of company property (Warid Telecom Audit Reports, 2011, 2012). Between June and July 2012, services of six experienced employees had to be terminated for gross financial misconduct. Poor accountability in its effect has reduced the assets and increased liability of the company. The company's profit margins have also been affected as result of financial irregularities (Warid Telecom Audit Reports, 2011, 2012). This situation is likely to result in loss of business and less satisfactory returns on investment for the owner. The company therefore faces the risk of being closed and employees losing their jobs. It was therefore worthwhile to examine the influence of internal control systems on financial accountability at Warid Telecom with a view of suggesting possible recommendations to improve financial accountability processes in the organization.

1.2 Statement of the Problem

Management at Warid Telecom Uganda put in place internal control measures to improve financial accountability. Such measures include the control environment, control activities, risk assessment and monitoring. Despite the internal control measures that were put in place by management at Warid Telecom Uganda to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations, financial irregularities like fraud and poor accountability still persist s (Warid Telecom Audit Reports, 2011, 2012). According to an internal memo released on 20th June 2012 by the Human Resource Department to all staff of Warid Telecom, the services of six experienced staff including two Information Technology personnel and one engineer were terminated for defrauding the company. The situation makes one wonder if the internal controls put in place at Warid Telecom are effective. Unless internal controls systems are strengthened, the company may continue losing revenue and suffer damages to its reputation which may force customers to change to other service providers. The study therefore sought to examine the influence of internal control systems on financial accountability with a view of suggesting possible recommendations to strengthen internal control systems and financial accountability at Warid Telecom, since no similar study has been conducted at the company.

1.3 General Objective

The study sought to examine the influence of internal control systems on financial accountability in the telecommunication industry in Uganda using a case study of Warid Telecom Uganda.

1.4 Specific Objectives

i. To examine the influence of control environment on financial accountability at Warid Telecom Uganda;

ii. To examine the influence of risk assessment on financial accountability at Warid Telecom Uganda;

iii. To establish the influence of control activities on financial accountability at Warid Telecom Uganda.

1.5 Research Questions

i. To what extent does the control environment influence financial accountability at Warid Telecom Uganda?
ii. To what extent does risk assessment influence financial accountability at Warid Telecom Uganda?
iii. To what extent do control activities influence financial accountability at Warid Telecom Uganda?

1.6 Hypotheses

i. The control environment has a significant influence on financial accountability;
ii. Risk assessment has a significant influence on financial accountability;
iii. Control activities have a significant influence on financial accountability

1.7 Conceptual Framework for the relationship between internal controls and financial accountability

Independent Variable (Internal Controls)   Dependent Variable (Financial Accountability)

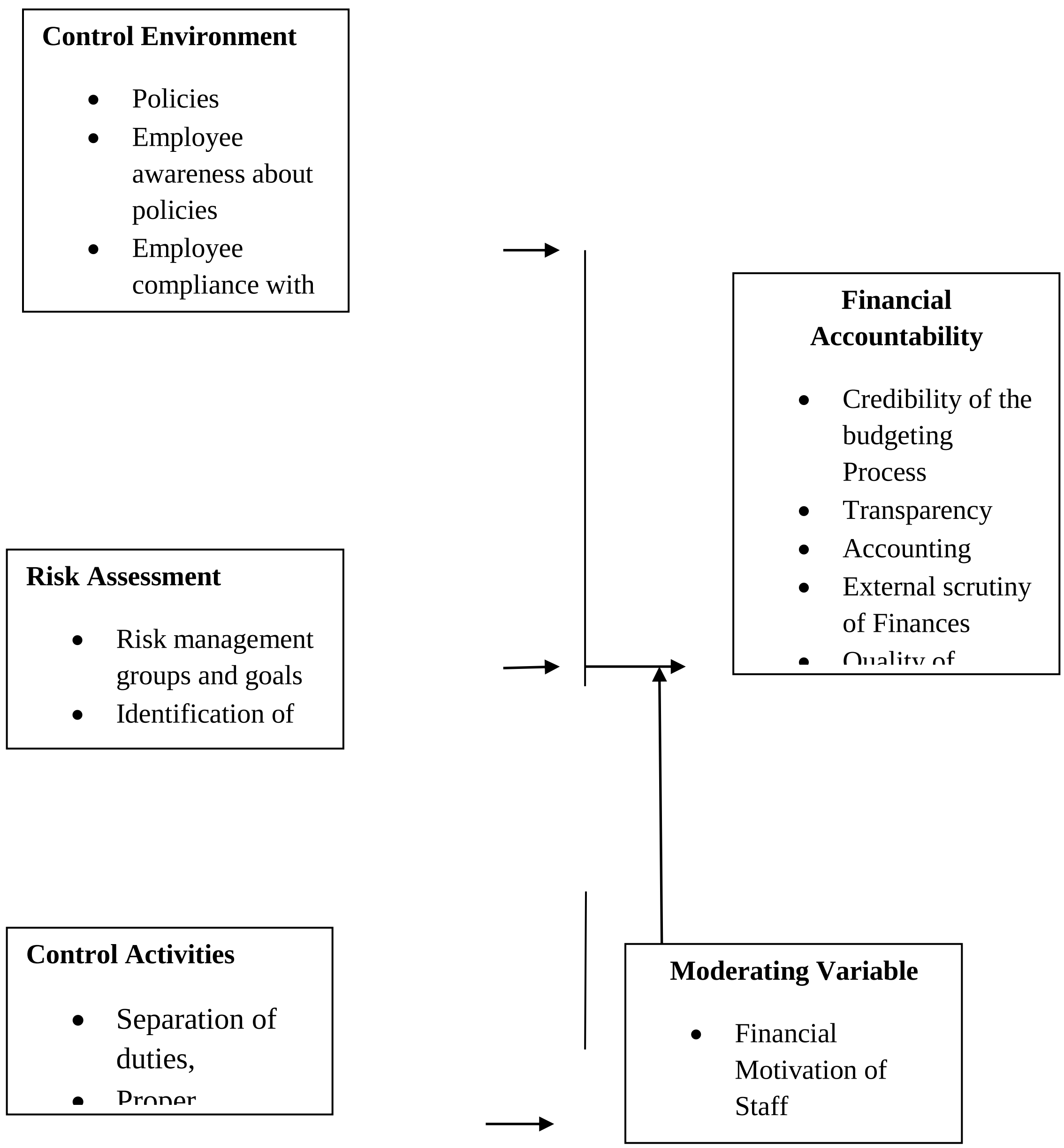

Figure 1: Conceptual Framework
Source: Adopted with modification from the COSO (1992) and PEFA (2012).

Dependent Variable

In this study, the dependent variable is financial accountability which is conceptualized as the act of accounting for the resources of an entity needed for legal accountability for budgetary resources, stewardship over assets, protection of cash resources, and management and control of costs. Financial accountability includes the functions of budget execution, financial accounting, cash management, and cost management. The above conceptual framework is premised on the assumption that financial accountability depends on effective internal control systems.

Independent Variables

As shown in the diagrammatic conceptual framework above, in this study it's conceptualized that the independent variable which includes control environment, risk assessment and control activities.

The first independent variable is control environment, it is conceptualized as the control consciousness of an organization; it is the atmosphere in which people conduct their activities and carry out their control responsibilities. The model assumes that effective control environment leads to improved financial accountability.

The second aspect of the independent variable is risk assessment which is conceptualized as the identification risks to the achievement of an organization's objectives and to do what is necessary to manage those risks. The above conceptual framework assumes that risk assessment leads to improved financial accountability.

The third aspect of the independent variable is control activities which is conceptualized as actions, supported by policies and procedures that, when carried out properly and in a timely manner, manage or reduce risks. The above conceptual framework assumes that effective control activities lead to increased financial accountability.

Moderating Variable

The model suggests that internal controls can only have a significant effect on financial accountability when staffs are adequately motivated through financial rewards like salary and adequate allowances. The model assumes that when staff are underpaid, they may be tempted to engage in financial irregularities and subsequent poor financial accountability.

1.8 Significance of the Study

1.8.1 The findings of the study are expected to provide research based information to management at Warid Telecom about the effect of internal control systems on accountability. With this knowledge, management will be able to strengthen the internal control systems and improve on accountability.

1.8.2. The findings and conclusions arising out of this study are expected to help management at Warid and other telecommunication companies to generate policies to design or improve internal controls that will ensure financial accountability.

1.8.3 The findings of the study are expected to expand on the body of knowledge on the effect of internal control systems on accountability, thus benefiting future researchers and academicians.

1.9 Justification of the Study

Cases of poor accountability are increasing at Warid Telecom. Poor accountability in its effect has reduced the assets and increased liability of the company. The company's profit margins have also been affected as result of financial irregularities. This situation is likely to result in loss of business and less satisfactory returns on investment for the owner and resultant closing or selling off of the business. The study thus sought to propose strategies to improve the situation by examining the influence of internal control systems on financial accountability at Warid Telecom, Uganda.

10.0 Scope of the study

10.1 Content Scope

In terms of content, the study focused on the influence of internal controls on accountability. Specifically, the study sought to determine the influence of the control environment, risk assessment, and control activities on financial accountability.

10.2 Geographical Scope

Geographically, the study was conducted at Warid Telecom Uganda offices in the central region. The central region was chosen because it is where the company's headquarters are located and where most of the decisions on internal controls and financial accountability are made.

10.3 Time Scope

In terms of time scope, the study covered a span of four years 2009 to 2012 this being the period in which Warid Telecom Uganda faced financial accountability challenges.

11.0 Definition of Key Terms and Concepts

Internal controls refer to processes designed to provide reasonable assurance regarding the achievement of objectives in the following categories: Effectiveness and efficiency of operations; reliability of financial reporting and compliance with applicable laws and regulations.

Control environment refers to the atmosphere in which people conduct their activities and carry out their control responsibilities.

Risk assessment refers to the identification of risks to the achievement of an organization's objectives and to do what is necessary to manage those risks.

Control activities are actions, supported by policies and procedures that, when carried out properly and in a timely manner, manage or reduce risks.

Financial Accountability refers to more transparent use of the company's resources

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The chapter presents related literature on internal controls and financial accountability. The aim is to present theoretical dimensions related to the topic under investigation, and to specifically review literature on the effect of the control environment, risk assessment, control activities on financial accountability.

2.1 Theoretical Review

The study was informed by COSO's (1992) Internal Control – Integrated model, referred to as the COSO. The COSO identifies essential components of an effective internal control system as: control environment, risk assessment, control activities, procedures and practices that ensure that management objectives are achieved and risk mitigation strategies implemented, information and communication, and monitoring. According to the COSO (1992), these elements must be present and functioning effectively for any internal control system to achieve organization's objectives.

Financial accountability was underpinned by the Public Expenditure and Financial Accountability (PEFA) model. The model identifies six critical dimensions of accountability, placing them in three categories and assigning 28 indicators to measure these dimensions. The three critical dimensions of accountability are credibility of the budget, comprehensiveness and transparency of the budgeting process, predictability and control in budget execution, policy based budgeting, accountability, recording, reporting, external scrutiny and audit (PEFA, 2012). The PEFA dimensions provided the study with the conceptual framework for measuring financial accountability.

2.2 Control Environment and Financial Accountability

An effective control environment is an environment in which competent people understand their responsibilities, the limits to their authority, and are knowledgeable, mindful, and committed to doing what is right and doing it the right way (California University, 2011). They are committed to following an organization's policies and procedures and its ethical and behavioral standards. The control environment encompasses technical competence and ethical commitment; it is an intangible factor that is essential to effective internal control.

Internal control environment has received increased attention especially since the Tread way commission (1987) identified the tone set by senior management as the most important factor contributing to the integrity of financial reporting process. Noorvee (2006) observes that at the heart of an effective control system is the control environment component. The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all the other components of internal controls providing, discipline and structure. Weaknesses at the tone at the top have been associated with financial failures (Norvee, 2006).

Cohen, Krishamoorty & Wright (2002) reiterate the importance of control environment with findings from a survey of auditors that the “tone at the top” and its implication for behavior of employees, is the most important ingredient of effective control. Rittenberg and Schweiger (2005) contend that the control environment starts with the board of directors and management who set the right tone of an organization through policies, behaviors and effective governance. If the tone by management is lax, then fraudulent financial reporting is likely to occur.

The COSO (1992) emphasizes the importance of management's integrity. The effectiveness of internal controls cannot rise above the integrity and ethical values of people who create, administer, and monitor them; integrity and ethical values are essential elements of the control environment, affecting the design, administration, and monitoring of other internal control components.

Hooks et al (2004) argue that the implication of effective control environment has an impact on management and governance. According to Hooks et al (2004) modern management techniques require a change in the control philosophy towards reliance on informal controls that influence the motivation and behavior of employees. Ezzamel, Lilley and Willmott (2007) found that controls internalized into organizational subjects in the form of self-discipline (or responsible autonomy) reduce the occurrence of counter productive work behavior.

The impact of organizational environment on financial irregularities has been consistently determined in previous studies. Employee theft has been found to be influenced by organization's work climate (Weber et al., 2003; Appelbaum et al., 2006; Kulas et al., 2007, among others) and employees attitudes toward honesty (Greenberg, 2002). It has also been determined that organizational variables might be more likely to influence deviance directed at harming organizations (Robinson & Bennett, 1995).

Findings from D'Aquila (1998) support the control environment as having more influence on organisational members' behaviors than existing codes of conducts. Kutz & Jadacki (2006) further reported that fraud and abuse is a result of weak control environment. Rae & Subramaniam (2008) found the quality of internal control procedures has a moderating effect on the relationship between perceptions of organizational justice and employee fraud. The authors suggest that strategies relating to employee fraud need to focus on organizational factors such as work environment, internal control activities, and training.

Bosa (2011) examined the relationship between internal controls and the quality of financial statements in local governments using a case study of Wakiso district service commission. The author found a strong positive relationship between internal controls and the quality of financial statements. However, Bosa's study does not focus on how the control environment impacts on financial accountability, hence the need to conduct this study.

Ziegenfuss (2001) observes that financial misconduct occurs in organizations due to weak control environments. O'Leary et al (2006) contends that poor control environment leads to employee counterproductive behavior like fraud, corruption and bribery among others. Their focus was not on the relationship between control environment and financial accountability, hence the need to conduct this study.

Ahmad & Norhashim (2008) analyzed Malaysian employees' attitudes toward fraudulent workplace behaviors and explain such behaviors in relation to organizations' control environment. This study found the control environment has an influence on both fraudulent behaviors and counterproductive work behavior. The challenge with Ahmad and Norhashim's study is that it is not concerned with the effect of the control environment on financial accountability, thus the need to conduct this study. Naigaga (2012) argues that in an environment of poor regulation, enforcement and lack of ethical constraints, the occasional investigations by financial regulators may not deter fraudsters in committing fraudulent activities.

The study by Wallace & Kreutzfeldt (1991) was among the first to demonstrate the importance of the control environment in explaining the existence of an internal audit function. More recently, Goodwin-Stewart & Kent (2006) provided evidence that the existence of an internal audit function is related to the level of commitment to risk management. Recent case studies on internal auditing in Belgium illustrate the importance of the control environment when studying internal auditing practices. Sarens & De Beelde (2006) found that certain control environment characteristics (e.g., tone-at-the-top, level of risk and control awareness, extent to which responsibilities related to risk management and internal controls are clearly defined and communicated) are significantly related to the role of the internal audit function within an organization.

Ssuna (2009) contends that internal control systems not only contribute to managerial effectiveness but are also important duties of corporate boards of directors. Accounting literature likewise emphasizes the importance of an organization's integrity and ethical values in maintaining an effective control system.

The California University (2011) recommends that control activities must be implemented thoughtfully, conscientiously, and consistently; a procedure will not be useful if performed mechanically without a sharp continuing focus on conditions to which the policy is directed. Further, it is essential that unusual conditions identified as a result of performing control activities be investigated and appropriate corrective action be taken. While as the California University gives recommendations on how the control environment can lead to improved financial accountability, they do not provide empirical evidence on how the control environment influences financial accountability, hence, the need to conduct this study.

2.3 Risk Assessment and Financial Accountability

Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting, and compliance goals and objectives. This, in turn, forms a basis for determining how those risks should be managed (California University, 2011). For an organization, risks are potential events that could influence the achievement of the organization's objectives (Chartered Institute of Management Accountants, 2008). Risk management is about understanding the nature of such events and, where they represent threats, making positive plans to mitigate them. Noorvee (2006) contends that risk assessment is the identification and analysis of relevant risks to achievement of objectives, forming a basis for how risks should be managed.

According to List & Brewer (2003) the objective of all risk analysis methods is to identify the risks to meeting the business objectives and then identify what procedures and controls are required to reduce the risk to an acceptable level. Where there are many controls to be created then the risk analysis should prioritize the controls so that the greatest risks are mitigated first.

The COSO (1992) emphasizes the importance of objective setting in the entity and relates it to risk as a precondition. Consequently, management has to clearly establish objectives before identifying risks which may undermine their achievements and take necessary actions to manage these risks. The COSO (2005) emphasizes that company's internal control framework should be established in order to have the reasonable assurance to achieve established objectives. In this, risk identification and analysis are critical components.

The California University (2011) argues that primary categories of risk are errors, omissions, delay and fraud. The authors thus recommend that in order to achieve goals and objectives, management needs to effectively balance risks and controls. Therefore, control procedures need to be developed so that they decrease risk to a level where management can accept the exposure to that risk.

Risk assessment plays an important role in the prevention and detection of fraud. Under the Sarbanes-Oxley Act (2008), companies are required to perform a fraud risk assessment and assess related controls. This typically involves identifying scenarios in which theft or loss could occur and determining if the existing control procedures effectively manages the risk to an acceptable level. Financial reporting is also a key area of focus in fraud risk assessment (Grandori, 2004). Cowan (1999) agrees that risk assessment with the objective to minimize and control risks helps the organization to reduce possible loses, simultaneously improving the quality of the organization's operations and services.

The KPMG (1999) observes that it is important that risk management and control are not seen as a burden on business, rather the means by which business opportunities are maximized and potential losses associated with unwanted events reduced. Grandori (2004) suggests that corporate governance is about wealth generation and risk management that requires continuous active market regulation.

The COSO (2005) calls for in-depth involvement of CEOs and other key managers so that risks are assessed by people with access to appropriate information and good understanding of its implications. The COSO (2005) argues that the overall lack of formal procedures for risk assessment may lead to certain ignorance and underestimation of risks particularly in situations complicated by weak cooperate governance.

Whittington & Pany (2011) suggest that risk assessment is performed as part of the monitoring activity of an organization. It involves investigating and appraising internal controls and the efficiency with which the various units of the organization are performing their assigned function.

Gupta (2011) on the other hand asserts that "risk assessment through internal audit is an independent appraisal function established within an Organization to examine and evaluate its activities as a service to the organization". The objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities.

According to Gupta “the scope of risk assessment is determined by management”. This may however, impair the assessor’s objectivity and hampers his independence, it is quite hard to report negatively on someone who determines the scope your work. Although at a Seminar organized by the Institute of Certified Public Accountants of Uganda (ICPAU), Sebbowa, 2009 in his presentation “The role of Internal Audit function in Organizations”, states that “Independence is established by organizational and reporting structure” and that “Objectivity is achieved by an appropriate mindset”.

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

2.4 Control Activities and Financial Accountability

Control activities are actions, supported by policies and procedures that, when carried out properly and in a timely manner, manage or reduce risks (COSO, 1994). The COSO (1994) further observes that control activities are the policies and procedures that help ensure that management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties (California University, 2011).

Whittington and Pany (2011) also mention Control activities as another component of Internal controls. They note that control activities are policies and procedures that help ensure that management directives are carried out. Controls activities in an organization basically comprise; performance reviews (comparing actual performance with budgets, forecasts and prior period performance), information processing (necessary to check accuracy, completeness and authorization of transactions), physical controls (necessary to provide security over both records and other assets), and segregation of duties (where no one person should handle all aspects of a transaction from the beginning to the end).

The last component of internal control according to Whittington and Pany (2011) is monitoring. This is aimed at ensuring that the internal controls continue to operate as intended. This can be achieved through ongoing monitoring or separate evaluations.

Separate evaluations are non-routine monitoring activities such as period audits by the internal auditors.

The Arkansas Department of Finance and Administration (2012) observes that the establishment of a strong internal control environment where written policies and procedures are enforced, internal controls are appropriately implemented and employees are educated about fraud and its consequences is one of the best deterrents and methods of curtailing fraud

Abiola (2009) argues that the major institutional cause of financial misconduct is poor management which comes in form of poor management and poor control activities. Thus, Rezaee (2005) suggests that financial irregularities can only be reduced when several fraud prevention and detection strategies are undertaken. For example conducting regular fraud vulnerability reviews, gamesmanship reviews to assess top management, effective corporate governance, fraud prevention programs and establishing vigilant audit committees.

The KPMG (1999) recommends that the system of control must include procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being undertaken. According to the city of New York office of the comptroller (2005), Key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

2.5 Summary of Literature Review and Gaps Identified

This chapter presented literature on the influence of control environment, risk assessment and control activities on a number of financial management outcomes. Previous literature indicates that internal control systems lead to improved financial management outcomes like fraud mitigation and financial management. However, previous studies have a number of gaps, first they are based on anecdotal observations rather than empirical research findings. Secondly the focus is not on financial accountability but on other outcomes like fraud detection and financial reporting. Thirdly, most studies were conducted in manufacturing firms in the developed world, thus providing a contextual gap for this study to fill.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodology that was used during the study. It describes and discusses the research design, sample size and selection, the data collection methods and their corresponding data collection instruments, data management and analysis procedure as well as steps that were taken to ensure validity and reliability during the study and the measurement of variables.

3.1 Research Design

The study used both cross-sectional and case study designs. The cross-sectional design was adopted because the researcher collected data from a cross section of employees at Warid Telecom at a given point in time. The case study design was used because the study focused on only one telecommunication industry out of the many in Uganda with the aim of gaining an in-depth understanding of the influence of internal control systems on financial accountability. The study adopted both quantitative and qualitative approaches. The quantitative approach was adopted because the study sought to examine whether internal controls had any significant influence on accountability. Such an endeavor can best be achieved when a quantitative approach is used because it allows for collecting numeric data on observable individual behavior of samples, then subjecting these data to statistical analysis (Amin, 2005).

A qualitative approach was also adopted; this was aimed at enabling the researcher capture in depth data that was left out by the quantitative approach. Qualitative studies have the advantage as suggested by Mbaaga (2000). Thus, the study sought to maximize this advantage.

3.2 Study Population

The target population consisted of all the 151 employees at Warid Telecom Uganda Headquarters. Out of these, 31 were in key management positions and 120 were junior staff.

3.3 Sample Size and Selection

A sample of 122 respondents drawn from all the departments of Warid Telecom Uganda was selected to participate in the study. The size was determined using the sample size table by Krejcie and Morgan (1970) as cited in Amin (2005).

Table 1: Sample size, sampling techniques and data collection methods

Category of respondents	**Population**	**Sample size**	**Sampling technique**
Senior Managers	11	11	Census
Departmental Heads	20	19	Simple Random Sampling
Junior Staff	120	92	Simple Random Sampling
Total	**151**	**122**	

Source: Warid Telecom Uganda, Office of the Human Resource Director List of Staff (2012)

3.4 Sampling Techniques and Procedure

The study used both probability and non-probability sampling procedures. Probability sampling procedures are procedures of sampling that utilize some form of random selection, while non-probability sampling on the other hand does not utilize random selection (Trochim, 2006). Probability sampling technique is the technique where every element of the population has a known probability of being included in the sample (Trochim, 2006). For probability sampling, the researcher used simple random sampling technique to select respondents among the junior staff and departmental heads to participate in the study. Simple random sampling was used because it ensures generalizability of findings and minimizes bias (Sekaran, 2003). Census sampling technique was used to select senior managers. A census is a technique where every member of the population is included in the study rather than choosing a sample (Hardings, 2013). This technique was used to select all the senior managers because they were all believed to have technical and specialized knowledge about the topic under investigation by virtue of the offices that they held.

3.5 Data collection Methods

3.5.1 Questionnaire Survey Method

The study used the survey questionnaire method to collect data. The use of a questionnaire in this study was important mainly because the purpose of the study was to determine whether internal controls had any significant influence on accountability. Such information could best be tapped on a closed ended questionnaire which allows for easy correlation and regression of the respondents attitudinal disposition on the independent and dependent variables. Secondly the questionnaire was used because it allowed busy respondents fill it at their convenient time. It was also used in order to allow respondents express their views and opinions without fear of being victimized as suggested by Oso & Onen (2008).

3.5.2 Interview Method

The study employed interview method. Interviews in this study helped the researcher obtain more information on internal controls and financial accountability. This method was also used in order to offer the researcher an opportunity to collect qualitative data which was left out by using the quantitative approaches as observed by Amin (2005).

3.5.3 Documentary Review Checklist

The researcher reviewed documents in order to obtain recorded information that is related to the issue under investigation. This method was used in order to enable the researcher obtain data that are thoughtful in that the informants place attention in obtaining them and enable the researcher obtain data in the language of the respondent as suggested by Oso and Onen (2008).

3.6 Data Collection Instruments

The instruments used in this study were: the questionnaire and interview guide. Details about the tools are presented below:

3.6.1 Questionnaire

The study employed a questionnaire as a tool of data collection. The questionnaire had six sections. Section A, dealt with the demographic characteristics of the respondents, section B focused on the control environment, section C focused on risk assessment, section D focused on control activities, and section E was concerned with financial accountability.

The questionnaire was closed ended. Closed ended questions were developed to help respondents make quick decisions; in addition, closed ended questions helped the researcher to code the information easily for subsequent analysis and narrow down the error gap while analyzing data as observed by Sekaran (2003).

3.6.2 Interview guide

An unstructured interview guide was used as a tool for collecting in depth information from the key informants. The guide had a list of topical issues and questions which were explored in the course of conducting the interviews. The guide was drawn with the questions soliciting for the perception of the key informants regarding internal controls and financial accountability. The interview guide was used for purposes of providing in-depth data which was not possible to obtain when using self-administered questionnaires as observed by Mugenda & Mugenda, (1999) and Kakoza (1999).

3.6.3 Documentary review checklist

A document review checklist was used to collect more in-depth data on the topic under investigation. The checklist was used to provide in-depth qualitative information which was not possible to collect with the aid of the closed ended questionnaire.

3.8 Validity and Reliability of the research instruments

3.8.1 Validity

Validity of a data collection instrument refers to the appropriateness of the instrument to measure a variable or construct and come up with the intended results (Amin, 2005). Sekaran (2003) defines validity as the accuracy and meaningfulness of inferences which are based on research results. To ensure validity, the questionnaire was developed and given to three experts from UMI and Warid Telecom to score the relevance of each question in providing answers to the study. After which a content validity index C.V.I was computed using the formula:

$$CVI = \frac{\text{No of Items declared valid by the experts}}{\text{Total No of items on the questionnaire}}$$

Expert 1:

CVI = 44 =0.9

Expert 2:

CVI = 44 =0.9

Expert 3:

CVI = 43 =0.9

CVI = 2.7 =0.9

The overall CVI of 0.9 suggests that the items on the tool were asking relevant questions as suggested by Amin (2005).

3.8.2 Reliability

Sekaran (2003) defines reliability as the degree to which a research instrument yields consistent results. Reliability is the accuracy and meaningfulness of inferences based on the results obtained from the research; it is the degree to which results obtained from the analysis of the data actually represents the phenomenon under study (Mugenda & Mugenda, 2003)

To ensure reliability, a pretest was done on 10 of the respondents who were not part of the final study. Data were coded and entered into the computer. Cronbach's Alpha Reliability Coefficients were generated using the statistical package for social scientists (SPSS) computer program to estimate the reliability of the questionnaire. The results are summarized in Table 2 below:

Table 2: Cronbach Alpha Reliability Coefficients

Item	Reliability Coefficients
Control Environment	0.723
Risk Assessment	0.757
Control Activities	0.725
Financial Accountability	0.707
Overall Reliability	**0.716**

The overall reliability tests for the results was 0.716, indicating great internal consistence of the responses on the tool. Specifically all the items scored high reliability results; the responses to the items under control environment scored a reliability coefficient of 0.723, the items under risk assessment scored 0.757, control activities scored 0.725, and the items under financial accountability scored 0.707. All the items on the questionnaire were above 0.6, indicating a great internal consistence. The results of the reliability analysis mean that the items on the tool could be relied on to provide reliable answers to the study questions as suggested by (Sekaran, 2003).

3.8 Data collection procedure

The researcher obtained a letter of introduction from UMI which was presented to the authorities at Warid Telecom. Staff members to participate in the study were randomly selected members from the company. A self-administered closed ended questionnaire was used to collect quantitative data from the respondents. Interviews were conducted with some key informants alongside document review. After data collection, a report was written and submitted to UMI for defense.

3.8 Data Analysis

3.8.1 Analysis of quantitative Data

The statistical package which was used for analysis of data in this study was the SPSS version 16.0, different statistical techniques done namely; correlation and regression analyses. The upper level of statistical significance for hypothesis testing was at 5%. All statistical test results were computed at 2-tailed level of significance.

Data was analyzed and correlated using Pearson Product-Moment correlation coefficient to determine the influence of internal controls on financial accountability. The Pearson Product-Moment Correlation Coefficient is a statistic that indicates the degree to which two variables are related to one another (Amin, 2005; Sekaran, 2003). The sign of correlation coefficient (+ or-) indicates the direction of the relationship between-1.00 and +1.00. Variables may be positively or negatively correlated. A positive correlation indicates a direct, positive relationship between two variables. While a negative correlation indicates an inverse negative relationship between two variables (Amin, 2005). Correlation analysis was used to determine the influence of internal controls on financial accountability.

For this study, the three components of internal controls were regressed against financial accountability. This was aimed at determining the extent to which the three internal controls explain the variation in financial accountability.

3.8.2 Analysis of qualitative data

Qualitative data was analyzed using content analysis. Responses from key informants were grouped into recurrent issues. The recurrent issues which emerged in relation to each guiding questions were presented in the results, with selected direct quotations from participants offered as illustrations.

3.10 Measurement of variables

Data on the respondent’s views and opinions about the internal controls was obtained using scaled variables from a self-developed questionnaire. A five point-Likert scale of 5=Strongly Agree (SA), 4=Agree (A), 3= not sure (NS), 2=Disagree (D) and 1=Strongly Disagree (SD) was used to tap respondents perception and opinion about internal controls and financial accountability at Warid Telecom Uganda.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

The study examined the influence of internal control systems on financial accountability at Warid Telecom Uganda. The presentation is guided by the specific objectives and hypotheses. The first section presents the response rates. The second section presents the background information of the respondents. The third section presents descriptive and inferential statistical results along the three study objectives.

4.2 Response Rates

Table 3: Response Rates

Category of respondents	Target Sample	Actual Response	Percentage
Senior Managers	11	7	63.6%
Departmental Heads	19	10	52.6%
Junior Staff	92	80	87%
Total	**122**	**97**	**79.5%**

According to Table 3 above, the overall response rate was 79.5%. With a high response rate of 79.5%, the researcher feels confident that the findings of the study are representative of the actual population and can be generalized to the other employees who did not participate in the study as suggested by Sekaran (2003).

4.3 Background Information

Table 4 below presents the demographic information of the respondents to the survey questionnaire.

Table 4: Demographic characteristics of the respondents

Characteristics	**Category**	**Frequency**	**Percentage**
Age	20-30	47	58.8
	31-40	27	33.8
	41-50	3	3.7
	Above 50	3	3.7
	Total	**80**	**100**
Education	Diploma	10	12.5
	Bachelor’s Degree	50	62.5
	Post Graduate Diploma	15	18.7
	Master’s Degree	5	6.3
	Total	**80**	**100**
Length of service	Less than 1 year	20	25
	1-5 years	60	75
	Total	**80**	**100**

Source: Primary Data

Table 4 indicates that the biggest proportion 47 (58.8%) of the respondents was between 20 and 30 years of age followed by those between 31 and 40 years at 27 (33.8%). Only 3 (3.7%) of the respondents were between 41 and 50 years and another 3 (3.7%) were above 50 years of age. This is an indication that the majority of staffs at Warid Telecom are young people. The implication to the study is that the respondents were mature enough to understand and provide reliable information on the topic under investigation.

Results in Table 4 above indicate that the majority 50 (62.5%) of the respondents were educated up to bachelor’s degree level, 10 (12.5%) were educated up to diploma level while 15 (18.7%) were educated up to post graduate diploma level and only 5(6.3%) were educated up to master’s degree. This indicates that the company has a highly educated work force. The implication to the study is that most of the staff members who participated in the study had adequate education and as such, they were in position to understand and provide reliable information about internal control systems and financial accountability in the company.

The biggest proportion 60 (75%) of the respondents had served at the company for a period of between one and five years, while only 20 (15%) had served for less than one year. The reason why most of the respondents had worked at Warid Telecom Uganda for a period of less than five years was because by the time this study was conducted, the company had operated for five years. The result means that most of the employees have grown with the company and have adequate experience. Most of the respondents to the study had been with the organization long enough to provide credible and reliable information on the subject under investigation.

4.4 Objective One: Control Environment and Financial Accountability

The first objective of this study was aimed at determining the influence of the control environment on financial accountability. Table 5 below presents the respondents' opinion on the control environment and its influence on financial accountability.

Table 5: Respondents' opinion on the control environment

Item	Mean	Standard Deviation
The company has well-written departmental policies and procedures which address its significant activities and unique issues.	4.0	1.1
Employees are well acquainted with the company's policies and procedures that pertain to their job responsibilities.	4.3	1.5
Good performance is valued highly and recognized in a positive manner.	4.1	0.5
The authorities at the company discuss ethical issues with employees.	4.2	1.1
There are strategies in place to make sure that employees comply with company policies.	2.1	1.4
The company has an adequate training program for employees.	2.7	1.2
Employee performance evaluations are conducted periodically.	2.5	1.1
Appropriate disciplinary action is taken when an employee does not comply with policies and procedures or behavioral standards.	2.0	1.2
Aggregate Mean	**3.2**	**1.1**

Source: Primary Data

According to Table 5 above, the respondents noted that the company has well-written departmental policies and procedures which address its significant activities and unique issues as attested to by a high mean score of 4.0 and a standard deviation of 1.1. The respondents also agreed with the statement that employees are well acquainted with the company's policies and procedures that pertain to their job responsibilities (mean=4.3). The above results suggest that the company has well written down policies that are understood by all the employees. This implies that at Warid Telecom, the control environment is one in which staff understand their responsibilities, the limits to their authority, and are knowledgeable, mindful, and committed to doing what is right and doing it the right way. A mindful and committed workforce is likely to work with integrity and honesty there by maximizing clear financial accountability in the organization.

The respondents agreed with the statement that the authorities at Warid Telecom discus ethical issues with staff (mean=4.2). This means that the authorities at the company put much emphasis on the importance of integrity and honesty. Putting more emphasis on integrity and honesty is likely to lead to greater financial accountability as employees tend to steer away from counter productive work place behaviors like fraud and embezzlement.

It was noted by the respondents that at Warid Telecom Uganda, good performance is valued highly and recognized in a positive manner (mean=4.0). This is an indication that management at Warid Telecom values and recognizes good performance. When employees feel that good performance is valued by the organization, a performance culture can develop that sets the stage for high levels of performance and integrity.

It was reported that there were no adequate strategies in place to make sure that employees comply with company policies (mean=2.1). This means that the control environment at Warid Telecom lacks adequate strategies to ensure compliance with company policy. Lack of strategies to ensure employee compliance is likely to lead to counter productive work behaviors like fraud, corruption and theft of company resources, hence compromising financial accountability.

The respondents were in disagreement with the statement that the company has an adequate training program for employees about financial accountability (mean=2.7). This was attributed to the fact that no initiative has been taken by management to have staff members trained on financial management. Trainings that are conducted are in other areas other than financial accountability. To this effect, one of the key informants interviewed noted that:

> *I must confess that as management, we have not paid enough attention to training all staff in the organization in effective financial management and how to prevent financial misconduct. This is because we tend to concentrate on the core areas that staff specialize in for instance we train sales personnel on how to effectively sale. We train customer care agents on how to hand customer complaints, but we have never taken the trouble to train them in financial management and effective financial conduct*

This indicates that the organization has not adequately equipped staff on how they can ensure good financial accountability. Lack of knowledge about good financial accountability may aggravate the problem of fraud as some employees may engage in certain activities without knowing that they amount to fraud.

The respondents disagreed with the statement that employee performance evaluations are conducted periodically (mean=2.5). This was attributed to the fact that employee performance appraisals are conducted once in a year and feedback rather than on a regular basis. This is corroborated by one key informant interviewed who reported that:

> *What we have in the company is a one off employee appraisal that happens once in a year. I feel it is not enough to manage the performance of employees. What we need but still lack is a regular review to ensure that staffs perform their duties and that they comply with company policies (Key Informant interview).*

This indicates that performance evaluations at the company are not regular. This creates room for financial irregularities to flourish. When employees know that they are not being watched, they are more likely to engage in counterproductive work behavior than when they are closely monitored and evaluated. Therefore, the lack of regular reviews could be the reason behind increased cases of financial irregularities at the company.

The respondents also pointed out that there was no appropriate disciplinary action that is taken when an employee does not comply with financial policies and procedures or behavioral standards (mean=2.0). This indicates that management at the company has not put in place appropriate disciplinary measures to punish employees who engage in financial irregularities. When asked why there were no such measures, the key informants attributed this to lack of specific measures that address financial irregularities. One key informant who was interviewed commented that:

> *It is not as if we do not have such measures in place. We do, only that they have not been effective enough. I feel they are too lenient as such they cannot effectively deter employees from engaging in financial irregularities.*

Thus, without adequate disciplinary measures and actions in place, employees are likely to engage in financial irregularities because they know they can get away with it.

4.4.1 Hypothesis One: The Control environment has a significant influence on financial accountability

In order to determine the influence of the control environment on financial accountability, correlation and regression analysis were conducted. The results are summarized in Table 6 below.

Table 6: Correlation analysis results for the control environment and financial accountability

		Control Environment	Financial Accountability
Control Environment	Pearson Correlation	1	.435**
	Sig. (2-tailed)		0.000
	N	80	80
Financial Accountability	Pearson Correlation	.435**	1
	Sig. (2-tailed)	.000	
	N	80	80
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary Data

The control environment and financial accountability were found to have a significant positive relationship ($r=0.435$, $p<0.05$), supporting hypothesis one which stated that the control environment would have a significant influence on financial accountability. This means that improvement in financial accountability is significantly positively associated with improved control environment. This implies therefore that improved financial accountability at Warid can be attained when there is an efficient control environment.

In order to determine the influence of the control environment on financial accountability, regression analysis was conducted. The results are summarized in Table 7 below.

Table 7: Single regression analysis results for control environment and financial accountability

R square=0.413, P=0.000		
	Standardized Coefficients	Sig.
	Beta	
Control Environment	0.435	0.000

Source: Primary Data

The results of the regression analysis in Table 7 above indicate the coefficient of determination R^2=0.413 which indicates that 41.3% of the variation in financial accountability is explained by changes in the control environment. The results also show that the control environment is significantly related with financial accountability (β =0.435, $p<0.05$). This supports hypothesis one which stated that the control environment would have a significant influence on financial accountability. This means that improvement in financial accountability is significantly positively associated with improved control environment. This implies therefore that improved financial accountability at Warid Telecom can be attained when there is an efficient and effective control environment.

4.5 Objective Two: Risk Assessment and Financial Accountability

The second objective of this study was aimed at determining the influence of risk assessment on financial accountability. Table 8 below presents the respondents' opinion on risk assessment and financial accountability.

Table 8: Respondents' opinion on risk assessment

Item	Mean	Standard Deviation
There is a risk management group at the company established whose task it is to facilitate and co-ordinate the overall risk management process	4.4	1.3
Each risk in the company is explored to identify how it potentially evolves through the organization.	4.2	1.3
There is risk assessment at activity (process) level e.g. for operations, financial reporting, and compliance objectives	4.1	1.2
There is risk assessment at departmental level	4.0	1.3
Both external and internal risk factors are considered during risk assessment	4.3	1.2
A risk analysis is conducted in order to assess the scale of the risk	3.9	1.6
The company has developed a risk response strategy	2.3	1.0
The risk response strategy is actually being implemented	2.2	1.2
The risk response strategy is monitored and reviewed from time to time	2.0	1.3
Aggregate Mean	**3.1**	**1.3**

Source: Primary Data

The respondents noted that there was a risk management group at the company established whose task it is to facilitate and co-ordinate the overall risk management process (mean=4.4). This is an indication that the organization is committed to risk management. This practically implies that the company should be able to attain high levels of financial accountability because better financial accountability is attained when there is commitment and the right tone at the top to ensure better financial accountability.

The respondents reported that there was risk assessment at both departmental and activity levels as indicated by high mean scores of 4.2 and 4.1 respectively. This indicates that at Warid Telecom, risk management is comprehensive. Comprehensive risk management is likely to result into reduced financial irregularities because risks are monitored from all fronts both at departmental and process level.

It was reported by the respondents that both external and internal risk factors are considered during risk assessment (mean=4.3). This means that at Warid Telecom, both internal and external risks to the organization are assessed. Assessing both internal and external risks to the organization enables the organization to avert financial irregularities that are internal and those external to the firm mainly those that are perpetuated by outside stakeholders like suppliers, customers and competitors.

The respondents to the study reported that at Warid Telecom risk analysis is conducted in order to assess the scale of the risk (mean=3.9). This was confirmed by the risk assessment reports that were accessed from the company's Finance Department. This is an indication that the company conducts risk analysis. Risk analysis helps an organization to assess the likelihoods of financial irregularities and their impact on the company. As a result of this, steps can be taken to avert financial irregularities.

The respondents noted that the company has not developed a risk response strategy (mean=2.3). They noted that the risk response strategy was not being implemented (mean=2.2) and that it was not monitored and evaluated at all (mean=2.0). This indicates that the organization lacks a comprehensive risk management strategy. This finding is supported by findings from key informant interviews where it was established that no such strategy existed. In fact, there was no documentary evidence to prove that such a strategy existed. Instead, what the company has as a strategy is an internal auditor's policy framework which guides the internal auditors in executing their work but not a risk response strategy. Lack of a comprehensive risk assessment is likely to lead to increased financial irregularities in that the organization is ill prepared to deal with emerging risks.

4.5.2 Hypothesis Two: Risk assessment has a significant influence on financial accountability

In order to determine the influence of risk assessment on financial accountability, correlation and regression analysis were conducted. The results are summarized in Table 9 below.

Table 9: Correlation analysis results for risk assessment and financial accountability

		Risk Assessment	Financial Accountability
Risk Assessment	Pearson Correlation	1	.524**
	Sig. (2-tailed)		0.000
	N	80	80
Financial Accountability	Pearson Correlation	.524**	1
	Sig. (2-tailed)	.000	
	N	80	80
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary Data

Risk assessment and financial accountability were found to have a significant positive relationship (r=0.524, p<0.05). The finding supports hypothesis two of this study which states that risk assessment has a significant influence on financial accountability. This means that an increase in the efficiency of risk assessment will lead to corresponding improvement in financial accountability at Warid Telecom. This implies therefore that improved financial accountability at Warid Telecom can be attained with efficient and effective risk assessment.

In order to determine the influence of risk assessment on financial accountability, regression analysis was conducted. The results are summarized in Table 10 below:

Table 10: Single regression analysis results for risk assessment and financial accountability

R square=0.325, P=0.000		
	Standardized Coefficients	Sig.
	Beta	
Risk Assessment	0.524	0.000

Source: Primary Data

The results of the regression analysis in Table.10 above indicate that the overall variance in financial accountability explained by risk assessment is 32.5%. Risk assessment is significantly related with financial accountability (β =0 .524, p<0.05). This supports hypothesis two which states that risk assessment has a significant influence on financial accountability. This means that greater risk assessment leads to a corresponding improvement in financial accountability. This implies that at Warid Telecom Uganda, effective financial accountability is realized when there is efficient risk assessment. This finding corroborates findings from interviews with key informants who reported that risk assessment led to corresponding improvements in financial accountability. One key informant interviewed reported observed that:

> *Risk assessment has enabled us better achieve organizational goals and objectives by helping us determine how financial pitfalls are managed. With risk assessment we have been able to determine the level of operations, financial and compliance risks to the organization. This has enabled us to proactively reduce unwanted surprises.*

4.6 Objective Three: Control Activities and Financial Accountability

The third objective of this study was aimed at determining the influence of control activities on financial accountability. Table 11 below presents the respondents' opinion on control activities and financial accountability.

Table 11: Respondents' opinion on control activities

Item	Mean	Standard Deviation
Duties are separated among different people to reduce the risk of error or inappropriate action.	4.4	0.6
Financial handling responsibilities are divided among different officials	4.1	0.5
There is proper authorization of financial transactions at Warid Telecom	4.3	0.7
Authorities at the company review books of accounts in order to take corrective action	4.0	0.4
There is proper recording of financial transactions at Warid Telecom	3.9	0.3
Authorities at the company take corrective action when there are discrepancies in the books of accounts	4.0	0.3
The books of accounts at the company are checked for any discrepancies.	4.2	0.7
Access to equipment, inventories, securities, cash and other assets is restricted	2.4	0.5
Assets are periodically counted and compared to amounts shown on control records.	2.3	1.0
There is adequate physical control over assets in the company	2.5	1.4
There are controls over Information Systems which include controls over data center operations, systems.	2.2	1.2
Aggregate Mean	**3.7**	**0.6**

Source: Primary Data

It was reported that duties are separated among different people to reduce the risk of error or inappropriate action (mean=4.4). The respondents also reported that financial handling duties are separated among different people (mean=4.1). This means that at Warid Telecom Uganda, there is proper segregation of duties. In general the approval function, the accounting/reconciling function, and the asset custody function should be separated among employees. Segregation of duties is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions hence leading to greater financial accountability.

It was noted that there was proper authorization of financial transactions at Warid Telecom Uganda (mean=4.3). This means that at Warid, approvers review supporting documents to ensure that the transactions are appropriate, accurate and comply with applicable laws, regulations, policies, and procedures. Authorization of duties is therefore likely to enhance good financial accountability in the organization in that it reduces risks that come with concentrating all the financial transactions in the hands of few officials who may decide to engage in unauthorized transactions.

The respondents noted that authorities at the company review books of accounts in order to take corrective action when there are discrepancies in the books of accounts (mean=4.0). Reviewing reports, statements, reconciliations, and other information by management is an important control activity. Reviews of performance provide a basis for detecting problems. Review of books of accounts helps management compare information about current performance to budgets, forecasts, prior periods or other benchmarks to measure the extent to which goals and objectives are being achieved and to identify unexpected results or unusual conditions which require follow-up a condition which is likely lead to improved financial accountability.

The respondents to the study agreed with the statement that there is proper recording of financial transactions at Warid Telecom (mean=3.9). This means that at Warid Telecom, there is proper recording of financial transactions. Recording of financial transactions is vital in regards to meeting the financial commitments of the business and providing information on which decisions for the future of the business can be based.

The respondents noted that books of account are checked for discrepancies (mean=4.2). This means that the company constantly reviews its books of accounts to detect irregularities. Checking books of account for discrepancies helps an organization detect financial irregularities early enough. This enables the firm to take early corrective action.

It was noted that the authorities at the company take corrective action when there are discrepancies in the books of accounts (mean=4.0). This is an indicator that the company takes remedial actions to offset discrepancies in the books of accounts. Taking remedial actions after discovering anomalies in the books of account maximizes financial accountability.

The respondents indicated that access to equipment, inventories, securities, cash and other assets is not restricted (mean=2.3). It was established that assets are not periodically counted and compared to amounts shown on control records (mean=2.5). The respondents also disagreed that there is physical control over assets in the company (mean=2.5). The results indicate that there is no efficient asset security at Warid Telecom. Efficient asset security ensures that the organization’s assets are safeguarded against unauthorized acquisition, use, or disposition. However at Warid Telecom, poor security over assets creates room for loss of company assets and subsequent poor financial accountability.

It was established that there were no effective controls over information systems which include controls over data center operations, systems (mean=2.2). The key informants attributed this to the fact that information systems could easily be manipulated by tech-savvy employees. One key informant reported:

> *Whereas we have controls over information systems, these controls are hardly effective. Some tech-savvy employees are able to hack into the system and engage in unauthorized transactions. The most recent case is that of system manipulation by some IT and engineering staff to make airtime vouchers.*

Control over information systems ensures proper financial accountability by ensuring that an organization's vital financial information is accessed by only authorized users. Results of this study indicate that at Warid Telecom, poor control over information systems has resulted into financial misconduct.

4.6.1 Hypothesis Three: Control activities have a significant influence on financial accountability

In order to determine the influence of control activities on financial accountability, correlation and regression analysis were conducted. The results are summarized in Table 12 overleaf:

Table 12: Correlation results for control activities and financial accountability

		Control Activities	Financial Accountability
Control Activities	Pearson Correlation	1	0.462**
	Sig. (2-tailed)		0.000
	N	80	80
Financial Accountability	Pearson Correlation	0.462**	1
	Sig. (2-tailed)	0.000	
	N	80	80
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Primary Data

According to Table 12 above, there is a significant positive relationship between control activities and financial accountability (r=0.462, p=0.005), supporting hypothesis three which stated that control activities would have a significant influence on financial accountability. This means that an increase in the efficiency of control activities will lead to corresponding improvement in financial accountability at Warid Telecom. This practically implies therefore that improved financial accountability at Warid Telecom can be realized when there are efficient control activities.

In order to determine the influence of control activities on financial accountability, regression analysis was conducted. The results are summarized in Table13 overleaf:

Table 13: Single regression analysis results for control activities and financial accountability

R square=0.437, P=0.000		
	Standardized Coefficients	Sig.
	Beta	
Control activities	0.462	0.000

Source: Primary Data

The results of the regression analysis in Table 13 above indicate that the overall variance in financial accountability explained by control activities is 43.7%. Control activities and financial accountability are significantly related (β =0 .462, $p<0.05$), supporting hypothesis three which stated that control activities would have a significant influence on financial accountability. This means that efficient control activities lead to a corresponding improvement in financial accountability. This implies therefore that improved financial accountability at Warid Telecom can be attained when there are efficient control activities. This is supported by findings from interviews with key informant who reported that control activities at the company have an impact on financial accountability one key informant had this to say:

> *Although some of the control activities are still lacking in effectiveness, the level of financial accountability attained in this company has been partly as a result of efficient control activities. The company has proactive controls that help to prevent loss. Examples of preventive controls are separation of duties, proper authorization, adequate documentation, and physical control over assets. We also have detective controls which attempt to detect undesirable acts. These ones*

provide evidence that a loss has occurred. Examples of detective controls are reviews, analyses, variance analyses, reconciliations, physical inventories, and audits.

4.7 Summary Descriptive Statistics for Financial Accountability

Table 14 below presents the respondents' opinion on financial accountability at Warid Telecom.

Item	Mean	Standard Deviation
At Warid Telecom, there is transparency in the management of finances	3.4	0.5
At Warid, competition, value for money, and controls in procurement are encouraged	4.1	0.7
At Warid Telecom, internal audits are regularly conducted	4.0	0.3
At Warid Telecom, internal audit reports are regularly released	3.8	0.3
At Warid Telecom, the internal audit reports are followed up.	4.2	0.7
At Warid Telecom, external audits are regularly conducted	4.4	0.5
At Warid Telecom, external audit reports are released on time	4.3	1.0
At Warid Telecom, the external audit reports are followed up.	4.5	1.4
At Warid Telecom, accounts reconciliation is timely	4.2	1.2
At Warid Telecom, accounts reconciliation is regular	3.5	1.0
At Warid Telecom, information on resources received by every department is available.	2.0	1.2
At Warid Telecom, there is quality in year budget reports.	4.3	0.7
At Warid Telecom, there are quality annual financial statements	4.0	0.5
At Warid Telecom, the annual financial statements are timely	4.0	0.6
At Warid Telecom, there is transparency among staff who handle the company's resources	2.0	1.5
Aggregate Mean	**4.0**	**1.4**

Source: Primary Data

The respondents to the study agreed with the statement that at Warid Telecom, there is transparency in the management of finances (mean=2.4). This is an indicator that there no is transparence in the management of finances. This is a pointer towards poor financial accountability.

When the respondents were asked to comment on the statement that at Warid, competition, value for money, and controls in procurement are encouraged, the respondents agreed with the statement (mean=4.1). This is an indication that at Warid Telecom, transparence in the procurement and supply chain process is encouraged. Since the procurement function of the organization is most prone to fraud and financial irregularities, strong emphasis on accountability and transparence is a sign that the organization is bent on attaining high levels of financial accountability.

The respondents agreed with the statements that at Warid Telecom, internal audits are regularly conducted (mean=4.0), audit reports are released on time (mean=4.3) and that recommendations arising out of audit reports are implemented (mean=4.2). The above results suggest that at Warid Telecom, internal audits are regularly conducted, internal audit reports are released on time and that the recommendations arising out of the reports are followed up and implemented. Physical examination of the Company's audit reports confirmed that audit reports are released annually and on time. Internal audits at the company improve financial accountability in that they help it measure compliance with policies and procedures; they also improve ethical and professional practices among staff; and they also help the organizations achieve its stated objectives.

The respondents noted that at Warid Telecom, external audits are regularly conducted (mean=4.4), external audit reports are released on time (mean=4.3) and that recommendations arising out of external audit reports are implemented (mean=4.5). The above results suggest that at Warid Telecom, external audits are regularly conducted, findings from these reports are released on time and that the recommendations arising from the reports are followed up and implemented. This portrays that the company is able to ensure financial accountability through external audits which ensure a more objective and independent evaluation of a firm's financial performance.

The respondents noted that at Warid Telecom, accounts reconciliation is timely (4.2) and regular (3.5). This means that at the company, accounts reconciliation is timely and regular. Reconciliation ensures that the money leaving an account matches the actual money spent. This ensures that balances match at the end of a particular accounting period. Thus, regular and periodic account reconciliation is a pointer towards improved financial accountability at the company.

The respondents disagreed with the statement that at Warid Telecom, information on resources received by every department is available (mean=2.0). This suggests that there is no transparence in the allocation of resources to the different departments in the company. This is a threat to the company's resources and financial accountability in that, departments can misuse company resources that are allocated to them without the other departments knowing that this is happening.

The researcher was interested in finding out if that are quality year in budget reports at the company. The respondents agreed with the statement that there are quality budget reports at the company (mean=4.3). This indicates that there is quality budget reporting at Warid Telecom. Through quality budget reporting, the company has a basis for controlling (monitoring and revising) its activities by comparing actual performance with budgetary targets. This way the company can take remedial actions to address the budgetary variance.

The respondents reported that at Warid Telecom, there are quality annual financial statements (mean=4.0) and that these statements are released on time (mean=4.0). This is an indication of good financial reporting at the company. This is a sign of improved accountability in that financial reports show internal and external stakeholders how the business is doing.

The respondents reported that there is no transparency among staff who handle the company's resources (mean=2.0). This is a sign that there is no transparency among employees who handle the company's resources. This is likely to result into fraud. This finding is supported by key informant interviews who reported that some staff members were defrauding the company. One key informant noted that:

> *Just this year (2012) some employees in the IT and engineering departments were fired for defrauding the company. They were making and selling illegal airtime vouchers and causing losses to the company.*

The above reinforces the view that lacks of transparence among staff handling the company resources threatens effective financial accountability.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The study examined the influence of internal control systems on financial accountability at Warid Telecom Uganda. This chapter presents the summary, discussion conclusions and recommendations arising out of the study findings.

5.1 Summary

5.1.1 Control Environment and Financial accountability

The study found that the control environment at Warid Telecom is poor (mean=3.2) and it is characterized by; lack of lack of adequate strategies to ensure employee compliance, lack of adequate training programs for employees about financial accountability, lack of periodic employee performance evaluations and lack of appropriate disciplinary action against non-compliance with policies and procedures or behavioral standards.

Control environment and financial accountability were found to have a significant positive relationship ($r=0.435$, $p<0.05$; $\beta=0.435$, $p<0.05$), an indication that the control environment has a significant positive influence on financial accountability at Warid Telecom.

5.1.2 Risk Assessment and Financial Accountability

The study found that risk assessment at Warid Telecom was poor (Mean=3.1) and was greatly undermined by lack of a clear risk response strategy, failure to implement risk response strategy and failure to monitor the risk response strategy.

Risk assessment and financial accountability were found to have a significant positive relationship (r=.524, P=0.000; β =0 .524, $p<0.05$). This is an indication that risk assessment has a positive significant influence on financial accountability at Warid Telecom.

5.1.3 Control Activities and Financial Accountability

The study established that while Warid Telecom Uganda Limited has efficient control activities (Mean=3.7), they are undermined by lack of restricted access to equipment, inventories, securities, cash and other assets is not restricted, failure to periodically count assets and compare to amounts shown on control records, lack of effective physical control over assets and lack of adequate controls over information systems.

Control activities and financial accountability were found to have a significant positive relationship (r=0.462, p=0.005; (β =0 .462, $p<0.05$) an indication that control activities have a significant influence on financial accountability at Warid Telecom Uganda Limited.

5.2 Discussion of Findings

5.2.1 Control Environment and Financial accountability

The study examined the influence of control environment on financial accountability. The results of this study indicate that at Warid Telecom Uganda, the control environment is undermined by lack of adequate strategies to ensure employee compliance with company policies. It was also established that there was no appropriate disciplinary action taken when an employee does not comply with policies and procedures or behavioral standards, suggesting that management at Warid Telecom Uganda has not put in place appropriate disciplinary measures to punish employees who engage in fraud. Thus, without adequate disciplinary measures and actions in place, employees are likely to engage in financial misconduct because they know they can get away with it. Coenen (2008) contends that when the organization does not seem to care about the theft to its property, there is a greater possibility of involvement in counter productive work behavior. This could partly explain why cases of financial mismanagement are high at the company.

It was established that the company has inadequate training for employees about financial accountability. This is an indication that staffs have not been adequately equipped with knowledge and skills for ensuring proper financial accountability. Limited knowledge of financial accountability may lead to poor financial accountability as some employees may engage in activities without knowing that these amount to counterproductive financial behavior like fraud and corruption.

Control environment and financial accountability were found to have a significant positive relationship an indication that the control environment has a significant influence on financial accountability at Warid Telecom Uganda. This implies that improvement in the efficiency of the control environment leads to a corresponding improvement in financial accountability. These findings are in line with a number of scholars who conclude that an effective control environment leads to improved financial accountability. Findings from D'Aquila (1998), support the control environment as having more influence on organizational members' behaviors than existing codes of conducts. Weber, et al (2003) found employee theft is influenced by organization's work climate. Rae & Subramaniam (2008) found the quality of internal control procedures has a moderating effect on the relationship between perceptions of organizational justice and employee fraud. Committee of Sponsoring Organizations (COSO) maintains that fraud occurs in organizations especially due to weak control environment (Ziegenfuss, 2001). Within COSO's framework, control environment sets the overall tone of the organization with regard to the importance of internal control (Geiger, et al., 2004). O'Leary et al (2003) found that control environment was the most important element of internal control. Similarly, in 2005, Smith, et al found that auditors in Malaysia judged the control environment as one of the important fraud indicators. The study indicates that in order for the organization to attain increased financial accountability, it should focus on improving the control environment.

5.2.2 Risk Assessment and Financial Accountability

The respondents agreed that the company had financial reporting objectives which pertain to the preparation of reliable financial reports, including the prevention of fraudulent public financial reporting. The central theme of internal control is to identify risks to the achievement of an organization's objectives and to do what is necessary to manage those risks. Thus, setting goals and objectives is a precondition for internal control effectiveness and subsequent improved financial accountability. This finding supports earlier observation by California University (2011), that regular monitoring of employee compliance with goals leads to increased chances of detecting financial misconduct in the organization. This underscores the need for the organization to set financial reporting objectives and to regularly review them to ensure compliance.

It was established that there was a risk management group at the company established whose task it is to facilitate and co-ordinate the overall risk management process. This is an indicator that the organization is committed to risk management. CIMA (2008) notes that improved financial accountability can only be attained when there is an all-inclusive risk management group to assess the risk of financial irregularities in the organization.

Results of this study indicate that there is risk assessment at both departmental and activity level. This shows that risk assessment at the company is comprehensive. Comprehensive risk management is likely to result into improved financial accountability because of its all-encompassing nature. Since financial irregularities occur at both activity and departmental levels, it is important that risk assessment is conducted at both levels to check financial irregularities (California University, 2011). This underscores the need for a comprehensive risk assessment in the organization.

The respondents to the study reported that at Warid Telecom risk analysis is conducted in order to assess the scale of the risk. This is an indication that the company conducts risk analysis. Risk analysis helps an organization to assess the likelihoods of financial irregularities and their impact on the company. As a result of this, steps can be taken to avert financial irregularities. This finding supports earlier findings by Pan et al (2011) who found that analyzing risks resulted into less fraudulent behavior among employees, by ensuring that all avenues of risks are identified, analyzed and addressed.

The organization lacks a comprehensive risk management strategy. It was established that the organization has no risk response strategy. In fact, the respondents noted that the risk response strategy was not being implemented and that it was not monitored and evaluated at all. Lack of a comprehensive fraud risk management strategy is likely to lead to more financial irregularities (CIMA (2008).

The study found a significant positive relationship between risk assessment and financial accountability. This suggests that efficient risk assessment leads to improved financial accountability. This implies that increased financial accountability can be attained when there is efficient risk assessment. The finding is in line with the Turnbull Committee (2009) which made it clear that establishment of embedded risk management practices is key to effective internal control systems. The CIMA (2008) contends that risk management helps the organization understand the nature of events that may lead to financial misconduct and making positive plans to mitigate such risks. Pan et al (2011) agree that fraud risk assessment approach may affect the success of financial accountability in an organization. The study indicates that in order for the organization to attain increased financial accountability, it should focus on improving the risk assessment processes.

5.2.3 Control Activities and Financial Accountability

The respondents indicated that access to equipment, inventories, securities, cash and other assets is not restricted. It was established that assets are not periodically counted and compared to amounts shown on control records. The respondents also agreed that there is no adequate physical control over assets in the company. The results indicate that there is no efficient asset security at the company. Efficient asset security ensures that the organization's assets are safeguarded against unauthorized acquisition, use, or disposition, which is not the case at Warid Telecom Uganda.

The study finds that controls over information systems at Warid Telecom Uganda are weak. Control over information systems ensures fraud prevention by ensuring complete and accurate recording of authorized transactions by only authorized users; identifying rejected, suspended, and duplicate items; ensuring no resubmission of rejected and suspended items and ensuring the complete and accurate processing of authorized transactions. Weak controls over information systems in organizations are responsible for increasing financial irregularities and weakened financial accountability systems. This could partly explain why some employees have been able to manipulate the system and engage in unauthorized transactions.

Control activities were found to have a significant positive relationship with financial accountability. This suggests that efficient control activities lead to improved financial accountability. This implies that increased financial accountability can be attained when there are efficient internal control activities. The finding supports earlier observation by Her Majesty's Treasury (1997) that improved control activities involves creating activities and an environment which inhibit financial misconduct. Taking immediate and vigorous action if financial misconduct is detected is not only necessary to prevent future losses but also helps deter other financial irregularities. Abiola (2009) contends that the major institutional cause of financial irregularities is poor management which comes in form of poor control activities. This underscores the need for the company to strengthen control activities in order to improve financial accountability.

5.3 Conclusions

5.3.1 Control Environment and Financial Accountability

Results in this study indicate that there is a positive significant positive relationship between the control environment and financial accountability. This suggests that an increase in efficiency of the processes of the control environment leads to corresponding improvements in financial accountability. This implies that telecommunication companies can achieve and maintain better financial accountability when efficient control environment processes are put in place.

5.3.2 Risk Assessment and Financial Accountability

A significant positive relationship was found between risk assessment and financial accountability. This indicates that an increase in the efficiency of fraud risk assessment processes will lead to corresponding improvements in financial accountability. Implying that telecommunication companies can achieve and maintain better financial accountability when efficient risk assessment processes are put in place.

5.3.4 Control Activities and Financial Accountability

A positive significant relationship was found between control activities and financial accountability, indicating that an increase in the efficiency of control activities will lead to corresponding improvements in financial accountability. This implies that telecommunication companies can achieve and maintain better financial accountability when efficient control activities are put in place.

5.4 Recommendations

5.4.1 Control Environment and Financial accountability

In order to improve the efficiency of the control environment, management at the company should introduce or strengthen training programs for employees on proper financial conduct. During these trainings, special emphasis should be put on the importance of integrity and honesty.

Management at the company should take appropriate disciplinary action against employees who do not comply with company rules and procedures. Periodic employee performance reviews should be conducted to assess employee compliance with policy. In case of persistent non-compliance, measures like suspensions, forced resignation and termination of employee services should be employed.

5.4.2 Risk Assessment and Financial Accountability

Since the organization has no comprehensive risk assessment strategy, management should come up with a risk management strategy. The risk assessment committee should be tasked to spearhead the formulation of the risk assessment strategy. The strategy should focus on risk assessment, risk identification, risk avoidance, risk reduction, and risk transfer. The strategy should also be regularly reviewed and updated to match with the emerging risks in the organization.

5.4.3 Control Activities and Financial Accountability

Management at Warid should strengthen security over assets. Access to equipment, inventories, securities, cash and other assets should be restricted. Assets should be periodically counted, labeled and compared to amounts shown on control records.

Control over information systems should be strengthened. Management should ensure that application controls such as computer matching and edit checks should be programmed steps within application software. These applications should be designed to help ensure the completeness and accuracy of transaction processing, authorization, and validity. Computer passwords should also be provided to each of the officers in the different departments in order to reduce the risk financial misconduct.

5.5 Areas for further research

The study focused on only three of the internal controls that were proposed by the COSO framework of 1985 at Warid Telecom and found that internal control processes have a significant influence on financial accountability in the telecommunication industry. However, these findings should be generalized cautiously to other telecommunication companies in Uganda due to the uniqueness of each company. Replication of this study to other telecommunication companies is suggested for cross validation purposes.

5.6 Contribution of the study

The study shows that the control environment, risk assessment and control activities have a significant influence on financial accountability. Management at the telecommunication companies should consider strengthening internal controls in order to improve financial accountability.

Theoretically, the study contributes to the body of knowledge regarding the influence of internal control systems on financial accountability. This research has demonstrated that internal controls as suggested by the COSO Framework (1992) have a significant positive influence on financial accountability. Implying that efficiency in internal controls leads to corresponding improvement in financial accountability.

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APPENDIX A: QUESTIONNAIRE

I am a Masters' degree student at UMI undertaking a study on Internal controls and financial accountability in the telecommunication industry: A case study of Warid telecom Uganda. The study is in partial fulfillment of the requirements for the award of master's degree in Management Studies.

I kindly request you to answer the questions sincerely and accurately. The information will only be used for academic purposes and will be treated with maximum confidentiality. Thank you for your kind cooperation

Yours Faithfully

Rosette Komugisa

Section A

In the subsequent section circle the correct choice appropriately.

A1. Education Level of the Respondent

i. Secondary
ii. Diploma
iii. Bachelor's Degree
iv. Post Graduate Education
v. Professional Education

A2. Department of the Respondent

i. Finance and Administration

ii. Human Resources

iii. Marketing

iv. Sales

v. Customer Care

vi. Technical

A3. Length of Service at Warid Telecom

i. Less than 1 year

ii. 1-5 years

iii. More than 5 Years

Section B: Control Environment

In the subsequent sections use the scale provided to tick or circle a number that describes your opinion. 5=Strongly Agree (SA), 4=Agree (A), 3= not sure (NS), 2=Disagree (D), 1=Strongly Disagree (SD).

	Statement	SA	A	NS	D	SD
B1	The company has well-written departmental policies and procedures manual which addresses its significant activities and unique issues.	5	4	3	2	1
B2	Employees are well acquainted with the company's policies and procedures that pertain to their job responsibilities.	5	4	3	2	1
B3	The authorities at the company discus ethical issues with employees.	5	4	3	2	1
B4	There are strategies in place to make sure that employees comply with company policies.	5	4	3	2	1
B5	The company has an adequate training program for employees.	5	4	3	2	1
B6	Employee performance evaluations are conducted periodically.	5	4	3	2	1
B7	Good performance is valued highly and recognized in a positive manner.	5	4	3	2	1
B8	Appropriate disciplinary action is taken when an employee does not comply with policies and procedures or behavioral standards.	5	4	3	2	1

Section C: Risk Assessment

	Statement	**SA**	**A**	**NS**	**D**	**SD**
C1	There is a risk management group at the company established whose task it is to facilitate and co-ordinate the overall risk management process	5	4	3	2	1
C2	Each risk in the company is explored to identify how it potentially evolves through the organization.	5	4	3	2	1
C3	There is risk assessment at departmental level	5	4	3	2	1
C4	There is risk assessment at activity (process) level e.g. for operations, financial reporting, and compliance objectives	5	4	3	2	1
C5	Both external and internal risk factors are considered during risk assessment	5	4	3	2	1
C6	A risk analysis is conducted in order to assess the scale of the risk	5	4	3	2	1
C7	The company has developed a risk response strategy	5	4	3	2	1
C8	The risk response strategy is actually being implemented	5	4	3	2	1
C9	The risk response strategy is monitored and reviewed from time to time	5	4	3	2	1

Section D: Control Activities

	Statement	SA	A	NS	D	SD
D1	Duties are separated among different people to reduce the risk of error or inappropriate action.	5	4	3	2	1
D2	Financial handling responsibilities are divided among different officials	5	4	3	2	1
D3	There is proper authorization of financial transactions at Warid Telecom	5	4	3	2	1
D4	There is proper recording of financial transactions at Warid	5	4	3	2	1
D5	The books of accounts at Warid Telecom are checked for any discrepancies.	5	4	3	2	1
D6	Authorities at Warid Telecom take corrective action when there are discrepancies in the books of accounts	5	4	3	2	1
D7	Access to equipment, inventories, securities, cash and other assets is restricted	5	4	3	2	1
D8	Assets are periodically counted and compared to amounts shown on control records.	5	4	3	2	1
D9	There is physical control over assets in the company	5	4	3	2	1

D10	There are controls over Information Systems which include controls over data center operations, systems.	5	4	3	2	1
D11	Authorities at the company review books of accounts in order to take corrective action	5	4	3	2	1

Section E: Financial Accountability (Dependent Variable)

E1	At Warid Telecom there is transparency in the management of finances	5	4	3	2	1
E2	At Warid, competition, value for money, and controls in procurement are encouraged	5	4	3	2	1
E3	At Warid Telecom, internal audits are regularly conducted	5	4	3	2	1
E4	At Warid Telecom internal audit reports are released	5	4	3	2	1
E5	At Warid Telecom, the internal audit reports are followed up.	5	4	3	2	1
E6	At Warid Telecom, external audits are regularly conducted	5	4	3	2	1
E7	At Warid Telecom external audit reports are released on time	5	4	3	2	1
E8	At Warid Telecom, the external audit reports are	5	4	3	2	1

	followed up.					
E9	At Warid Telecom accounts reconciliation is timely	5	4	3	2	1
E10	At Warid Telecom accounts reconciliation is regular	5	4	3	2	1
E11	At Warid Telecom information on resources received by every department is available.	5	4	3	2	1
E12	At Warid Telecom there is quality in year budget reports.	5	4	3	2	1
E13	At Warid Telecom, there are quality annual financial statements	5	4	3	2	1
E14	At Warid Telecom, the annual financial statements are timely	5	4	3	2	1
E15	At Warid Telecom there is transparency among staff who handle the company's resources	5	4	3	2	1

What can be done to improve internal control systems at Warid Telecom Uganda?

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What can be done to improve accountability at Warid Telecom Uganda?

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Thank You

APPENDIX B: INTERVIEW GUIDE

1. What is your position at Warid?
2. How long have you worked with Warid Telecom?
3. How long have you occupied this position?
4. What internal controls have you put in place to ensure financial accountability?
5. What is the impact of the internal controls on financial accountability?
6. What measures have been put in place to improve the control environment?
7. What impact have these improvements in the control environment had on financial accountability?
8. What measures have been put in place to assess risk
9. What impact has risk assessment on financial accountability?
10. What control activities are in place to ensure financial accountability?
11. What measures have been put in place to improve control activities
12. What impact have the control activities had on financial accountability?
13. What can be done to improve internal controls at Warid Telecom?
14. What can be done to improve financial accountability at Warid Telecom?

Thank You

APPENDIX C: DOCUMENTARY REVIEW CHECKLIST

R**eview document and reports on:**

1. Control Environment Processes

2. Risk Assessment

3. Control Activities

4. Financial Accountability

APPENDIX D: COMPUTATION OF THE CONTENT VALIDITY INDEX

CVI = <u>No of Item declared valid by the judges</u>

Total No of items on the questionnaire

Judge 1:

44

CVI = =0.9

Judge 2:

44

CVI = =0.9

Judge 3:

43

CVI = =0.9

Therefore, Average of content validity index was:

2.7

CVI = =0.9

APPENDIX E: CORRELATION AND REGRESSION ANALYSIS RESULTS

Control environment and financial accountability

		Control Environment	Financial Accountability
Control Environment	Pearson Correlation	1	.435**
	Sig. (2-tailed)		.000
	N	80	80
Financial Accountability	Pearson Correlation	.435**	1
	Sig. (2-tailed)	.000	
	N	80	80
**. Correlation is significant at the 0.01 level (2-tailed).			

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.435[a]	.413	.410	.79779

a. Predictors: (Constant), control environment

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.501	1	27.501	43.208	.000[a]
	Residual	24.186	38	.636		
	Total	51.687	39			

a. Predictors: (Constant), control environment

b. Dependent Variable: Financial accountability

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.727	.268		6.441	.000
	Control environment	.715	.109	.435	6.573	.000

a. Dependent Variable: financial accountability

Risk assessment and financial accountability

		Risk Assessment	Financial Accountability
Risk Assessment	Pearson Correlation	1	.524**
	Sig. (2-tailed)		.000
	N	80	80
Financial Accountability	Pearson Correlation	.524**	1
	Sig. (2-tailed)	.000	
	N	80	80
**. Correlation is significant at the 0.01 level (2-tailed).			

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.462[a]	.437	.435	.34435

a. Predictors: (Constant), risk assessment

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.181	1	47.181	397.900	.000[a]
	Residual	4.506	38	.119		
	Total	51.687	39			

a. Predictors: (Constant), risk assessment

b. Dependent Variable: financial accountability

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.065	.176		-.368	.715
	Risk assessment	1.032	.052	.955	19.947	.000

a. Dependent Variable: financial accountability

Control activities and financial accountability

		Control Activities	Financial Accountability
Control Activities	Pearson Correlation	1	.462**
	Sig. (2-tailed)		.000
	N	80	80
Financial Accountability	Pearson Correlation	.462**	1
	Sig. (2-tailed)	.000	
	N	80	80

**. Correlation is significant at the 0.01 level (2-tailed).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.462[a]	.437	.410	.49739

a. Predictors: (Constant), financial accountability

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.181	1	47.181	397.900	.000[a]
	Residual	4.506	38	.119		
	Total	51.687	39			

a. Predictors: (Constant), control activities

b. Dependent Variable: financial accountability

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.065	.176		-.368	.715
	Control Activities	1.032	.052	.462	19.947	.000

a. Dependent Variable: Financial Accountability