

**INTERNAL CONTROLS AND THE FINANCIAL PERFORMANCE OF PUBLIC
HIGHER INSTITUTIONS OF LEARNING IN UGANDA;
A CASE STUDY OF UGANDA MANAGEMENT INSTITUTE**

BY

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF MANAGEMENT SCIENCE IN
PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF A
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INSTITUTE**

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DECLARATION

I, John Mary Kalemeera, do declare that the work presented in this dissertation has never been submitted for a degree in this or any other institution of higher learning. All the work contained herein is original unless otherwise stated.

Signature:

Date:

APPROVAL

This report compiled by John Mary Kalemeera on the relationship between **Internal Controls and the Financial Performance of Public Higher Institutions of Learning in Uganda, A Case Study of Uganda Management Institute** has been submitted to the Uganda Management Institute for examination with the approval of the following academic supervisors:

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DEDICATION

I dedicate this dissertation to Achilles Junju my son and my Parents Mr. Kateregga Charles and Mrs. Namwanje Cissy for their continued support in all that has made me succeed at writing this report.

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I take this opportunity to express my delighted thanks and appreciation to all individuals for their support in the course of conducting this study. In particular are my supervisors Dr. Mwesigye Edgar Kateshumbwa, and Mrs. Prossy Oluka Nagitta for their continuous guidance. Their professional advice was helpful throughout the scope of this research.

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ABBREVIATIONS

COSO	The Committee of Sponsoring Organizations of the Tread way Commission
CPA	Certified Public Accountants
FY	Financial Year
ICS	Internal Control System
ICT	Information and Communication Technology
ID	Identity Card
IFMIS	Integrated Financial Management Information System
IPF'S	Indicative Planning Figures
ISA	International Standards of Auditing
M&E	Monitoring and evaluation
SD	Standard Deviation
UMI	Uganda Management Institute
URA	Uganda Revenue Authority
VAT	Value Added Tax

ABSTRACT

Following an external Audit by the Auditor General (FY 2015/16), in the management letter, key issues were raised to the management of UMI relating to suspected payroll fraud, diversion of funds, regular disappearance of payment documents for associate consultants, inadequate staffing, overwhelmingly increasing Accounts Receivables and Accounts Payables that evidence insufficient internal controls which may affect the enhancement of the Institute's competitiveness and financial sustainability as part of her strategic objectives, thus motive for the study. The purpose of the study was to find out the relationship between internal controls and the financial performance of UMI. Specifically the study sought to establish the relationship between internal controls (control environment, monitoring and control activities) on the financial performance (Accounts Receivables and Accounts Payables) of UMI. The objectives of this study were to examine the relationship between control environment and financial performance in UMI; to examine the relationship between monitoring and financial performance in UMI; to investigate the relationship between control activities and financial performance in UMI. A correlation research design was adopted and both qualitative and quantitative approaches were used. UMI Directors and Deans, internal audit team, finance and accounts, planning, monitoring and evaluation, quality assurance, human resource, procurement and ICT departmental staff participated in the study, out of 40 respondents, 37 participated in the study giving a response rate of (92.5%), data analysis was performed using inferential and descriptive statistics that included mean and standard deviations, The data was collected using self-administered questionnaires and an interview guide and analyzed using SPSS (descriptive statistics, Pearson correlation coefficients as well as regression analysis). The conclusions of the study were that there was a very significant positive relationship between internal control environment and the financial performance (72.4%), a very strong positive significant relationship between internal control monitoring and financial performance (84.7%), and a moderate significant positive relationship between internal control activities and financial performance (48.5%). The lessons learnt were that even though policies are in place and not known by all staff, their implementation may be stagnated, also without a strong participatory management, the tone of the entire control environment is degraded, however, without proper segregation of tasks all through the control sphere, the control activities are doomed to fail and thus poor financial performance. Consequently the recommendations were that UMI should constantly review her policies, UMI should embrace the modern ICT controls to guide in monitoring of accounts receivables and accounts payables, UMI should optimally utilize her resource envelop by sticking to budgets and also decentralizing the services of the quality assurance and the planning, monitoring and evaluation departments to school level, enhancing continued training of the finance and accounts personnel in order to devise means of managing accounts receivables and accounts payables. In the long run management should ensure constant feedback and two way communications in cases of management letter and on other periodic reports produced by heads of departments and the internal and external audit team to sustain organizational learning.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This study intended to examine the relationship between internal controls and the financial performance of public higher institutions of learning. In this study, internal control was the independent variable and the financial performance was the dependent variable. This chapter presents the background of the study, the statement of the problem, the purpose or general objective, the specific objectives of the study, the research questions, the hypotheses, the scope of the study, the significance of the study, justification and operational definition of terms and concepts.

1.1 Background to the study

The background is based on four perspectives that is historical perspective, theoretical perspective, conceptual perspective and contextual perspective.

1.1.1 Historical Background

With reference to the Uganda Universities and Other Tertiary Institutions Act (2001), higher Learning, or tertiary education is defined to be “both public and private universities and other tertiary institutions providing post-secondary (post-A-level) education, offering courses of study leading to the award of certificates, diplomas and degrees, and conducting research and publishing.

Financial performance concerns transparency and proper accountability of funds in public higher institutions of learning, while poor performance in these institutions is attributed to poor and

reduced funding and increased student enrolment, (Kasozi, 2009; National Council for Higher Education, 2007), Muriisa (2010) argues that the crisis facing these institutions in Uganda is not simply a crisis of funding but also of financial performance. This is in line with this observation that the Ministry of Education recommended that financial management especially what is generated from private sources should be centralized to minimize mismanagement (Ministry of Education, 2008). The impact of poor accounting systems stifles internal controls as much of the money belonging to them is easily consumed and cannot be visibly seen to exist.

Through inefficiency much learning time is lost in many Sub-Saharan African higher education systems (Lewin, 2001). A commendable education system requires efficiency, and the need for an efficient education system cannot be questioned (Standa, 2008). There is evidence that the flow of students in most African universities had been identified with gaps accounted to the nature of administrative behaviors. One can look across education systems in several countries and find a growing repository of empirical studies that shed new light on our understanding of higher education efficiency. According to the education sector performance report 2015/16, the sector continues to implement various strategies to enable all Ugandans to access higher education. Most notable among which is the expansion of higher education students financing scheme beneficiaries to include other tertiary institutions, which has increased the provision of higher education in the country (Uganda Students Higher Education Financing Policy, 2012). Despite many pitfalls, the sector continues to prioritize interventions in line with improving efficiency and effectiveness at all levels, yet staff attrition and retention particularly at higher levels of senior lecturers, associate professors and professors, regional and national salary comparisons continue to drain the staff capacity (Education Sector Performance Report, FY 2015/16).

Ndeithu (2007) notes that learning outcomes for any institution are shaped by the determination of the higher institution authorities more than the values of students, lecturers and availability of resources. (Owido, 2011), government assistance to students, through grants, has been sharply reduced (Osion, 2000), yet there is more need to provide costly technological support for the operations. These public institutions also have to operate as profit making organizations for sustainability, making them both public and private institutions simultaneously (Mamdani, 2007). This result in the commercialization of academic programmes focused on mass education as opposed to elite education. Kitamirike (2008) narrates that the shift to mass education has eroded the main goal of higher learning, which was to increase the institutional flexibility and build productive and adaptive capacity in terms of quality services and service delivery, particularly regarding teaching and research. Consequently, student, teaching and non-teaching staff demonstrations against poor quality services and delayed salary payments have become common events at public higher institutions of learning (Businge, 2009). Yet Managers of these institutions (agents) are appointed by the Ministry of Education (principal) to run the institutions on behalf of the government, but in many instances they have failed to deliver results as expected, managers of these institutions act on their own behalf rather than that of the public (Jensen and Meckling, 1976). Higher institutions of learning in Uganda require better-quality, accountable and ethical administrative approaches in order to enhance financial efficiency and effectiveness (Nsubuga, 2008).

The Parliamentary Accounts Committee reported that cases of attempted fraud and forgery in universities, irregularities in staff recruitment and promotion has distorted financial performance for example the committee's half-year report for 2015, revealed a total of 52 cases of attempted fraud and forgery, involving universities like Kyambogo, Makerere, and many others. It was

coined that the sagging development and poor financial performance was attributable to weaknesses in the internal control systems of the universities. This has clearly painted the picture of how fraud has penetrated in the financial strength of Uganda's higher institutions. Thus the need to stress the rationale of proper financial management levels in public higher institutions of learning. And the increased need for transparency and financial accountability with strong visibility of monitoring, control and evaluation systems within the council and Board operations (Uganda students higher education financing policy, 2012). Whereas institutions of higher learning in Uganda have implemented systems of internal control, it is not clear whether they help them to achieve financial goals. These goals include cost efficiency, cash flow management, tuition collection, effectiveness and efficiency of operations, asset maintenance and income management (Sentamu, 2013). It's against this background that the research ought to investigate the problem so as to establish the relationship between internal controls and the financial performance of public higher institutions of learning taking UMI as the case study.

1.1.2 Theoretical background

1.1.2.1 The COSO Model

In the US, the organization which sponsored Tread way (COSO- Committee of the sponsoring organization) 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 the modern approach to control (Spira et al 2003: 647 in Evaluation of the effectiveness of internal control over financial reporting Tartu, 2006). COSO defines internal control as a process, employed by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives for Effectiveness and efficiency of operations, reliability of financial reporting, Compliance with

applicable laws and regulations. (COSO 1994:13) yet Jeremiah (2013) conducted a study and found out that some of the challenges experienced by these institutions in regard to internal controls include; struggles with liquidity problems, credit management, poor debt management, financial reports are not made timely, accountability for financial resources is wanting, frauds and misuse of institutional resources have been unearthed and a number of decisions made have not yielded the expected results. COSO (2013) framework identified five main elements of an ICS, namely: control environment, risk assessment, control activities, information and communication, and Monitoring. It stressed that all those components must be present for IC to be considered effective (Bowrin, 2004). Three of the five components informed the independent variable of this study.

A sound internal control ensures that transactions are: valid, properly authorized, recorded, properly valued, properly classified, reconciled to subsidiary records and not carried through by a single employee that is ensure separation of duties (Adeyemo ,2012).“ICS explain the entire system of controls, financial and otherwise, strategically put in place by the directors firmly to sustain the dealings of an entity while ensuring adherence to laid down policies, rules, guidelines and procedures, taking proper custody of company most valuable stock, keep paramount, the final and rightful documentation in an orderly and efficient manner (Etuk et-al, 1999).

1.1.2.2 The Principal Agency Theory

According to the principal agency theory, an entity is composed of a number of agreements between those who raise share capital and own firm resources (the principals) and executives (the agents) who are selected to manage day to day allocations, utilization and optimize those resources (Jensen and Meckling, 1976). The theory assumes information asymmetry that agents are more information than principals and that this adversely affects the principals' ability to

monitor whether or not their interests are being properly satisfied by agents. Additionally, the theory describes corporate entities as necessary structures to maintain contracts, and through them, it is possible to exercise controls which minimizes opportunistic and selfish behavior of agents (Jensen 11 and Meckling, 1976). In order to harmonize the interests of both parties, the theory binds that a comprehensive contract must be written to address claims of both the agent and the principal. The Principal-Agent relationship is strengthened more by the principal employing an expert and systems (auditors and control systems) to monitor and control the agents' deliverables (Jussi and Petri, 2004).

Further the theory recognizes that any incomplete information about the relationship, interests or work performance of the agent described, could be adverse and a moral hazard. Moral hazard and adverse selection impact on the output of the agent in two ways; not possessing the requisite knowledge about what should be done and not doing exactly what the agent is appointed to do. The theory therefore works on the assumption that principals and agents act rationally and use contracting to maximize their wealth (Jensen and Meckling, 1976). This theory was applicable to this study simply because ICS is one of many mechanisms used in public institutions management to address the agency problem and reducing agency costs that affects the overall performance of the relationship as well as the benefits of the principal (Payne, 2003; Abdel-Khalik, 1993). Internal control enhances the provision of additional information to the principal (shareholder) about the behavior of the agent (management) reduces information asymmetry and lowers investor risk and low revenues.

1.1.3 Conceptual background

According to Siayor (2010), ICs refers to all the guiding principles enriched by the executives and agents of entities to equip them attain planned targets substantially efficient, organized and effective operation schedules objected to internal values, proper property custodians, avoiding shoddy and informal deals that are not accounted for as well as misinformation and enriched records taking culture. ICS are significant and critical maps for all diverse and dynamic executives as many organizations die without celebrating their first birthdays and some institutionalized publicized frauds.

It constitutes all organized steps; directions and control measures embedded in the institution's leadership or council of executives spearheading the undertakings and other duties with orderly and effective scheduled plans (PWC, 2008). Precautions for internal controls are interdependently practiced in normal processes preceding tasks. COSO (2009) Defines "An internal control " as a chronological set up , affected with instituted authority, structured in a reasonable way for the achievements of planned schedules in a results driven way, dependability of financial reports and tarring with the pegged legalities. ICs are the interconnected minds, strategies, perceptions, guidelines and directions of people and tasks in an entity, coordinating collectively and independently for service delivery (New York state Government standard for internal controls, 2007).The setup of a firm's ICS significantly impact on the way the entire team and leadership are effective (Feng, Li, &McVay, 2009). Similarly institutions that show relaxed in the control span have diverse managerial agency problems and lack a direction to financial sustainability (Feng et-al., 2009). Furthermore, Kinyua et-al (2015) informs that the instilling ICSs in departments and units are a key to financial sustainability. After all, there are perceptions and beliefs of smartly staged systems boosting records management and gives guidance to

accountability mechanisms of agents of an entity (Spira& Page, 2003). Financial performance can be defined as the system and measure of examining the output of an institution's monetary rules guidelines and procedures over time (Trivedi, 2010). In this study financial performance referred to how efficient and effective are public higher institutions able to collect their maximum expected accounts receivables (Tuition fees) and being in position to optimally pay off their accounts payables on time in a sustainable way. Accounts receivables refer to persons or companies who owe money to an organization for goods supplied or services offered yet Accounts payables are persons or companies to whom money is owed for goods or services offered (Frank wood et al 2005). The creditors operations is vital since it entails all cleared invoices and cheques explicit to the payroll and to safeguard her cash and other assets, the Institute's debtors and creditors' processes should have stringent internal controls (Stoner, 2003). Internal controls in this study referred to a stock of tasks, precautionary schedules, strategies, perceptions, guiding principles and tactics that the most unique resource in an institution puts together to yield massive zeal that the original mandate of an entity is realized. It stresses and point those elements signal the flourishing of strong ICs (Bowrin, 2004). The control environment defines the ozone layer, spice and flair laid by top management. It attracts the vacuum or room for interaction where staff freely executes their tasks while being accountable for their actions and inactions in their means and resources entrusted to achieve organizational objectives. Much as assurance to rapid ICs is a primary role of the Board and executives, to establish an appropriate control pace, they should not override the natural systems. Control activities explain the rules and guidelines discoursed in entities to enable the regulated instructions and procedures take course in a manner that enhances the satisfaction of the needs of the institution and her people. These tasks are compared to objectives relating to operations

performance, monetary documentations, as well as adherence to rules. Monitoring is referred to as the systematic assessment of the standards of the organization's IC system's performance periodically in a struggle to meet the organization's high level objectives. It is relevant with complex and dynamic environments faced by most public institutions and with a focus at designed structures delivering as expected and thus ongoing monitoring process of events, periodic evaluations or a union of both is undertaken at a time.

Internal controls being harmony need formation of strongly condensed of techniques and steps that higher institutions of learning have to embed in their integrations to alleviate them from fraud, poor quality services, financial misstatements and staffing issues (Appiah,2013). Any form of control sphere for today's dynamic institution to succeed, the collapse of ICs will certainly lead to extinction of its performance (Kola, 2007).

1 .1.4 Contextual background

Uganda Management Institute acquired its present name following an enactment of the Uganda Management Statute in 1992 which granted it semi-independent autonomy and authority to develop its own programmes and offer its own certificate, diploma and degree awards. Before 1992, the institute conducted programmes leading to awards of Makerere University and was functionally located under the Ministry responsible for public service. Following the restructuring of government in 1992, the Institute was transferred to the Ministry of Education and Sports. The statute was repealed and Amended by the Universities and Other Tertiary Institutions' Act (UOTIA) of 2001(Amended in 2006). The enactment of the Uganda management statute of 1992 conferred an agency status to UMI granted it semi-independent autonomy and authority to develop its own programmes and offer its own certificates, diploma and degree awards with a great degree of autonomy under a governing board (Emorut, 2014).

Uganda management institute has been facing management challenges since FY 2012/13, with Suspected payroll fraud evidenced between July 2012 and December 2014, staff allowances for trainers of UGX 56,087,334 were diverted to senior Account's personal bank account, staff allowances worth UGX 9,973,012 were paid to non- institute staff, staff allowances in excess of the approved amounts of UGX 1,680,000 were paid to two staff, payment documents for Associate Consultants for April and September 2013 could not be traced, reluctance to deduct and remit 6% withholding tax to Uganda Revenue Authority as per section 119 of the Income Tax Act, 1997, noted that withholding tax amounting to UGX 4,280,465 was not recovered from eligible payments (Auditor General's Report FY 2015/16). yet inadequate staffing levels are also alarming following the newly approved structure of 370 staff, the institute remains with 27 vacant positions, as compared to the previous years for example FY 2014/15 the established structure was 219 staff, filled 189(83%), with gaps of 37 staff, in FY 2015/16, the approved structure of 264 staff only 192(72.7%) were filled and leaving a staffing gap at 72(27.3%) staff (Uganda Management Institute Staff List, 2017). Yet the institute is handling a big number of participants that accrue to the new programmes, many outreach centers and a dynamic complex public sector needs strong control systems. All these show gaps in financial management and internal controls thus affecting the institute to strengthen the capacity of support functions to facilitate effective and efficient service delivery that affects the competitiveness and sustainability of UMI services. This study therefore ought to find out the relationship between UMI's internal controls and how they influence the financial performance of public higher institutions of learning.

1.2 Statement of the problem

Uganda management institute has over the years instituted internal controls to manage its operations and meet its strategic objectives that involve enhancing the quality, relevance and delivery of competence based education and training, to generate and disseminate cutting knowledge on public administration, management and leadership, and to enhance the institute's competitiveness and sustainability.

Despite the efforts, the institute still grapples with huge debts and accounts payables. For example, as presented by the Auditor General's Report (FY, 2014/15), the accounts receivables increased by 36.29% from UGX 5,607,228,689 that was registered in FY 2013/14 to UGX 7,642,135,737 of which in FY 2015/16 were UGX 7,751,474,708, in addition, the accounts payables presented in FY 2015/16 was UGX 5,535,608,908 showing a slight decrease from that of FY 2014/15 at UGX 6,831,472,117 that also depicted a 16% increase from 2,630,011,183 that was registered in FY 2013/14(Auditor General's Report FY 2015/16). Yet with continued staffing gaps, proper execution of tasks to enable the institute meet its set goals remains in doubt, despite creation of the quality assurance department to check compliance, the planning monitoring and evaluation department to monitor efficiency and effectiveness of the internal business processes, and stimulate learning and innovations the rate of maximizing her tuition collections and clearing off her outstanding creditors on time are still crippled and whose cause is not known. This may be probably as a result of inadequate internal controls (policies and procedures), hence the study.

1.3 Purpose of the study

The purpose of this study was to find out the relationship between internal controls and the financial performance of Uganda Management Institute.

1.3.1 Specific objectives

1.3.1.1 To examine the relationship between control environment and financial performance in UMI.

1.3.1.2 To examine the relationship between monitoring and financial performance in UMI.

1.3.1.3 To investigate the relationship between control activities and financial performance in UMI

1.4 Research questions

1.4.1 What is the relationship between control environment and financial performance in UMI?

1.4.2 Is there a negative relationship between monitoring and financial performance in UMI?

1.4.3 Is there a relationship between control activities and financial performance in UMI?

1.5 Hypotheses

H1: Control environment positively affect financial performance in Uganda management institute.

H2: Monitoring negatively affects financial performance in Uganda management institute.

H3: There is a positive relationship between control activities and financial performance in Uganda management institute.

1.6 Conceptual Framework

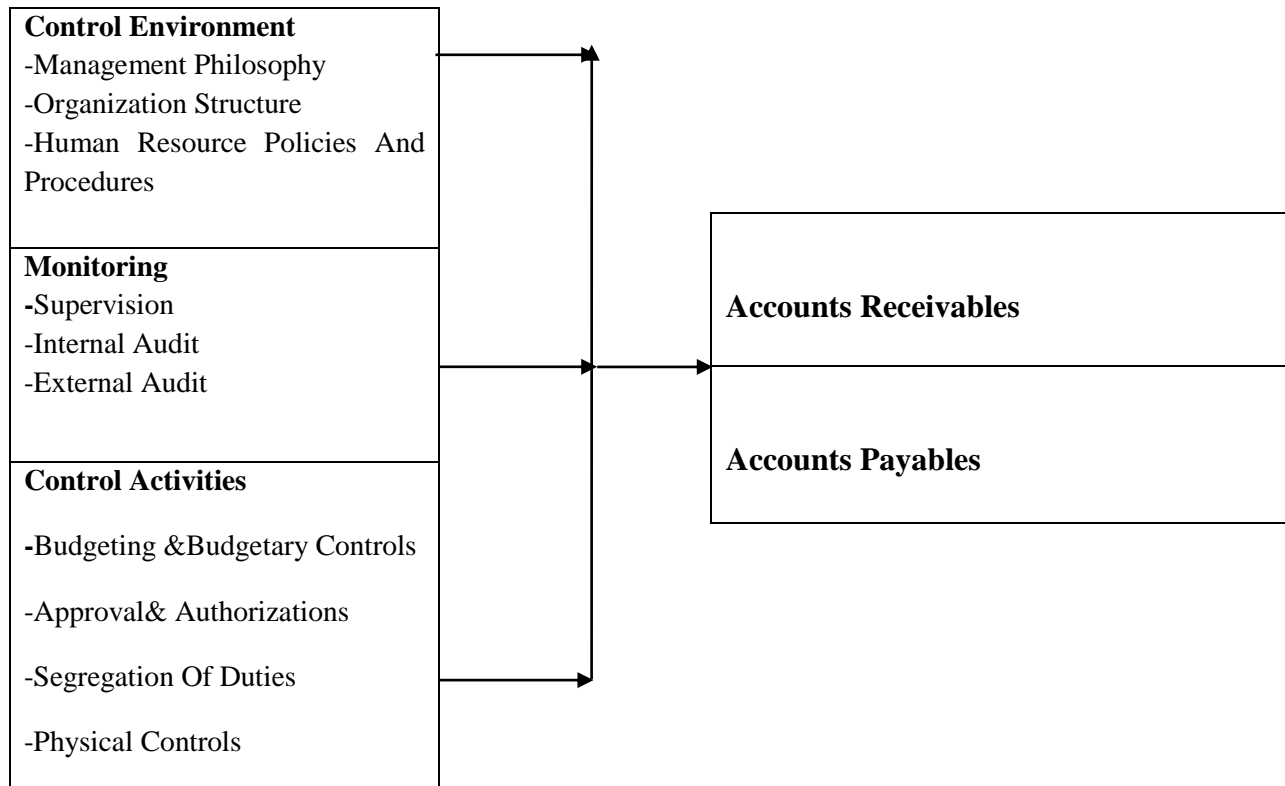
Figure 1: The Conceptual framework showing the relationship between internal controls and financial performance

INDEPENDENT VARIABLE:

INTERNAL CONTROLS

DEPENDENT VARIABLE:

FINANCIAL PERFORMANCE



Source: COSO Model (2013)

The conceptual framework in **Figure 1.0** above illustrates the relationship between internal controls and financial performance. The dependent variable was conceptualised as financial performance with constructs as accounts receivables and accounts payables. The relationship between the identified factors and financial performance explained the extent to which the two variables are correlated and how the independent variable impacted on the dependent dimension in this study. The independent constructs in this study were control environment, monitoring and control activities that are believed to affect the dependent variable.

1.7 Scope of the study

1.7.1 Content scope

The study concentrated on seeking to establish the relationship between internal control and financial performance of UMI.

1.7.2 Geographical scope

The study was carried out at Uganda Management Institute located on Plot 44-52 Jinja Road. The area was selected because it was convenient and easily accessible to the researcher and the existence of prominent management practices that informed the study.

1.7.3 Time scope

The study covered a duration of 3years that is to say from 2013 to 2015. This was the period when audit queries pertaining to suspected fraud have been raised by the Auditor General's Report.

1.8 Significance of the study

The study will be of importance in the following ways;

To technocrats of public institutions collectively and individually will receive guidance in the areas of establishing the relationship between ICS and public finance and its consequences. The leaders will use this research to mitigate the span of risk and fraud within their jurisdictions and build the levels of trust of their stakeholders in them. Executives are to make sure that there is proper usage of company assets since recklessness in usage of company factors of production can create downturns if services have to be delivered with defects and client frustrations.

In addition, the study will be more paramount to humanitarians, social and political scientists because it will expose them to the relationship between internal controls and public financial

usefulness and proactively serves as a trigger to open the fact that managers interface diverse pitfalls of ICs within the normal organizational operations and if left intact would jeopardize the vision, mission and general purpose of the company. The study will also contribute to the existing publications and literatures that will guide staff in the prevention of fraudulent acts and risks within the public organization.

Politicians and councils will harvest from using this study in initiating and implementing policies that build capacity at board level relating to internal controls and financial performance within public institutions. Theoretically the study will be another area to prompt more researchers to concentrate on this area that stocks wide literature to mind and compare future methodologies, architectures and practicing knowledge already acquired.

1.9 Justification of the study

Uganda has for years evidenced the need for the strong internal audit function that is why it has been established in Ministries, Department and Agencies (MDA). However, despite the provisions of enabling laws and public financial management frameworks and instruments, the utilization of public funds is still bogged with cases of public funds misuse. The National Service Delivery Survey (NSDS), in 2008 for example found misuse of funds in the vital human capital building sectors, local governments, and councils with 2.9% of respondents reporting misuse of funds at primary and tertiary education institutions. While governments are investing a lot in their universities, students enrollment in and out in the east and central Africa are registered the least globally, the drift is on exploring sustainable, reliable, and quality education to match today's labor inventories. Despite all investments, most funds are misappropriated by management contrary to public interest (State of Education in Africa Report 2015).

1.10 Operational definition of key terms

According to Princeton (2008), **Internal control** is the entire aspect or iceberg that is surrounding by an entity's components, task designs with decision making flows, human and financial resources and data management and disseminating systems, interconnected functionally to enable attainment of the organizational missions. Further it has been defined as a framework informing the structure, outputs and reporting flows, that people, information systems and tasks composition for organization action orientations (Van Creveld, 2005).

Control Environment: According to the first internal control standard, it relates to the departments that set the pace, leading and giving moral boost towards internal control and contingencies.

Management philosophy: As the perception and style adopted by a company's top most leaders laying their believe values and communicating how an entity should be directed, and the conduct of employees and their subordinates.

Organisational structure: How jobs allotments, connections and reporting chain are organised toward matching organisational aims. It refers to the viewing glass or perspective through which individuals see their internal and external environment.

Decision making: Refers to the art and science of taking action purposely chosen from a set of a span of alternatives to enable organisational or managerial goals bring add meaning. It's the ongoing and unavoidable component of managing any organisation or business activities.

Monitoring: According to CIMA, it is an ongoing synthesis that systematically analyses the reliability of operation's output over time.

Supervision: Refers to the activity carried out to oversee the sustainability of performance of employees as evaluated by their superiors (McNamara, 2010)

Internal Audit: It is an independent continuous appraisal established within the normal operations of an organization as a service to it. It is meant to track adherence and effectiveness of other controls; an instrument playing assurance that all parts of an entity's skeleton are delivering.' (CIMA's Management Accounting Official Terminology)

Control Activities: According to Rezaee et-al. (2001), control activities occur everywhere in any organization. They include a mass of tasks ranging from approving documents, authorizing transactions, verifying records, reconciling statements, reviewing of operating performance, and segregating of duties.

Budgetary control: Refers to the art and science of sticking to the budget to dot while avoiding over and under budgeting in a given accounting period. The process where managers set financial and non-monetary performance targets as plans or budgets for which they compare the actual results, with the planned to adjust performance.

Tertiary education: According to the World Bank tertiary education refers to the universities and tertiary institutions that build specialised knowledge in colleges, vocational schools, social centres, medical schools, innovation and entrepreneurial centres, and virtual interaction centres.

1.11 Conclusion

The contents of this chapter ranging from the background to the operational definitions formed the basis upon which the research was conducted. It gave a clear description of the researcher's intention shown by the objectives that the researcher intended to achieve.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical, conceptual, actual review and the summary of the literature on the relationship between internal control and financial performance. Journals, newspapers, articles from publications, books, and information from the case study organization are used in literature sourcing.

2.2 Theoretical review

This section takes on past theories, models and studies that are related to the relationship between the concept of internal controls and the financial performance in public higher institutions of learning.

2.2.1 The Principal Agency theory

The study was guided and based on the Principal Agency Theory (PAT) proposed by Jensen and Meckling (1976) which asserts that the responsibility for control is vested in the board and management, the shareholders' agents. Some studies which have used the PAT are of the view that financial performance is central in the principal/agent relationships where answerability for actions is binding with administrative reviews and transparent disseminations of messages (Glynn, 1987; Humphrey et al, 1993). Day and Klein (1987) in support of the PAT and ICS assert that these elements guide accountability at contract, thus the categorization of the breadth of the results that this third party has to provide and the existence of mechanisms whereby agents are obliged to take responsibility for actions. The first poses doubts about a number of deliverables on which (executives) agents must furnish and disseminate information to the principles, the second directs attention to the institutional means by which agents are accountable

to a principal and the processes by which information on assignments will be reported, verified, judged, debated, and rewarded or penalized (ibid). However, dismissing the key points in the theory, Van Essen (2011) looks at the role of resource ownership in different contexts by hinting on the array of formally written and informal institutional constellations found in those structures. He advanced that the owners of the institution strategies, objectives, and performance indicators, are crucial parties that deserve respect in ownership concentration. Organizational strategy and performance measurement relationships are owner identity or disclosure. On defining ownership from institutional perspective, he focused on the roles of ownership and not about how the chain of command is shaped.

In addition, Aguilera et al. (2008) stood above the Principle agency ideology and referred it to “closed system.” They hence promoted and preferred a sociological perspective of comparative corporate governance as a better capture of the chained variation cycles that resulted from interrelationships between different institutions and their unique environment.

The PAT therefore underpin this study as it proposes the need for financial performance by the agent to not only show how efficiency and effectiveness in accounts payables and accounts receivables were achieved, but also accounting for the reliability and validity of financial reports and the adequacy of the internal controls in the higher institutions of learning.

2.3 Conceptual review

2.3.1 Control environment

Gunner (2010) while analyzing ICs of a public administration angle described control environment as a dimension of ICs that is derived and shaped by company history, cultural values, and a leading style of an organization. With past and existing literature, basic studies

concentrated on establishing the type, time span and scope of array tests with related subject covered. In contrast, this study focused on a control environment while evaluating internal control and predicting the species, their occurrence periods and degree of overriding test. Whereas control environment is the foundational context within which other aspects of internal control operate (Konrath, 1999), the philosophy, organizational structure, management style, methods of imposing controls, assignment of authority and responsibility, are all key aspects of the control environment (Jones, 2007). Yet in support Beneish et-al (2008), defines the control environment as the tone of an organization and the way it operates. It concerns the establishment of an atmosphere in which human resources can conduct their duties and carry out their control obligations effectively. Likewise, COSO (2004) looks at the ethical environment of an institution to encompass aspects of upper management's tone, their value judgments, and management styles in achieving strategic objectives. Factors relating to the control environment include the integrity, ethical values, competencies of employees and management, executive's philosophies, and operating style. These dictate the manner in which authority and responsibility are assigned, employees organization, training and development, while matching the attention and direction of the board of directors towards organizational success (Bates, 2001).

ISA400 clearly looks at the control environment to represents management's overall attitude, awareness and actions regarding internal controls assurances. Lou (2008) concurs that higher level executives of an institution are responsible for establishing the appropriate control environment. Whereas Whittington and Pany, (2001) emphasizes with internal control environment gives pace to internal control leadership and reducing tensions on the control behaviors of its staff. Control environment explains the foundation for all other internal control constructs. It comprises of the integrity and ethics of personnel and staff tasked with creating,

administering, and monitoring the institutional work, commitment and competence of persons performing assigned duties, attitude of board of directors or audit committees, management philosophies, chosen operating styles, and organizational structure. Many other factors fall here, but this component is highly influenced by the effectiveness of the board of directors, the management, and the audit division of the organization. Internal auditors are essential to effective control environment since the effectiveness of these factors largely depends on their interaction with the internal and external auditor.

Sawyer (2003) presented internal auditing as “a systematic, objective appraisal by internal auditors of the diverse operations and controls within an organization to determine whether financial and operating information is accurate and reliable, risks to the enterprise are identified and minimized, external regulations, acceptable internal policies and procedures are followed, satisfactory operating criteria are met, resources are used efficiently and economically and the organization’s objectives are effectively achieved all for the purpose of consulting with management and for assisting members of the organization in the effective discharge of their governance responsibilities”. Yet Control environment sets the upper pace of an entity, predicts the control consciousness of the human resources within that institution, and grounds foundations for all other internal control system dimensions (Ramos, 2004). The board of directors, audit committees and other top management comprise a vital team that play a role of setting the control pace in these institutions for managing the performance contracts. Main components of control environment for this trend are; corporate culture, Competence levels, Quality of audit committees, staff Integrity and ethics (Ramos, 2004). According to Rae & Subramanian (2006), the core of any organization is its people and they are the engine that drives the organization. They further assert that individual attributes (honesty, ethical values and

competence), and the environment in which they operate determine the success of the institution. The control environment as established by the entities' administration sets the tone of an institution and influences the control consciousness of its financial and human resources. Subramanian et al., (2006), listed Integrity and ethical values; the competence of an institution's people; Leadership philosophy and operating style; the way management assigns authority and responsibility, organizes and develops its people as Control environmental factors.

In relation to Subramanian et al, (2006) organizational cultural values and norms dictate the ethics, honesty and conduct of the human resources in its control chamber. Cohen & Hanno (2000) discussed the importance of strategic governance and management control philosophies where they established a relationship between prior planning and continuous judgments. In their conclusion examined that the management control philosophy and corporate governance affect the prior planning and financial performances of institutions.

ISA 315 describes the organizational structure as being the framework within which an entity's activities for achieving its objectives are planned, executed, controlled and reviewed. The appendix to the ISA, then explains that the appropriateness of an entity's organizational structure depends in part, on its size and the nature of jobs. It follows from these that an international consultation company with offices and operations in several countries has different properties in terms of organizational structure. The organizational structure deemed suitable for companies is in terms of power and Authority, responsibility and lines of reporting meet desired objectives. Its effectiveness is pegged on the guidelines and procedure of internal controls and with the efficiency of the fundamental management responsibilities. Yet in the organizational set up, the efficiency and effectiveness are all matched to its operating mission and vision. The structure of most public higher institutions of learning in Uganda is too bureaucratic and instead of

spearheading internal controls, do stagnate the process as delayed decision making is evidenced, yet these structures are meant to give strength to the pillars of the control setup, to detect, prevent, record, and report any misstatements, frauds, errors and omissions in its framework that revitalizes the controls chain to prevent the discrepancies in the norms (CPA, 2002). However, there is no empirical evidence about the facts of which this study ought to address.

As explained in ISA 315, “human resource policies and practices are important constructs in relation to the control consciousness of the entity” both in design and implementation. Examples of these matters include; Recruitment policies and procedures. Over a range of matters, these should ensure that only competent individuals with integrity are employed by the company, and then the risk of material misstatement will be reduced. Interview procedures should ensure that only those candidates meeting the company’s criteria for recruitment are engaged. There should be adequate induction procedures for new employees, such that they can carry out their assigned responsibilities effectively and efficiently soon after being engaged by the company. Employees should be provided with ongoing training, support and mentoring as appropriate, such that they can continue to carry out their assigned duties effectively and efficiently. There should be regular formal appraisals at least annual for an employee’s performance, general performance should be measured against standards, set criteria authorized by senior management of the institute, and there should be ongoing monitoring and feedback to employees about their performance and development needs. The company should employ comprehensive and transparent employment grievance and disciplinary procedures such that the employees can be confident that grievances will be dealt with openly and impartially, open, transparent and equitable means, for them to be confident that they are treated fairly by the company in the event that an action triggers its disciplinary process. Employment termination procedures should incorporate provisions for an

exit interview so that the reason for the termination can be confirmed or clarified, all emoluments due to the employee can be settled and arrangements can be made for the return of all company assets prior to the termination date. While this will have a positive impact on the internal control of the institute, to some extent they all have the effect of reducing the risk of material misstatements in financial statements. In public higher institutions of learning in Uganda these spillovers exist usually between teaching and non-teaching staff that has led to increased administrative review costs and strikes. However, this study ought to find out the relationship between human resource policies and practices and the financial performance of the institutions.

2.3.2 Monitoring

This refers to the process of assessing the quality of an institution system's performance over time (Jones, 2008). It entails the activities and procedures designed to assess the effectiveness of the ICs in achieving the entity's financial reporting obligations (Coffin, 2003). Monitoring activities may be ongoing or may be separate evaluations, it is important given the complex and dynamic environments faced by most organizations (Henley 2005). It seeks to ensure that systems are performing as intended.

Monitoring defines an accelerating activity that involves performing emergent procedures periodically and reviewing organizational documentation to confirm that all procedures have been performed as required (Muhota, 2005). The tools used in many institutions are reconciliations, internal checks and audits, to ensure the accuracy of transactions being reported in financial statements in monitoring (Diamond, 1984). The entire process must be monitored and modified as necessary, thus the system can react dynamically to changing conditions. ICs need to be monitored, a process that assesses the quality of the system's performance over time.

This is accomplished through ongoing oversight activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of operations and it includes regular management and supervisory activities, and other actions personnel take in performing during their duties. ICS require watchdogs, on regular occasions, systemically reviewing standards for entire institutional efficiency periodically and the effectiveness of ongoing monitoring procedures and the degree at which risks are assessed, should inform how often, the nature, size and degree of unique evaluations to undertake (Colbert & Bowen, 1996). Less effective internal control waves are meant to be tracked and fixed by the architects, while records kept for learning purposes and deviations at future times to the known authority or committee such that issues are fixed just in time since internal control systems change over time. The nature and size of the public higher institutions of learning being complex in nature, has exhibited a culture that does not flourish continuous monitoring which has resulted into financial loss, material misstatements and mandate decay as less compliance to rules, laws and policies by staff is evidenced. This study however ought to find out the relationship between control monitoring and financial performance of these institutions.

Kirsty (2008) and Ngugi (2011) emphasized that an internal control system constructs an organization's trust and self belief in its readiness to execute or undertake particular control tasks, preventing misstatements and wastages through monitoring and enhancing organizational and financial reporting processes as well as ensuring compliance with pertinent laws and regulations. Governments are now moving toward higher levels of transparency and hence Public Institutions must demonstrate accountability and execute their mandate with value for money audits and efficiency in the delivery of services. Since internal and external audits check the laxity in institutional performance including signaling, tracking and retrieve control

weaknesses, monitoring compliance with industrial, sectoral, government and regional–global policies and regulations, and these services or functions of internal audit are intended to spearhead growth and efficiency of public institutions. Puttick et-al, (2008) asserts that management proactively should devise means to ascertain concurrent and flexible all time control teams, bodies and committees to instill the culture. They include self-evaluations, budgets and budgetary reviews, internal audits and any other special review procedures. Accountability both financial, management, legal and political are somehow evidenced in public institutions most especially in budgeting, despite reduced financial transparency that poses questions of whether their actions are in public interest, yet they use tax payers funds to execute their obligations. The literature prompted the researcher to question the supervisory practices, internal audits, ongoing self-evaluations and external audits in UMI and other public higher institutions of learning and how they are related to accounts receivables and accounts payables.

2.3.3 Control activities

Control activities are the policies and procedures implemented by an organization to ensure that management’s directives are carried out rightly. These activities are often grouped into three categories of objectives to which they relate, namely, operations, financial reporting, and compliance (Shelton & Whittington, 2008). He further argues that these control activities include a range of functions as diverse as approving, authorizing, verifying, reconciling, reviewing of operating performance, securing of assets and segregating of duties and authority. Proper, regular and accurate documentation of policies and procedural guidelines helps to influence how the control activities are to be executed. It also provides conclusive information for auditors’ examination of the overall adequacy of control design over financial and operational management practices (Aikins, 2011). Control activities normally centers on a guidelines

dictating what to do, the rationale and the methodology to effecting, of which others are to be measured not in mind, isolation, conscientiously and consistently (Anduru, (2005) and Savcuk (2007). The Institute of Internal Auditors, (IIA, 1991; Taylor and Glezen, 1991; IIA, 1995) alerts that internal auditing refers to “exclusive evaluation roles, routed deep in the zones of an institution to appraise her tasks as a core service.

Jenkinson (2008) narrates that control policies and procedures must be established and executed, to help ensure that actions necessary to achieve the institution’s financial obligations are effectively carried out. It is further argued that control activities are the policies and procedures that help in ensuring that management directives are carried out, and also controlled activities occur as diverse as approving, authorizing, verifying, reconciling, and reviewing of operating performance, security of assets and segregation of duties. Similarly reviews should be made on actual performance versus planned budgets, forecasts and performance in prior periods and performance reviews should be made of specific functions or activities. Reviews in banks may focus on compliance, financial or operational issues. On the other hand Ramos (2004) suggests that a variety of control activities should be calmly performed to check the accuracy and completeness of information, as well as the authorization of transactions. At the same angle, information security and physical security should be tightened. For example machineries, valued stock, working capital, cash, cheque books to mention, controls of resources which require limited interface with non-authorized staff or persons, must be kept under safe custody and regularly monitored. Jobs and roles are segregated among different people to reduce the risks of error or inappropriate actions, to protect against fraud, wastage, and abuse of office and mismanagement of resources (Li, 2008). However, UMI lacking an operationalized credit and debt management policy has created loopholes in her financial controls that accelerated pay roll

fraud, collusion in approval and authorization of payments mainly to trade creditors, over and under budgeting, unreliable manual physical controls and other gaps of which this study ought to fix.

2.4 Thematic review

2.4.1 Control environment and financial performance

The institute of internal auditors defines control environment as any action taken by management, board, and other parties to enhance risk contingent management and increase the likelihood that established objectives are achieved. Research into causes of errors in accounting systems has shown personnel related issues to be the major causes of error (cited in Ozaki, 2008). Control environment has several constructs however, for purposes of this research, the review focused on management philosophy, operating style, the integrity and ethical values of personnel that create and administer controls (preventing and detecting), and audit committees and board of directors who offer guidance and advice. For which the board of directors will be represented by the governing council and various committees of executives (Atkinson, 2009). In addition to that, Whittington and Pany (2008) also believes that these factors set a basis upon which the other internal control components can be built and provide a framework in which they operate. However, these assertions are not always held true, since management in institutions has always over ridden these controls, and the lack of monitoring has always led to collapse of controls. The independence of audit committee has largely been theoretical in most organizations. The statement of recommended practice in UK (JOKP) October, 2000 requires that the trustees on board of state that they have identified all major risks facing the charity and that systems are in place to Mortgage them (Chilty et-al 2001). This statement emphasizes the need for a tone for high regards of control environment to come from the board and then cascades down to

management and the employees in the company. Companies tend to be staffed by hardworking and dedicate employees (Sun, et- al., 2011). However, many companies fail to capitalize in these qualities because of the inadequate empowered organizational structures. It follows, then that if structures or rules are not clearly defined, for example between the Chief Executive Officer and the Trustee chairman, this may cause misunderstanding administratively. However if the institutional structures are in place, with competent staff trained to carry out their mandate, supportive guiding policies and procedures, then why are unethical issues at arise in higher institutions of learning?, what is it that makes the financial controls of these institutions inefficient? Yet top management (Board and council) is there to provide direction, leadership, control and monitor the institutional operations for better financial performance, value for money and improved service delivery.

Studies advanced by DengmeiWu (2011); Yuan (2007), extracted governance not dollar lists. On studies matched a few global with United States private organizations venturing on human medicines and care, Yuan (2008) examined public allegations on both financial and human ethics in faith-based institutions, and found out that they were as vulnerable to such wrong doing like secular organizations. The quality of internal control environment is directly related to the quality of the human resources operating the system. The entity should have sound personnel policies for hiring, orienting, evaluating, counseling, promoting, compensating and taking remedial action. For example, in hiring a standard should be sought only hire the most qualified person, with prone working experience and evidence for integrity and ethical behavior (Schartmann, 2010). Background checks may vary with the organization and employee position. Post-employment controls include internal and external audits, also vital in public institutions (EC, 2010)

Kgabo (2013) defines control environment as a structure of policies, rules and guidelines that should be consulted prior to execution of ICS within an institution. It binds and frames the minds and thoughts that the power of ICS can be operationalised in the institution (COSO, 2013). Several studies have attempted to highlight the impact of environment on financial performance. Among the list are the studies conducted by Muraleetharan (2013), Ali (2013), and Kinyua et-al. (2015), among others. Muraleetharan (2013) conducted study to examine whether ICSs affects the financial performance of an enterprise and results showed no relationship between control environment and financial performance which impacts on organizational performance. Ali (2013) in his study on the contribution of ICS to the financial performance of financial institutions evidenced a strong correlation between control environment and financial performance of organizations. Similarly, Kinyua et al. (2015) in their study on the effect of internal control environment on the financial performance of companies quoted on the Nairobi Securities Exchange found a significant association between internal control environment and financial sustainability. Much as the available studies revealed the outcome of IC environment on the financial performance, they tend to have concentrated on the effect and impact and not the relationship between the two variables of which they carried out on private institutions, thus little attention is given to public higher institutions of learning. This study however covers this gap and it intended to examine the relationship between internal control environment (management philosophy, organization structure, ethical considerations and human resource policies and procedures) and financial performance (accounts receivables and accounts payables) of public higher institutions of learning in Uganda (UMI).

2.4.2 Monitoring and financial performance

Sarens et-al (2006) examined internal audit to form a basis on role clarity that reduces wastages, abuse and double standard. In other words, in any institution, ICs perform a watchdog's role on behalf of management and therefore, any organization without stringent ICs is more prone to fewer fulfillments of financial obligations due to irregularities and errors. Internal control being at the centre of ethical discussions of financial management and fraudulent diversities, most remedial and results catalysts to check the pandemic call for massive trickling in institutions with IC proofed structures and pillars or examining readiness and stringent fraud free departments organized on a good control chain of procedure. Amudo and Inanga (2009) on their study to evaluate the ICS of the African Development Bank Group (AFDB) focusing on Uganda outlined that a set of successive precaution systems are inadequate in ventures which weakens institutional structures. They called for more effort and support on the subject. Whereas Muhota, (2005) in his study on Commercial banks asserted that they handle millions of transactions on daily basis so reconciling is done to confirm and verify that all deposits, withdrawals and transfers recorded were actually made, all bank fees charged were recorded and that, no funds were disbursed from the accounts without being recorded and authorized.

As Timothy et-al (2008) stresses that internal control systems overtime demand stringent monitoring and supervisions. Management should examine the strength and the quality of internal control performances on timely basis and on irregular intervals get involved in ongoing evaluations of control. On contrary Saleemi et-al. (1997) emphasizes that supervision of work controls must involve the reporting on both petty and core tasks of a job. Supervision is an activity carried out by a team of highly skilled and trained officers to observe the challenging, risky, productive with creativity horizontally and vertically informing their superiors

(McMamara, 2010); whereas Manasseh (2004) asserts that it is ensured that all the other internal controls are working concurrently to safeguard organizational assets. It establishes the “tone at the top” and promotes an ethical business environment by providing structure, feedback and discipline thus improved performance (Gamage et-al, 2014).

Holmes et-al (2002) emphasized that whenever there are high top management concerns and will; internal controls internal hawkers and parasites were found less successful. This is in agreement with the work of Rae and Subramanian (2008), who found out that the quality of tracking systems, determine the perceptions and ethical conditions in firms. These scholars discontented with employee financial mistakes identified a gap to link training of work-life balance, and internal control tasks. As proper management oversight incorporates all of the organization’s systems and the internal and external environment (Boyle, Cooper, & Geiger, 2004). Moreover, it can be based on to report performance of a firm’s readiness precaution operations by systematically taking informed decision framework checks, taking a preservative landing for controls (Mwachiro, 2013). Most of the studies on ICS and financial performance tend to examine the various variables under ICS and financial performance individually and therefore fail to consider how monitoring for instance relates with financial performance. Hsu et-al and Li (2009) examined the how monitoring by directors impacted on corporate investment and institutional effectiveness and admitted top management controls should be continuous for firms to energize their corporate business units and market share in Taiwan. Furthermore, Bongani (2013) asserts that ICS is the primary management and governance tool like a balanced score card that an institution can establish and use to provide accountability to its stakeholders (donors) and safeguard its assets for continuity of business. Effective internal control over

financial reporting is intended to provide reasonable assurance about the reliability of a company's financial statements and the process of preparation of those statements.

Mawanda (2008) conducted a research on effects of ICs on financial performance in institutions of higher learning in Uganda. He sought to establish the relationship between ICs and financial performance in an Institution of higher learning in Uganda. Internal control dimensions were Control Environment, Internal Audit and Control Activities whereas financial performance factors included Liquidity, Accountability and Reporting as its measures. The Researcher set out to establish the causes of persistent poor financial performance from the perspective of internal controls. The study established a significant relationship between ICs and financial performance. His investigation recommended competence profiling in the Internal Audit department which should be based on what the institution expects the internal auditor to do and what appropriate number of staff that would be required to do this job. The study therefore acknowledged role of internal audit department to establish internal controls which are related to the financial performance of organizations.

2.4.3 Control activities and financial performance

Visser and Erasmus (2008) put it that an ICS involves a number of control activities, including rules and guiding procedures that dictate approving, authorizing, verifying, reconciling, reviewing of operational activities, safeguarding of assets custody, and segregations of duties and all these are interpedently promoting effective direction, management, leadership, and control assurance (Whittington &Pany, 2001). They are paradigms that as a learning basis guide on the does and don'ts for a positive market share (Muraleetharan, 2013). Amongst the former publications on control activities and financial performance that warrant discussion here are

studies by Muraleetharan (2013) and Ejoh et al (2014). Muraleetharan (2013) in his study on control activities and performance of organizations established a positive relationship between control activities and performance. Ejoh and Ejom (2014) did a study to establish the relationship between internal control activities and financial performance in Tertiary Institutions in Nigeria. The findings of their research revealed a wide disagreement.

To ensure financial performance, there should also be appropriate physical security measures to protect institutional property, which are designed to safeguard the custody of equipments such as portable high value goods, fixed machinery and liquid cash (Yuan, 2007). The physical control aspects include among others, one exit or entrance to the premises where a security guard can be placed, Store rooms have locking facilities with adequate control over keys. Alarm facilities, restricted entry to high value items and high volumes of cash, should be kept to a minimum by regularly banking. Physical controls are measures to ensure the safety of assets; a partial list relating to protection of cash highlights a diversity of opinions; a requirement to lock cash in safe, an instruction directing the storage of cash in locked safe, restricting access to a safe and its content, assignment of responsibility for protecting cash, authorizing cash disbursements, as well as records of cash disbursement and receipts. This diversity should not be construed as indicating a problem; the opposite may very well be true. All these may be regarded as controls, depending on circumstances and the specific activity being reviewed. This was discussed in an American institute of certified Accountant in a study entitled “Internal control-Elements of a coordinate system and its important to management and the independent public Accountant” in 2001 (Internal control checklist, 2011). Available data shows less compliance in public higher institutions of learning however, this study ought to find out facts on it.

Borrowing from Kitamirike (2008), a drift of universal education degraded the mandate of higher institutions of learning, aided to stimulate human capital development, revitalize production with increased investments for customer driven needs, specifically with the mode of delivery while, university strikes upon denied, delayed or on grounds of irregular services alarmingly repetitive at higher institutions of learning (Businge, 2009). A number of scenarios evidence that agents of these institutions increasingly yearned for personal interest and rental seeking (Dyl et-al & Stephenson, 1996). Yet these moments have wide effects for the financial performance of such organizations, and the spillovers of performance (Myners, 1998). On the other hand Hinks, (2005) induced financial capital budgeting as a strainer and sieve against which results oriented management is instilled and performance of individual managers evaluated. Significant variations and deviations from planned results may require explanations and in some cases, corrective action by the individuals or teams responsible for the results. In addition, Pandey (2008) contends that as a planned basis and guide for judging results or deliverables, action and results based planning as a budgetary control tool is generally regarded more appropriate than historical, trend and industry data. To the evidence of the reviewed literature, gaps in budgetary control and accountability still exist in public tertiary institutions in Uganda, which this study intended to fix.

2.5 Summary of literature review

From the literature review presentation, internal controls are paramount if they create a calm environment that guides task execution, track problematic areas, remedy operational inefficiencies, mitigate risks and create a learning ground. Thus inadequate internal controls adversely affect financial performance. Management philosophy and a well-defined and communicated organization structure that is embodied with clear policies and procedures,

motivates employees and legitimizes operations whereas lack of professional conduct adversely affects organizational productivity, growth and quality. Laxity in the system defects customer and employee satisfaction and retention, increases the cycle time, and hinders the quality of service of higher institutions of learning. Presence of segregation of duties prevents fraud and error, monitoring ensures checks and balances and ensures a fair view to stakeholders, physical controls safeguards the company assets yet budgeting and budgetary controls safeguards the company resources and reduces wastage and funds misappropriations. Approvals and authorizations ensure reliability and increases accuracy of records and financial reporting that strengthens the internal business process.

Having narrated the benefits of these controls, most of the drawn writings in the reviewed journals, articles and books do not entirely and explicitly bring out the relationship between internal controls and the financial performance of public higher institutions of learning in Uganda. Thus, a desert of literature in the area under study exists and a few that has been conducted centre on private institutions and have attracted high criticisms in their criteria, scope, and methodology used hence more gaps that this study covered.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter deals with the practical part of the study. It entails the methods, techniques, procedures, and designs that were used in the process of investigating the problem. It includes; research design, study population, sampling design, measurement of variables, sources of data, data collection tools, data quality control, data processing and presentation, ethical considerations and the conclusion of the study.

3.2 Research Design

A correlation research design was used to conduct the study because it helps to test and find out the relationship between the variables (Ezeani, 2002). It is a simple, less time consuming and least costly alternative. Both qualitative and quantitative approaches were used for this research. Non numerical data was open-ended deducting predetermined responses while numerical data involves close ended responses evidenced on questionnaires or psychological instruments (Campbell and Fisk (1959). The mixed methods approach permits gathering diverse data, through personal observations and interviews with traditional surveys (Sweetman et al, 2010). It was fantastic in this study as it eliminated all the bias that originate from using either qualitative or quantitative research design and it allows collection of multiple forms of data drawing on all possibilities. Onen (2005) supports the use of mixed research because multiple findings complement each other and with mixed methods also helps to reduce errors by concentrating on the process.

3.3 Study population

The institute statutory has an approved structure of 370 staff, of which 27 positions are vacant (UMI HRM Staff list, 2017). Thus the population of 40 elements was the entire group of people that the research investigated (Sekaran, 2003.) It involved Planning, Monitoring and Evaluation department staff, Finance and Accounts staff, Procurement staff, administration and management (Directors and Deans), internal audit, ICT department, human resource management, quality assurance department. The composition of the population is indicated in **Table 1**.

3.4 Sample size determination and sampling strategies.

The sample for this study was 31 members, obtained from a population of 40 subjects and the determination criterion was adapted from Krejcie&Morgan(1970) method for determining a sample of a population as cited in (Sekaran, 2003.) Sampling enabled reliability since fewer errors were assumed to exist during data collection.

Table1: Study population size and sampling methods

Strata	Population	Sample size	Sampling method
Finance & Accounts staff	11	8	Purposive Sampling
Planning, Monitoring &Evaluation Staff	2	2	Purposive Sampling
Administration &Mg(Deans& Directors)	10	8	Simple Random Sampling
Internal audit department	2	2	Purposive sampling
Quality Assurance Staff	2	2	Purposive sampling
Human Resource Staff	4	3	Purposive sampling
Procurement Staff	3	3	Stratified sampling
ICT Department	6	3	Simple random sampling
Total	40	31	

Source: UMI Human Resource Department (2017)

3.5 Sampling Technique and Procedure

Sampling techniques was used when selecting the appropriate sample to represent the total population (Babbie, 2007). Both probability and non-probability sampling techniques were used since the research design for this study was both quantitative and qualitative. Under probability sampling, every item of the population had equal chances of inclusion in the sample. Stratified sampling was used to get the sample for Procurement staff because the elements are not homogeneous and strata give more reliable sampling results and detailed information. A list of all procurement staff was compiled. Using a table of random numbers, the 3 (population frame for procurement staff) were given random numbers ranging from 01 to 3 to get the sample of 3. The sample for administration and management was selected using the Simple Random Sampling methods. A list of all the Deans and Directors was compiled and the elements were assigned numbers 01 to 10 from the population frame. All cases within the required range (01-10) were selected until the sample size 8 was arrived at. Non probability sampling was used because the researcher's focus was to collect in-depth information from multiple sources, (Mugenda & Mugenda, 2003). For ICT elements of the sample were selected deliberately by the researcher hence the use of simple random sampling to arrive at the sample of 3. The respondents in this sample contributed necessary data to answer the research questions. Purposive sampling was used to the Finance and accounts, Planning, M &E, internal audit, Quality assurance and Human Resource staff because they handle all control systems thus are more informed about the effectiveness of the financial controls.

3.6 Data Collection Methods

This informed the process of preliminary and field work capturing moments in order to obtain information, to make decision about the study questions, and to retrieve information on to other

(Waller and Romney, 1988). Data was collected from primary and secondary sources by use of both the qualitative and quantitative approaches. Quantitative data from primary source was obtained by administering questionnaires while qualitative data was obtained by conducting key informant interviews.

3.6.1 Questionnaire Survey

This involved questions about the topic studied with a generated list of possible options from which respondents selected the solutions that best described the situation as evidenced in research questions and hypothesis. This method enabled large amounts of information to be collected from the respondents (Human Resource staff, Finance and Accounts Staff, Procurement, internal Audit, Administration and management) in a fast, quick and cheap ways. The researcher was in position to quickly and easily quantify score ratings of the questionnaires through the use of software package (SPSS) and was helpful in comparing and contrasting results (Amin, 2005).

3.6.2 Interviewing

Interviews involved a set of assumptions and understanding about the study (Denscombe 1983). For qualitative data collection, the face to face interview method was used because of its possibility to gain direct access to the prospective interviewees and their responses were taken as a genuine reflection of their thoughts. There was a high response rate since key informant interactions were planned in advance and scheduled for a convenient time and location. This is substantiated by Punch, (2005), who pointed out that interviews are one of the most powerful tools of data collection and ways of understanding others in qualitative research, and data can be tested for accuracy and reliability as they are collected since there is direct contact at the point of

the interview. Key respondents were the heads of departments including quality assurance department, ICT department, Finance and accounts department, internal audit department, human resource department, Planning, Monitoring and Evaluation department and the 3 Directors because they run the process of performance management and set the tone for these internal controls.

3.7 Data Collection Instruments

Data collection instruments explain gadgets that were used to gather the necessary information responses for the study. They included interview guide and questionnaires. The above instruments are recommended for both qualitative and quantitative studies and were therefore suitable for this study (Mugenda and Mugenda, 2003).

3.7.1 Questionnaire

Structured questionnaires were used to collect data because they measure behavior attitude and respondents' characteristics, and cover breadth of the study (Sekaran, 1992). From the researcher's experience, the anonymity of respondents contributed to getting unbiased responses since the respondents had no fear that anyone knew them personally.

The questionnaire was set on a five point Likert scale. This involved the respondents' indicating how closely their feeling matched the question or statement on a rating scale. It was chosen because it is unambiguous and allows for calculating the average index score for those greeting or disagreement with each individual statement hence indicating the greater or lesser degree of prejudice reflected in a particular response. For this study, the scale ranged from: Strongly agree, Agree, undecided, disagree, and strongly disagree.

3.7.2 Interview Guide

This guided the interviewer to establish question content, pattern, question posing criteria, and extrapolating question follow-ups. Kennedy (2006) states that “the interview guide helps to lead and focus the interactions towards the topics and strata under study and it is possible to obtain data necessary to satisfy motives of the study”. It was therefore helpfully to the researcher when soliciting information from the key informants since probing allows obtaining greater depth of information (Mugenda and Mugenda, 2003).

3.8. Data collecting Procedure

The procedure for data collection and reporting states that data collection procedures include the guideline followed during the collection of statistics about the study. This procedure helped to improve the usefulness, timelines, accuracy, and comparability of data collected for a particular study. The following data collection procedure was followed:

3.8.1 Authorization to conduct research

A letter authorizing the researcher from UMI endorsed by the institute’s management was obtained as proof that the researcher was permitted to carry out academic research in the organization.

3.8.2 Questionnaire

The questionnaire exhaustively addressed the objectives of the study. The questionnaire had an introductory remark as to the purpose of research and to the attention of respondents soliciting the respondents’ contribution by filling the questionnaire (Mugenda and Mugenda, 2003). Questionnaires were numbered and delivered to 24 respondents broken down into 8 questionnaires for the Finance and Accounts team, 1 for planning, Monitoring and Evaluation, 8

for Administration and management, 3 for procurement staff, 1 for the internal audit staff and 3 for Human resource staff. The details of the questionnaire are attached on **Appendix 2**.

3.8.3 Interviews

The respondents during the interview also filled in the questionnaire. Following an interview guide, 5 Finance and Accounts team, 3 ICT department staff, 2 Quality Assurance, 2 Administration and management, 1 Human Resource Manager, 1 Chief internal auditor and the 1 Planning, Monitoring and Evaluation development staff were interviewed using the face to face and telephone interview method. Recording of the interview was by note taking, and then the data was transcribed following the guideline posited by (Punch, 2000). Inconsistence in the position being outlined by the respondents was handled by more probing as the interview progressed. The interviews were aimed at gathering information from more knowledgeable officials who involved in decision making in areas of their concern. The interview also supported the questionnaire by delving deeply into the study. As attached on **Appendix 1**.

3.9 Data Quality Control

In order to ascertain appropriateness of the questions and their comprehension pretesting of the questionnaire was done on 13 subjects broken down as follows: 5Accounts staff, 2 administration staff, 3 Human resource and 3 IT Staff. The interview guide was pre- tested on 5 Subjects .The UMI supervisor ascertained the face validity of the instruments. Basing on the above, computation to test for validity and reliability were performed as below.

3.9.1 Validity of the Research Instruments

Validity of research instruments explains the scope level of the research instrument to measure as designed (Amin, 2005). Content validity was determined by calculating the Coefficient of

validity index. The acceptance range was between 0.7 and above extracted from (Amin, 2005). Content validity index (CVI) and Ratio (CVR) were calculated using the formular below: Using expert Judgment suggested by Gay (1996), and the closer the CVI were to 1, the more valid the instrument was.

CVI= Number of items regarded relevant by judges

Total Number of items judged

Where CVI= CONTENT VALIDITY INDEX

The validity of the research tools was determined by calculating the content validity index which gave us 0.92 (92%) upon 52 tested items with 6 items defective. Since the acceptance range is 0.92 that is above 0.7 in relation to Amin (2005), the more valid the instrument.

Coefficient of Variation Index= $(52-6)/52$

=0.92

3.9.2 Reliability

According to Bruton et-al, (2000), Reliability explains the possibility of an instrument to measure an attribute consistently, dependably or repeatedly. Testing for reliability was done to assess the goodness of the measurement scale (Mugenda and Mugenda, 2003) check was applied.

3. 9. 3 Internal consistency reliability check

Internal consistency indicated how well the items on a tool fitted together conceptually.

Coefficient alpha was used for this study. It measures internal consistency for the tested responses from the participants. The Test was performed and expressed in the form of Cronbach

coefficient Alpha where the standard states that the nearer cronbach's alpha is to, 1, the higher the consistency and reliability (Cronbach, 1951).

Table 2: Data Reliability Statistics

Cronbach's Alpha	Number of Items
0.920	52

Source: Primary data 2017

Table 2 above shows the reliability test of the instruments, the coefficient of Alpha was analyzed using SPSS Package and borrowing from Cronbach coefficient Alpha (1951), Alpha was 0.920 highly closer to 1 thus high internal consistency reliability.

3.10 Measurements of Variables

Measurements of variables refer to the relationship among the value that is assigned to the attributes for variables (Trochim, 2006). Yet Amin (2005) asserts it to be the process of transforming abstractly conceived concepts into numerical qualities. The research instruments that proved to be reliable and valid were used to formulate the questionnaire measuring the research items. The variables in the conceptual framework for this study were measured using the interval scale and nominal scale. For the data that was measured using the interval scale, attributes were ranked on a 5 point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). This is because it was possible to measure the magnitude of the differences in the performances among respondents, and Likert scales was treated as yielding interval data by the majority of researcher (Trochim, 2006). Some attributes were measured on the nominal scale.

3.11 Data Management and Analysis

Data management and analysis included bringing together, body constructing, and generating logic to the mass of information that were gathered. This guided the researcher to test the research hypotheses and to answer the research questions by applying statistical techniques (Mugenda and Mugenda, 2003). Data was collected using both qualitative and quantitative methods, edited, coded and entered into SPSS computer package. For quantitative data analysis, the researcher organized, edited, classified and cross tabulated information gathered from the area of the study. Qualitative data was summarized using frequency tables to enable the interpretation of results. Descriptive statistics were generated and these included frequencies, mean, standard deviation, Pearson correlation, and regression. The Pearson correlation was used in data analysis because it measures the strength of an association between variables. It was measured on scale of -1to 1 and interpreted in **table 3** below. Regression analysis was used in this study because it estimates the relationship between variables, hence fitted this research study.

Table3: Pearson correlation interpretation

Statistic range	Interpretation
-1	Perfect negative correlation
-0.99-0.49	Strong negative correlation
-0.5-0.01	Weak negative
0	No correlation
0.01-0.49	Weak positive relationship
0.5-0.99	Strong positive relationship
1	Perfect positive relationship

Source: Guerra and Lane (2012).

3.11.1 Quantitative data analysis

Quantitative data analysis involved analyzing data in numeric form (Blaxter, Hughes and Tight 1996). Data to be analyzed was got from questionnaires. Descriptive statistics were generated to enable the researcher to meaningfully describe a distribution of scores using Statistical package for social sciences (SPSS). Inferential statistics including frequency, mean and standard deviation were computed to show the strength of the relationship between the variables under study (Mugenda and Mugenda, 2003). To measure the impact of multiple dependent constructs towards the independent dimensions, regression analysis was applied. In this analysis, a linear regression model was run to determine the relationship between control environment, Monitoring, & control activities towards the financial performance (Accounts receivables and Accounts payables) of Uganda management institute. Regression analysis was performed at 95% level of confidence.

3.11.2 Qualitative Data Analysis

This involved the researcher searching for patterns of data in form of recurrent behavior or events, and interpreting meanings in non-numeric forms. This simplified and lead to a deeper understanding of the data (Blaxter, Hughes and Tight, 1996). The interactive model by Miles and Huber man (1994) points out 3 concurrent activities throughout qualitative data analysis namely: data reduction, data display, drawing and verifying conclusion found in chapter 4.

3.11.3 Data Analysis from interviews

Collected raw data was cleaned, edited, compressed by sorting and arranging them into different themes by source of information for completeness and consistency, responses were also screened for correctness and accuracy. It was coded by categorizing and labeling the categories of which

relationships among these categories were established basing on research questions. Evaluation and analysis of data was done to determine the adequacy of information and usefulness in answering the research questions (Mugenda and Mugenda, 2003).

3.12 Ethical Considerations

For ethical considerations, following a successful defense of the proposal before a panel of Masters Defence Committee and inclusion of suggested comments, a field research letter and an introductory letter was obtained from the head, political, and administrative science department of Uganda Management institute (UMI) which was presented to the targeted Institute before interviews were conducted.

The authorization letter to conduct research on the Institute was obtained from the Institute's Director General through the Chief Institute Research Centre introducing the researcher to all targeted departments and respondents before data collection that explain what the research is all about and the possible benefits for taking part in this study. Verbal consent was sought from each respondent selected to be part of this study which prompted staff to voluntarily consent to take part in this study. All information obtained from the study respondents were highly confidential and were only academically oriented and nothing else. Since confidentiality and privacy are reported to be vital to researchers who frequently requests informants to share with them their thoughts, attitudes and experiences (Jones and Bartlett, 2010).

3.13 Summary of the Methodology

The study was carried out at UMI Kampala Branch. A correlation research design was used for this study. A mixed methods approach was used in sample selection, at field work stage, data quality control and analysis. The study population was 40 subjects while the sample size was 31

subjects selected using simple random sampling, purposive sampling, and stratified sampling. The method of determining the size was adopted from Krejcie and Morgan as cited in (Sekaran 2003). The data collection methods used included questionnaire, interview and the tools as questionnaires and interview guide. Data analysis involved analyzing both quantitative and qualitative data. Numerical data were analyzed using descriptive statistics while non numerical data were analyzed by looking for patterns of data in form of recurrent behavior or events, and interpreting meaning through crossing tabulation.

CHAPTER FOUR

PRESENTATION, ANALYSIS, AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents the description of the background variables, data analysis, presentation and interpretation of the findings research question per research question from the study about the relationship between internal controls and the financial performance of UMI. The study findings were presented in tabular form showing frequencies, percentages, mean scores and standard deviation. The use of a self-administered questionnaire was the chief method of collecting data from 22 respondents from Uganda management institute (UMI). Statistical tables are representing the relationship between the variables.

4.2 Response rates

A total of 24 questionnaires were designed and distributed to selected respondents and 17 interview sessions arranged and findings are presented below.

Table 4: Response Rate

<i>Sample category/Department</i>		<i>Number of questionnaires issued</i>	<i>Questionnaires returned</i>	<i>Interviews conducted</i>	<i>Questionnaires not returned</i>
Accounts & finance	11	8	7	5	1
Planning, monitoring and evaluation	2	1	1	1	-
Procurement	3	3	3		-
Human resource	4	3	3	1	-
Administration and management (Deans & Directors)	10	8	7	2	1
Internal audit	2	1	1	1	-
Quality assurance	2	-	-	2	-
ICT	6			3	-
Total	40	24	22	15	2

Source: primary data 2017

Table 4 above shows that out of the 24 questionnaires issued to the selected respondents, 22 questionnaires were received back giving a percentage of 91.7%. A total of 15 interviews were conducted out of 17 giving a response rate of 88.2%. This was a high representation of the population from which the sample was selected and according to Amin (2005), a high response rate implies that the results contain substantive information from the study survey.

4.3 Background characteristics of the respondents

4.3.1 Gender of the respondents

Findings on the gender features of respondents were considered to find out whether there was gender bias in the study.

Table 5: Gender of the respondents

		<i>Frequency</i>	<i>Percentage</i>
Valid	Male	10	45.5
	Female	12	54.5
	Total	22	100

Source: Primary data, 2017

From table 5 above, majority 54.5% were female while 45.5% were males. This gave an implication that females have been involved much in the running of the Institution; however the study was inclusive because it involved both male and female.

4.3.2 Department of the respondents

The researcher was interested in finding out the department of a respondent since this could influence question interpretation and response. The findings are evidenced in the table below:

Table 6: Department of the respondents

		<i>Frequency</i>	<i>Percentage</i>
Valid	Accounts department	7	27.3
	Internal audit department	1	4.5
	HR department	3	13.6
	IT department	2	9.1
	Procurement department	3	13.6
	Quality Assurance department	2	9.1
	Admin &Mgt/Council/Board	5	22.7
	Total	22	100

Source: Primary data, 2017

From table 6 above, Findings evidenced that majority of the respondents were from the accounts department 27.3% these were followed by Admin &Mgt/Council/Board 22.7%, Procurement department 13.6%, HR department 13.6% and the IT department and Quality Assurance department with 9.1% respectively and the minority of respondents were from the internal audit department with 4.5%. Since majority of the respondents were from the accounts department it helped to get reliable information on internal controls and financial performance within the Uganda Management Institute.

4.3.3 Education level of the respondents

The researcher also collected data in relation to the education award attained by the respondents. Findings on the education level of respondents were considered to find out how the education level of the respondents can help the researcher to get valid information on internal controls and financial performance. The findings are as verified in the table below;

Table 7: Education level of the respondents

	<i>Level of education</i>	<i>Frequency</i>	<i>Percentage</i>
Valid	PhD	3	13.6
	Doctorate	1	4.5
	Master's degree	13	59.1
	Degree	5	22.7
	Total	22	100

Source: Primary data, 2017

Table 7 shows that majority 59.1% of the respondents holding a Masters degree, 22.7% degree holders, 13.6% PhD holders and 4.5% doctorates. This implied that respondents were informed technically and well placed in the structure for various internal controls in the UMI for better financial performance thus representative of the sample.

4.3.4 Professional background of the respondents

Table 8: Professional background of the respondents

		<i>Frequency</i>	<i>Percentage</i>
Valid	Natural Sciences	2	9.1
	Social Sciences	9	40.9
	Business Management	11	50.0
	Total	22	100

Source: Primary data, 2017

From table 8 above, majority 50.0% had a business management background, 40.9% social sciences, and 9.1% were from natural science background.

4.3.5 Period spent while working in UMI

The researcher sought to find out the number of years a respondent has spent in Management since this could influence question response. The responses are evidenced in the table below.

Table 9: Period spent while working in UMI

		<i>Frequency</i>	<i>Percentage</i>
Valid	Less than 1 year	3	13.6
	1-3 years	5	22.7
	4-6 years	4	18.2
	7 years plus	10	45.5
	Total	22	100

Source: Primary data, 2017

From table 9 above, majority 45.5% of the respondents had served UMI for 7 years and above, 22.7% 1-3years, and 18.2% for 4-6 years. This implied that majority had got enough experience in relation to the running of accounts and management of higher institutions of learning.

4.3.6 Period taken to review its internal control system (Frequency)

Table 10: Time spent when reviewing its internal control systems

		<i>Frequency</i>	<i>Percent</i>
Valid	After 5 years	3	13.6
	Annually	5	22.7
	Half-yearly	2	9.1
	When need arises	12	54.5
	Total	22	100.0

Source: Primary data, 2017

Table 10 above shows results that majority of respondents (54.5%) indicated that the internal control systems are reviewed when need arises, 22.7% annually, 13.6% after 5 years and the

least 9.1% indicated half yearly. This means that the respondents are aware of the changes in the internal controls in the Institute that arise from monitoring.

4.4 Internal Controls

In this section respondents were asked how internal controls (control environment, control activities and control monitoring) influenced financial performance of higher institutions. Using descriptive statistics and a Likert scale answer format and the following were the responses on how internal controls influenced the financial performance of higher institutions of learning (UMI).

4.4.1 Internal Control Environment

4.4.1.1 Descriptive Statistics on Internal Control environment in UMI

Using descriptive statistics and a Likert scale answer format ranging from 1-strongly disagree to 5- strongly agree, the following were the responses on how internal control environment influenced the financial performance of higher institutions below;

Table 11: Descriptive Statistics on Internal Control environment in UMI

<i>No of items</i>	<i>N</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>Std. Deviation</i>
<i>Structures and policies</i>					
1. The Institute regularly reviews its internal control systems	22	1	5	3.05	1.174
2. The UMI Management style evidently manifests commitment to internal controls	22	1	5	3.45	1.535
3. Internal control is part of the culture in UMI	22	1	5	3.27	1.518
4. The institute regularly & comprehensively reviews its organizational structure to make it responsive to the realities	22	1	5	2.05	1.133
5. The institute regularly and comprehensively reviews its human resource policies and procedures to make them more responsive	22	1	5	3.55	1.405
6. The institute regularly and comprehensively reviews its financial, management policies and guidelines to make them more responsive	22	1	5	3.59	1.532
7. The institute regularly has out in place adequate procurement management regulations and guidelines.	22	1	5	2.50	1.406
8. The institute regularly reviews the academic programs, policies and guidelines to make them responsive	22	1	5	2.55	1.438
9. The institute regularly reviews the adequate of student welfare policies and guidelines.	22	1	5	2.14	1.490
<i>Ethical considerations</i>					
1. UMI has a code of conduct manual which adequately defines the standards which employees are required to adopt	22	1	5	1.95	1.253
2. UMI has put in place adequate fraud control systems and plans	22	1	5	2.05	1.046
3. The institute has a strong internal Audit committee to oversee the implementation of internal controls.	22	1	5	2.00	1.113
Average mean scores/Standard deviation				2.68	1.337

Rating: 0-2.5- low, 2.6-3.5-average/ moderate, 4-5 very high

Source: Primary data 2017

From table 11 above, on the aspect whether time spent when reviewing its internal control systems, the rate was average (Mean=3.05& SD=1.174) and on whether UMI Management style evidently manifests commitment to internal controls the rate was also average (Mean score=3.45& SD=1.535) and on whether internal control is part of the culture in UMI rates were still moderate (Mean score=3.27&SD=1.518). This implied that majority agreed.

In agreement with the above, Key informants on the management style asserted that;

The management style used in the quality Assurance department is a participatory process whereby manuals and plans and internal commitment yield to effective controls. On a wider scope, a finance committee seats every week to help the institute Deans and members of Director Finance and Administration to scrutinize sustainable issues (there is Participatory management and planning). There is decentralized budgeting system in which guidance from the procurement, department and the Human Resource (salaries), the process is Complementary and independence is evidenced. There is a Budget conference where the planning, Monitoring and evaluation department and the institute bursar invite all stakeholders and everybody is free to attend however budget cuts are in existence and the accounting officer has an open door policy for transparency there are no overrides (stepping on somebody else's mandate) they Look at reports and take decisions. The institute is quite sober in terms of this it's just the supervisory aspect that needs to be tightening up. Day today monitoring of the payroll plus finance department are mainstreamed. However, awareness creation of the financial policies plus procedures needs to be undertaken at all levels most especially teaching department and others by disseminating institute policies and frameworks to interested staff.

Another key informant explained that;

Directors over stepping some of the controls it's not crystal clear because they are the bound by the rules they have put in place by council, government and other stakeholders since they are agents and the government is the principle. Between financial years 2012/13 the institute was reported in papers because of its shoddy works, the philosophy is now flexible and supports the control system. I have now made more than four years working at the institute as the senior accountant and by financial year 2014/15 I was the acting institute bursar and we had many issues pertaining to the control environment as the institute was under ministry of public service with restructuring that caused staffing gaps. The environment set by the Director General it's the pace and how you perceive the management. In UMI, the departments are independent and the control environment is strong through its structures. Top management put in place the watchdogs that reports directly to the audit committee of the council and management tries to move downwards to implement these controls however, the director general is unable to override the controls and in that case just follows the flow.

The finance and accounts department like the IT department are support functions of the Institute thus, they depend entirely on the training department. For example the institute empowers her departments to budget for their actual financial needs and establish variances however not to factor in private issues, other Internal controls including the establishing internal audits, payments, cheques, use of a vote track (it manages your expenditure and it controls you from over expenditure, and department has a vote for example 50 million, if you exceed that ceiling, they don't allow you to over spend, Payments using transfers plus Electronic Funds Transfers to track expenditures. He added

that despite the vote track, many virements and re-allocations are evidenced within a department and across the department are common in the institute let's say getting money from fuel to projects. And has to be presented to the council, as the institute allows not to move more than 10% of the allocations (the condition is meant not to starve the department), the accounting officer sends it to council for approval. Now we are moving to the IFMIS and the education management information system.

However on the other hand whether the institute regularly & comprehensively reviews its organizational structure to make it responsive to the realities the rate was low (Mean score=2.05 & SD=1.133) which implied that majority disagree that the institute regularly & comprehensively reviews its organizational structure to make it responsive to the realities and on the other hand whether the institute regularly and comprehensively reviews its human resource policies and procedures to make them more responsive the rate was moderate (Mean score=3.55 & SD=1.405). This implied that majority agree that the institute regularly and comprehensively reviews its human resource policies and procedures to make them more responsive.

Key informants were in line with the quantitative findings as far as Organization structure is concerned they contended that;

The UMI organizational structure is ok and good to support its efficiency and effectiveness. On the side of the organization structure for the finance department it is composed of 12 staff with the Head being the Director finance, below him there is the institute bursar under him it's the Senior accountant, and below him there are 3 Accountants each controlling a section let's say revenue section, expenditure and debt collection section, under them we have accounts assistants. As a supervisor for the

accountants and accounts assistants, most times the chain of control is not followed most times the subordinates address their issues direct to the head of department other than reporting to the immediate senior. For example accounts assistants to get a leave, goes straight to the head of department. There is hope to do a job evaluation. As the system and institution grows in relation to the dynamic environment. Also not satisfied (all functions) in their reports challenges overlap from different departments (Red tapes). What is causing understaffing in relation to the external auditors management letter, we were also advising management on Recruitments but as internal watchdogs, the lack of funds to pay the big structure now approved 370 staffs with 27 vacant positions, yet the System (some jobs are over loaded) of people working Mondays to Mondays, 7:00am to 9:00pm. We are thinking of outsourcing the evaluators to do thorough job evaluation.

Another key informant contended that;

The institute has a clear structure that defines the framework the institution uses to achieve its goals, it is appropriate in that it defines key manager's roles, their knowledge and experiences in light of their responsibility and defines the reporting chain. Also constantly they review the structure to cope up with the drastic market and industry conditions that are along with an adequate span of control. Responsibilities and authority for accountability purposes and empowerment are clear and allowed within the ranks of the institute, many delegate to subordinates and underlying job descriptions with specific references are deployed to control related responsibility. However, there is increased red tape that delays decisions thus inefficiency and ineffectiveness.

Another Key informant emphasized that;

The institute has clear human resource policies and practices, the human resource department manages the standards and hiring practices within a company along with relaying messages to employees regarding expected ethical behaviors and required competences for hiring, training, promoting and compensating employees. And before recruitment, the Human Resource manager reviews the adequacy of employee background checks, employee retention, and promotion criteria are done on wards. Usually the disciplinary committee handles remedial actions in case of any disturbance and indiscipline related acts. It gives all parties a fair hearing and independently operates without influence peddling. And according to the Strategic plans (2013 – 2018), the institute's Plan is aligned to NDP2 and Cascaded to the lowest and come every financial year planning and budgeting is centered on the strategic plan.

Quarterly reporting (guidelines and procedures), people report on performance and relate it to spending and the mission statement and all activities come from the approved structure. Monitoring and evaluation Systems guides were created in the institute to guide any periodical budget reports are followed in form of resources reserves. Quality frameworks are in place to verify the products and services and their value to the participants. The quality assurance department was created to guide on education quality arising from the recommendations of the National council for higher education.

Another key informant stressed that;

As far as the organizational structure the Directors general as the accounting officer can control Director finance accounts, bursars, senior account, 3 accountants, the structures is favorable in that these policies are easily adhered to because the financial and original procedures defines the roles and responsibilities in the implementation of the controls. For example, the authorization of money or approve, the Director General approves expenditures greater than or equal to 2 million shillings and the director finance and administration is bound to approve sums ranging from 1million to 2million shillings only. The director of finance and the institute bursar ensures that the Internal Control Systems that are approved by the Director Finance are implemented. The bursar oversees the operations of the accounts department, the senior accounts is in full control of finance and accounts yet the three sections that is Revenue sections, Expenditure and Debt collect are headed by the 3 accountants who report to the senior accountant. Job requirements as well as controls are defined by the policies and procedures and are enforced by the departmental staff. Each one's work is defined by the policies and people are well trained and have enough skills

Respondents were asked whether the institute regularly and comprehensively reviews its financial, management policies and guidelines to make them more responsive, the response was rated average(Mean score=3.59&SD=1.532) and on the other hand whether the institute regularly has put in place adequate procurement management regulations and guidelines responses were rated low(Mean=2.50 &SD=1.406).

In line with the findings in table 11 above, Key informants in agreement asserted that;

The institution has put in place policies, the finance and management policy, the credit policy, the financial policies and procedural manual, the Human recourse manual, operational manual, they all guide in the control process. The Finance department manual guides in finance and its operations credit policy, offer credits to customers. There are enough to guide.

Key informants on human resource policies were in line with the findings presented in table above as they explained that;

UMI has competent staffs who are guided by comprehensive reviewed human resource manual. The institute has over time developed innovative strategies to motivate and retain staff (competitive salaries, extra work load, loans/ advances, gratuity and support to personal development) it has strengthened the implementation of her staff policies, reviewed staff development processes including gender concerns and mainstream for HIV and AIDs through implementation of the institute HIV and AIDs policy. UMI has strong governance and management frameworks and procedures that are supported by clearly laid out terms of references for council and its committees. Further, the purpose and functions of senate are clearly spelt out and well specified. Policy portions are usually developed through participatory / participative committees and the top management team supervises implementation.

Another key informant revealed that;

“The core of any institution is its people, their individual attributes, including integrity, ethical values and competence and the environment in which they operate”. As the only unique asset, they are steam that runs the sailing entity and the memory chip pillar for

competitive advantage. UMI constantly trains her staff and shows commitment to competence where appropriate skills and knowledge to accomplish tasks is adhered to by putting her staff on refresher courses, sponsoring them for further studies. Also meetings occur with key management at the correct frequency to discuss controls and devise means of boosting financial performance. There is a complete board that provides our system on the determination of executive compensation; the directors have sufficient knowledge and industry experience mention is high independence between the board and management. Which fosters appropriate scrutiny over the strategic initiatives, major transactions, and past performance of management (they constantly provide guidance and leadership on situations when intervention is needed).

Another key informant in the face to face interview expressed that;

However, much as the introduction of the Swapping system where the institute's financial management and budgeting must Tally with Bank of Uganda, the new financial management system have tried to reduce fraud and increased accountability. The system in the institute is too bureaucratic and key Financial integrated systems are experiencing Resistance to implementation are associated with Lack of transparency on Budgeting and budgetary controls for example they Exploit the loop holes in the IT policies, procedures, systems and rules. The Finance department plus Top management are stagnating the system, they Hide facts, there is no conducive culture, failure to expose how the system has been working shoddy. There is need to Involvement staff, Consult from ICT department mainly on new system development on Improving and professional Handling of the systems. For example the Distance learning issue –Top management-rigidity with IT distance learning: Little cooperation with them thus failing to integrate IT in

education. To remedy this there is need to train and re-training all staff on the institute's information and communication technology manual and gadgets, people (security), Money – Funding plus budgeting and control improve accessibility to Mobile networking. This year since the creating of the IT school and with a dean, her guidance will help much in boosting IT controls.

Responses on whether the institute regularly reviews the academic programs, policies and guidelines to make them responsive was low (Mean score=2.55 & SD=1.438) which implied that majority disagree that institute regularly reviews the academic programs, policies and guidelines to make them and still responses on whether the institute regularly reviews the adequate of student welfare policies and guidelines was also low (Mean score=2.14 & SD=1.490). This implied that majority agreed that the institute regularly reviews the adequate of student welfare policies and guidelines.

According to a key informant during face to face interview highlighted that;

In the institute due to the ongoing contestation of HRM purposes by highly complex and dynamic environments with uncontrollable developments, the HRM structures are decentralized, flexible, informal, fluid, nonlinear and in a process of continuous change. And the HRM work is accomplished through cultural integration, the institute members are equipped with excellent self-management, networking and often with cross-cultural skills in addition to their technical qualifications and knowledge of the HRM work is continuous with the institute. The institute has a high commitment and involvement management as an approach to the management of people that emphasizes the need to develop organizational commitment among employees, on the assumption that this will

yield results relating to reduced labour turnover, highly committed, and enhanced performance.

Another key informant commented that;

There is a financial manual and in case of requisition for money, documentations are followed within the structures and authorizations “complaint taken as positive, procedures comes from the policies and need to create more awareness, forward plus backward issues however the institute has Standard operating procedures for each department under the IHO management but there plans to reduce the procedures. For example the HR manual -2016 approved and disseminated in UMI indicates that a staff may be rotated from one work station / duties or department to another for purposes of nurturing talent, fostering internal controls and reducing monotony, among others. And job rotations may not be constructed to tantamount to transfer or assignment of extra duties and may not attract extra remunerations. Management has revised the Human Resources manual developed internally by the Human Resource department and there was consultation (voice of the team) from other consultants from the teaching department and incorporates administration views. Thus it’s strong and needs to be implemented to dot while incorporating the dynamics in the entire macroeconomics.

For example according to the HR manual 2016, the recruitment and selection policy evidenced that the institute is committed to hiring and retaining qualified and competent staff who have actual and future potential to effectively and efficiently perform their duties’ vision, mission, and strategic objective in recruitment. The institute complies with

the existing employment laws of Uganda and there is commitment to the principle of non-discrimination and equal opportunity for all.

Recruitment and selection procedures of staff other than directors show that the struggle for talent sourcing in the institute within the approved structure, shall be the responsibility and instructed administratively the dean, Head of department / section/ center manager on the annexed standard form, after receiving written submission from the dean, Head of department / section / center manager, the human resource manager verifies the perceived need and recommend for approval by the accounting officer. On satisfying that , the HRM initiates the recruitment process, and a vacant post is filled with the available person either from within or from outside the institute depending on institute requirements as stipulated in clause 1.2 of the staff regulations, there is transparency in that external talent search sourced from outside the institution, a formal advertisement is placed in the point gazettes and / or on the website, local area network, LAN, for positions of grades UMI-UM4 and on the institute notice boards and / or on the website, local area network 'LAN' for those in grades UM5-UMA.

In addition, all staff are availed with the institute human Resource and financial manuals, and open and consistent communications are ensured through channels of staff hand book, newsletters, magazines, circulars, open discussions, electronic mobiles/ telephones. The institute values open communication, team work and identify with institute's high level plans, and effective communications with no compromise for regulations, non disclosure and secrecy that are the persuasions to allow free interactions with fellow staff meetings, discussions , for a, attitudinal surveys and individuals correspondents (The human resource manual-UMI-2016). The human resource departments regularly conducts

attitude surveys and regularly analyze and respond to issues raised by staff, promptly communicate any changes that affect staff and periodically visit business centers and hold meetings with staff individually or in a group.

On the aspect under ethical consideration responses were asked whether UMI has a code of conduct manual which adequately defines the standards which employees are required to adopt rates were very low (Mean score=1.95 & SD=1.253) which implied majority disagreed and on the same aspect whether UMI has put in place adequate fraud control systems and plans the responses were low (Mean score=2.05 & SD=1.046) and in the same way responses on the aspect whether the institute has a strong internal Audit committee to oversee the implementation of internal controls were low (Mean score=2.00 & SD=1.113). This implied that majority the institute has a strong internal Audit committee to oversee the implementation of internal controls were low.

Asked to explain the state of ethics in the institute, the key informants narrated that;

On Ethical consideration issues, the institute recruits people of integrity after thorough background checks and there is an oath of secrecy, the new staffs take the oath to keep information confidential. Not to release information under your custody unnecessarily without expressed authority from the direction general. When one is on leave another person is asked to act. Either at the same level or under you People delegate responsibilities and accountability is paramount because staff in the department are all able to do any work assigned to them and can be transferred from one area to another. He stressed that by virtue of their positions; top management can significantly influence resource allocation and act as a champion of change in creating an organizational

environment conducive to secure goods. And there is need to constantly train the IT users since the training mechanism of organizational influence serves to indoctrinate members to internalize important knowledge and skills so that workers make decisions consistent with organizational objectives.

Another key informant expressed that;

With informal recruitment of staff there is a high degree of getting people integrity and the chances of people to intervene is minimal. However, the institute has a well trained work force that is properly recruited on merit without conflict of interest. And relating to the auditor general's report of Financial year 2015/16 in his management letter, we cannot rule out misstatements, some minor cases exist. Indeed an officer in charge of the payroll did it and it had taken time, the division occurred, he did it over a period of time; his evictions were not fully established staff. He targeted the associates mainly consultants and kept on rotating them. Name remains but the account Number changes in the month he targeted 2-3 consultants and was continuous. The case is before court. Presently, we had a minor issue in projects accounts and the project officer was forced to resign thus generally the institute does not entertain unethical conduct and behavior as it subscribes to the code of conduct of public service and the Anti-corruption Act of 2010, the PPDA Act of 2007 and the Amendment to the Finance and management Regulations Act 2015.

The institute adopted a participatory planning process which started in September 2017 with the appointment of the UMI strategic plan alignment committee comprised of 5 male and 3 female staff. And the committee deliberated on the new strategic directions

for the period of 3 years (2017-2020). In terms of financial, UMI has involved a culture of self –reliance through internally generated revenue finances which represents over 90% of her budget. It has also developed a clear budget process that has been well managed through clear and transparent systems. The processing of services is guided by market forces and at the same time it is periodically reviewed. UMI heavily relies on training which contributes about 70% of her total revenue and its capital budget due to lack of diverse funding sources.

The institute has comprehensive manuals to guide her operations such as Human Resource, Finance, Administration, Audit, and ICT manuals and UMI complies with legal obligations and has adopted the national control for higher education quality assurance guidelines.

Presently UMI has in place a robust monitoring and evaluation, which facilitates periodic performance reporting on implementation of the institute strategic plan.

Mainly internal controls are implemented by the internal Audit department which is independent it guides and directs on operational controls (efficiency and effectiveness monitor Compliance of applicable laws and provide leadership in Monitoring and evaluation of the institute performance on daily basis. Mainly this is not our mandate; the work of the quality assurance department is mainly on academic quality assurance unlike the finance and administration our activities are cross cutting. However, Quality assurance needs internal controls and UMI has tried to identify the loopholes plus closing them and in finance there are control measures for example (Vote track, requisitions plus budget and the administration completes the track. Weekly financial reports to the TMT

would be produced however these days its missing the internal audit is just there to Support departments (internal audit is very strong) they are not in the process to implement these controls. The internal audit needs to walk with the department all over the institution.

4.4.1.2 Inferential results on internal control environment and the financial performance in UMI

The study intended to establish the relationship between internal control environment and the financial performance at UMI and below was the findings;

Hypothesis: *Control environment positively affect financial performance in UMI*

Pearson correlation between internal control environment and the financial performance in UMI

The correlation was carried out to show the significant and the relationship between internal control environment and the financial performance where the findings are as follows;-

Table 12: Correlations between internal control environment and the financial performance

		<i>Internal control environment</i>	<i>Financial performance</i>
<i>Internal control environment</i>	Pearson Correlation	1	.724**
	Sig. (2-tailed)		.000
	N	22	22
<i>Financial performance</i>	Pearson Correlation	.724**	1
	Sig. (2-tailed)	.000	
	N	22	22

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

From table 12 above, a correlation analysis was carried out and findings indicate a significant positive relationship ($r = 0.724$, $p=0.000$, $N=22$), presenting a very strong positive relationship of 0.724 worth 72.4% between internal control environment and the financial performance at UMI. The relationship that is statistically significant at 95% confidence level since p-value (Sig.) is less 0.050 ($=0.000$). This implies that the more internal control environment, the better the financial performance. This means that any change in internal control environment leads to the same change in financial performance. Thus with good internal control environment, financial performance at UMI will be enhanced.

The model summary on internal control environment and the financial performance at UMI

To confirm the above results on internal control environment and the financial performance in UMI another regression analysis were run and the results are as follows;-

Table 13: Model summary on internal control environment and the financial performance in UMI

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.724 ^a	.524	.500	.40769

a. Predictors: (Constant), Internal control environment

The table 13above presents the R and Adjusted R square values. The R-value represented the simple correlation and is 0.724^a, which represents a moderate degree of correlation. The adjusted R-squared is a corrected goodness-of-fit (modal accuracy) it presents the percentage of variance in the dependent construct, the financial performance that is justified by the independent variable internal control environment. From table above, internal control environment explains 50.0% of variations in financial performance (Adjusted R-square=0.500).

Table 14: ANOVA Values on internal control environment and financial performance

<i>Model</i>		<i>Sum of Squares</i>	<i>Df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1	Regression	3.653	1	3.653	21.979	.000 ^a
	Residual	3.324	20	.166		
	Total	6.977	21			

a. Predictors: (Constant), Internal control environment

b. Dependent construct: the Financial performance

To assess the overall significance of the regression model for internal control environment and financial performance, analysis of variance (ANOVA) was generated and Table 14above shows

that internal control environment aspects collectively predict financial performance (Sig. at 0.000, F-value = 21.979,df=1). According to results in table above, internal control environment explains 50.0% of variance in financial performance which is also supported by the regression values of 3.653 compared to residual value of 3.324. This means that there are other factors which strongly explain financial performance than internal control environment. Since internal control environment was significantly related to financial performance, the first hypothesis that internal control environment positively affects financial performance was accepted.

Table15: Coefficients of Variations between internal control environment and financial performance

<i>Model</i>		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>T</i>	<i>Sig.</i>
		<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1	(Constant)	1.304	.250		5.219	.000
	<i>Internal control environment</i>	.500	.107	.724	4.688	.000

a. Dependent Variable: *Financial performance*

From table 15 above, the significance level of 0.000 indicates totality to reject the null hypothesis that internal control environment do not predict financial performance when internal control environment(X) is zero it is the value of financial performance(Y). In this case the intercept is 1.304, so X=0, Y will equal to 1.304, following the linear regression equation of $Y = \beta X + C$, where (Y) is the dependent variable, (X) is the independent variable, Beta (β) is the slope of the regression line and (C) is a constant/Intercept.

Financial performance =0.724internal control environment +C

4.4.2 Internal control monitoring

4.4.2.1 Descriptive statistics on internal control monitoring in UMI

Using descriptive statistics and a Likert scale answer format ranging from *1-strongly disagree to 5- strongly agree*, the following were the responses on internal control monitoring influenced financial performance of higher institutions below;

Table 16: Descriptive statistics on Internal control monitoring

<i>No items</i>	<i>N</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>Std. deviation</i>
<i>Self-evaluations</i>					
1. Self-assessments& evaluations of UMI internal control systems are regularly conducted	22	1	5	3.91	1.151
2. Periodic reviews evaluations of internal control are regularly conducted.	22	1	5	2.32	1.393
3. Management assessment of the effectiveness of internal control are regularly conducted	22	1	5	2.82	1.332
4. The staff carrying out activities obtain evidence as to the adequacy of internal controls in the institute at their level	22	1	5	2.18	1.402
5. Academic staff appraisals are regularly conducted	22	1	5	3.77	1.152
6. Administration staff performance appraisals are regularly conducted	22	1	5	2.86	1.320
<i>Internal auditing</i>					
1. The institute has good staff for internal audit function	22	1	5	2.36	1.293
2. Internal audits separate evaluations of internal controls are regularly conducted	22	1	5	3.59	1.333
3. Special audits are conducted on UMI accounts	22	1	5	2.36	1.465
4. Management usually responds promptly to audit queries	22	1	5	3.45	1.371
<i>Average mean score/standard deviation</i>	22			2.962	1.321

Rating: 0-2.5- low, 2.6-3.5-average/ moderate, 4-5 very high

Source: Primary data 2017

Table 16 above explained, on the aspect of self-evaluations, self-assessments& evaluations of UMI internal control systems are regularly conducted was rated moderate (Mean score=3.91& SD=1.151). This implied that self-evaluations, self-assessments& evaluations of UMI internal control systems are regularly conducted. However responses on periodic reviews evaluations of internal control are regularly conducted, responses rated low (Mean score=2.32& SD=1.393). This implied that majority disagree that periodic reviews evaluations of internal control are regularly conducted.

In agreement with the few who support periodic reviews, a key informant asserts that;

Supervision is implemented in the institute hierarchy, the accounting officer (Director General) is on top, then below him the director finance and administration who oversees the financial operations of the institute in all departments that is human resource, finance and accounts, estates, general duties, and ICT, below him there is the institute bursar, however each departmental manager reports to the director finance and other the managers there are other lower supervisors. The institute bursar supervises the senior accountant; the senior accountant supervises the three accountants, and each accountant supervises the accounts assistants. It is perfect under each head there are people who manage the lower cadres under up to the lowest and each transaction is seen by the person responsible for that section. For example the Accountant expenditure supervises all accountants under expenditure and in revenue it's the same and all activities are handled in a smooth way such that decision making is flexible.

The following low responses were attributed to authorities taking time to cultivate the performance of ICs are regularly conducted (Mean score=2.82&SD=1.332) which implied that majority disagreed and staff carrying out activities usually testified the abundance of internal

controls in the institute at their level (Mean score=2.18& SD=1.402). This implied that majority of the respondents disagreed that staff carrying out activities were testifying the abundance as to the adequacy of internal controls in the institute at their level.

A key informant noted that;

The institute has a well deployed monitoring team and system. Through mechanized reports and other tools that identify when the control is not working. This ongoing monitoring has incorporated regular management and supervisory activities. Evaluation meetings are conducted on monthly basis and the quality assurance department together with the quality assurance, Monitoring and Evaluation departments are funded to track surveillance on financial and other control performances, Risks are assessed, deviations from the planned or variances are highlighted in management meetings and presented to directors and there is appropriateness of follow. Reconciliations are handled to strike a balance between planned and actual deliverables.

In line with the above, another key informant explained that;

In my view Supervision is fine. However the experience I have is on the report, timely challenges in preparing with in a defined tome. Ago between, It takes time to access information due to the long process, feedback is constantly given, be it negative and complements are given where possible but usually top management complains of the delays in report submission. The internal audits are continuously independent in the institute, their work is fundamental , they raise issues with files, codes, timely intervention, gives a corrective action , are very effective, they follow and police the departments as watchdogs, they produce their reports on quarterly basis.

Another key informant denoted that;

For 5 – 6 years in UMI, the Planning, Monitoring and Evaluation (function is young) M&E has done more of planning and recently they have just. The monitoring function is very young. The institute before could monitor for example internal audits (report on performance), Quarterly reporting to the 3 directorates Corporate (DG, projects, library, Program and students affairs, DFA including estates) Reports are structured in the form of the strategic plan. Small activities: A duty offices, relating to complaints about facilitators (micro-monitoring) a duty officer everyday gives a report on the previous day in the morning. There is reporting on progress on budget performance report quarterly on targets. There facts that Line managers / supervisors often and regularly hold staff meetings and copies of the minutes of the meetings are forwarded to management.

On the attributes of administration staff performance appraisals are regularly conducted responses were rated low (Mean score=2.86& SD=1.320). which implied that majority disagreed and on the other hand on the statement stated as Academic staff appraisals are regularly conducted, responses on this aspect were rated moderate (Mean score=3.77& SD=1.152). This implied that majority agreed that Academic staff appraisals are regularly conducted.

In a narrative, and in agreement with the quantitative findings, a key informant noted that;

The institute deploys a Participatory Monitoring and Evaluation function where by every quarter departments, sections, schools, directorates report to the top management team their reports are consolidated and thereafter sent to the council. Evaluation is done on periodic basis and they report on core issues pertaining to the institute. However, on the

other side at every end of module the participants rate the performance of their facilitators alongside human resource appraisals subjected to full time staff other than associates.

Another key informant particularly noted that;

Monitoring and evaluation department is new as young as less than four years in the institute. In the initial stages the institute was not very systematic on planning and budgeting, otherwise Monitoring & Evaluation would be very hard to implement, that's why the Monitoring & Evaluation plan was not emphasized more in operation not until planning and budgeting were firmly grounded. It took us 2 years to first concentrate on planning and budgeting by cascading the strategic plan to department and section levels. Since you can't divorce planning and Monitoring & Evaluation (Results – based M&E).

Right from the previous strategic plan and after 2 ½ years, the institute embarked on the Monitoring & Evaluation (M&E) policy until when it was approved after which by 2015, approval of the Monitoring & Evaluation system took place that will inform the operationalization of M&E in the institute. Just last year is when the Monitoring and Evaluation system started to be implemented. The system needs a lot of capacity building, and sensitization to enable appreciation of the Monitoring and evaluation function.

The following attributes on internal auditing whether the institute has good staff for internal audit function responses were low (Mean score=2.36&SD=1.293) which implied that majority disagreed. On the other hand whether internal audits separate evaluations of internal controls are regularly conducted rates were moderate (Mean score=3.59&SD=1.333). This implied that majority of the respondents agreed.

According to key informants, in agreement with the above findings, explained that;

Internal audit role in UMI is strong and they operate independently while reporting directly to the audit committee to the council. The objective of evaluation of internal controls by an independent financial auditor is to determine the nature, timing and extent of his substantive procedures. However, where the auditor finds certain weakness in internal controls, he may report such weakness to the management of the enterprise so that it may take the necessary remedial action. Such a report on weaknesses in internal controls is commonly known as letter of weaknesses or management letter. It may be emphasized that even where an independent financial auditor has reported the weaknesses in internal controls to the management, he still has to consider their effect on his substantive procedures, moreover, since the independent financial auditor evaluates only the accounting controls, his report cannot be considered to be a comprehensive report on weaknesses in the entire internal control system of the enterprise. It only lists those significant weaknesses which have come to his notice during the audit.

Another key informant stressed that;

Independent auditors normally do surprise checks on our budgets and administrative periodic or regular review on the system to ascertain whether the control procedures are being performed properly. Traditionally, the function of internal audit was to examine the design and operation of accounting controls only. Now days however, the internal audit function has become much wider in scope. It involves a review of: Consistence and ethical disclosure of information that is right to right parties, Complying, being royal to rule of law and order, Safe guarding property, Economy and effectiveness in public expenditure as well as accomplishing accepted results and programs with value benefit analyses. Internal audit function is in place in UMI and independently operates to

mainstream financial management and value for money and annually the external audits are conducted whereby the office of the auditor general sends her staff to examine our compliance on rules and regulations, policies, laws and presentation of a free and fair view of our financial statements.

Monitoring and evaluation is a corporate department and we report direct to the Director General. Council procedure is part and partial and is not directly involved just provide advice / guidance and leadership for sustainability.

Responses on whether special audits are conducted on UMI accounts were low (Mean score= 2.36 and SD=1.465) which implied that majority disagreed and on the other aspect whether management usually responds promptly to audit queries responses were rated average (Mean score=3.45 and SD=1.371) which implied that majority agreed that management usually responds promptly to audit queries.

Key informants gave a similar view that;

The internal audit department always receives management comments when documented. They are positive and constantly five feedbacks on actions and inactions. They added that External audits are done once in a year by the office of the auditor general. It is a legal requirement, the report exonerates you of any of the rumors, the opinion is binding and the queries help institutions to improve because they raise important issues to management. The Office of the Auditor General as the government auditor at the end of every financial year her Staff come up here and examines our financial statements, and other activities of the institute. The Management letter is produced which includes their findings and require management answers to accomplish their tasks. For example

between Financial year 2013/2014 and 2014/2015, his office raised issues on inadequate staffing, pay roll fraud, lack of an operating credit management policy, increased accounts receivables and accounts payables, project failures and tax issues. However, they relied on internal audit reports. Special audit on debtors, some recommendations were given and some issues still persist. With Limited disclosure of debtors' data they expect reconciliation yet Most of them are approach and policy. There is need to change the way the institute is operating (styles of facilitation and mode of delivery) Staffing no segregation not numbers.

Another key informant asserted that;

The Internal audit do day today audit of the institute they produce quarterly audits to management to boost performance and compliance with laws. They may advice on how best, reviewed regularly on every 3 years (policies). The internal audit controls are efficient, because of the regular controls that are done or carried out on daily basis, monthly, weekly, and in quarterly basis they write a report to the attention of management. It's strong, independent and reports to the audit committee of council and in case of issues that management fails to meet they raise it to the audit committee for action and council may direct management to address internal audit queries. (They are supervised by higher authority).

4.4.2.2 Inferential results on internal control monitoring and financial performance in UMI

The study intended to examine the relationship that exists between internal control monitoring and financial performance at UMI and below were the finding;

Pearson correlations on internal control monitoring and financial performance in UMI

The correlation was carried out to show the significance and the relationship between internal control monitoring and the financial performance where the results are as follows;-

Hypothesis: *Monitoring negatively affects financial performance in UMI*

Table 17: Pearson correlations on internal control monitoring and the financial performance

		<i>Internal control monitoring</i>	<i>Financial performance</i>
<i>Internal control monitoring</i>	Pearson Correlation	1	.847**
	Sig. (2-tailed)		.000
	N	22	22
<i>Financial performance</i>	Pearson Correlation	.847**	1
	Sig. (2-tailed)	.000	
	N	22	22

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

From table 17 above, the correlation results shows a very strong positive relationship between internal control monitoring and the financial performance (r=0.847, p=0.000 N=22), since the Pearson value is positive, the relationship is statistically significant at 95% confidence level because p-value (Sig.) is less 0.05(=0.000). This means that the actions of internal control monitoring leads to financial performance.

Model summary on internal control monitoring and financial performance in UMI

The study intended to determine the degree at which internal control monitoring affected the financial performance of UMI, Regressions analysis was done to establish the ANOVA^b values, F-Values and Beta-values as indicated in the tables below;

Table 18: Model Summary on internal control monitoring and financial performance

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.847 ^a	.718	.704	.31371

a. Predictors: (Constant), *Internal control monitoring*

The model summary (Table 18above) was presented to show the contribution of internal control monitoring on financial performance at UMI. The results show an adjusted R-Square value of 0.704 in the model summary meaning that the facets of control monitoring collectively contribute 70.4% to financial performance within UMI. The remaining 29.6% confirms that other factors also have contributed to financial performance other than internal control monitoring.

ANOVA value showing internal control monitoring and financial performance in UMI

Below are the results showing the confirmation on significant levels.

Table19: ANOVA value showing internal control monitoring and financial performance in UMI

<i>Model</i>		<i>Sum of Squares</i>	<i>DF</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1	Regression	5.009	1	5.009	50.900	.000 ^a
	Residual	1.968	20	.098		
	Total	6.977	21			

a. *Predictors: (Constant), Internal control monitoring*

b. *Dependent Construct: the Financial performance*

To confirm the relationship (table 19 above), another test was carried using a regression analysis which also evidenced existence of a relationship between internal control monitoring and the financial performance of UMI. Since the calculated p-value of 0.000 is less than 0.05, the regression model was found to be statistically significant with the F- value of 50.900, DF =1,

$p < 0.05 (0.000)$ which is high. This confirms the existence of a very strong relationship between internal control monitoring and the financial performance at UMI, the residual values which are smaller than the regression value which shows few errors.

Table 20: Coefficient of variation of internal control monitoring and financial performance in UMI

<i>Model</i>		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
		<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1	(Constant)	.905	.220		4.109	.001
	<i>Internal control monitoring</i>	.561	.079	.847	7.134	.000

a. Dependent Variable: Financial performance

Table 20 above showed the coefficients of variation between the variables (internal control monitoring and financial performance) that $Y = \beta X + C$ implies a causal relationship between internal control monitoring and the financial performance in UMI. Where y = financial performance, $\beta = 0.847$, x = internal control monitoring and C = constant. This shows that; financial performance = $0.847 \times$ internal control monitoring + constant.

4.4.3 Internal Control Activities

Using descriptive statistics and a Likert scale answer format ranging from *1-strongly disagree* to *5- strongly agree*, the following were the responses on how Internal control activities influenced the financial performance of higher institutions below;

4.4.3.1 Descriptive statistics on Internal control Activities in UMI

Table 21: Descriptive statistics on Internal control Activities in UMI

<i>No of items</i>	<i>N</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>Std. Deviation</i>
<i>Segregation of duties</i>					
1. The separation of initiation function in transactions is adhered to	22	1	5	3.14	1.320
2. The separation of tasks like the recording function (preparing source documents or coding is adhered to)	22	1	5	3.59	1.333
3. Direct separation of duties for custody of assets is adhered to	22	1	5	1.82	1.006
4. There are clear separation of reconciliation / audit functions in UMI	22	1	5	1.86	1.082
<i>Authorization</i>					
1. Effort is undertaken to ensure that human resources transactions are authorized by the right persons	22	1	5	2.05	1.327
2. Efforts is undertaken to ensure that financial transaction are authorized by rights persons	22	1	5	3.77	1.541
3. Effort is undertaken to ensure that procurement transactions are authorized by the right persons	22	1	5	2.91	1.540
<i>Verifications</i>					
1. Monthly financial reconciliations reports are promptly submitted to the relevant institute organs for action	22	1	5	2.36	1.465
2. The relevant persons / organs undertake to investigate deviations in all UMI transactions	22	1	5	3.55	1.299
3. Prompt corrective actions are taken in case of identified variances in transactions of any nature	22	1	5	3.73	1.279
4. All financial reconciliations are promptly submitted to the institute management for approval	22	1	5	2.27	1.453
Average mean scores/ standard deviation				2.822	1.331

Rating: 0-2.5- low, 2.6-3.5-average/ moderate, 4-5 very high

Source: Primary data 2017

From table 21 above on the aspect of segregation of duties, Respondents were asked whether the separation of initiation function in transactions is adhered to responses were moderate (Mean score=3.14 & SD=1.320) also responses were rated average on whether the separation of

recording function e.g. preparing source documents or code is adhered to (Mean score=3.59 &SD=1.333). This implied that majority agreed that the separation tasks like the recording function (preparing source documents or coding) is adhered to at UMI.

Similarly a key informant during face to face interview noted that;

Segregating duties, the finance and accounts department has several people, payments are made and each goes through many people's hands and any abnormalities are detected before they explode. The cashier prepares the voucher and attaches the requisition form, accountant checks the voucher, and sends it to the institute bursar who finally checks it before it goes to the Accounting officer for approval. Every task goes through many hands to track necessary documentations errors and fraud before payments are affected. This also is done in Revenue with complaint with existing policies, segregations of duties is effectively mainstreamed. The ICs activities are clear and everyone has a job description and at an annual basis, people are evaluated / appraised. (Work and departments). People clearly know what they are doing and are trained and highly professional. There is a structure of taking decisions (use of a committee system), thus cover gaps in conflict of interest limited collision. Based on a clear criterion, there is transparency and proper accountability.

In addition a key informant stressed that;

There is proper segregation of duties, the duties relating to receipts are so allocated that no single person has exclusive control over an entire transaction. The duties are allocated that no individual can override the control system. There is proper segregation of duties whose combination may permit the commitment or concealment of fraud or error. In

UMI segregation of duties relating to receipt of cash, cheques, drafts and to deposit of cash, cheques , drafts into bank, accounting of receipts, preparation of bank reconciliation statements and recording of receipts in the cash book and posting of receipts in the relevant ledger accounts.

Another key informant similarly asserted that;

The institute is evidenced with ample policies, procedures and embodied to ensure control procedures are working as intended. Segregation of duties is done, reconciliations of cash and bank is done regularly, key performance indicators are used to track and measure financial performance, other financial reviews are employed within the top level reviews, actual performance is compared to budget and trend analysis is conducted. The board of directors together with the planning, monitoring and evaluation committee, often carryout budgeting and budgetary controls to ensure effective utilization of funds and good governance (efficiency, effectiveness equity and value for money).

Again another key informant noted that;

The work involved in a transaction is allocated to diverse officers in such a manner that maybe the tasks or person is complementary to the duty of another person, or the accuracy or validity of work delivered by one party is independently checked by another person. These normal checks exist and are part of job chambers for transactions in the institute. The rationale is to minimize the inaccuracy misappropriations, and to tell disparity on timely occasions where they take place. For example in finance and accounts department, every transaction usually involves more than sage to ensure that no single person is authorized to carry out all the stages involved in a transaction and error

committee by me person is likely to be detected by another person and also minimizes the chance of accuracy of fraud taking place, except where there is collusion between two or more persons. Also such controls are evident in the procurement department of the institute.

However on the aspects whether direct separation of duties for custody of assets is adhered to and whether there are clear separation of reconciliation / audit functions in UMI responses were rated very low respectively (Mean scores=1.82 and 1.86 respectively). This implied that majority disagreed.

A key informant noted that;

Physical controls, the institute has a cash office which disperse out cash, they write cheques and go to the bank. Have a safe where cash and cheques are kept under key and lock by the person in charge. Access to that office is restricted to ensure that files are kept in a secret and separate office and under key and lock controlled by one person to ensure limited access. He added that physical ICT controls are deployed like the use an accounting system called Navision Software, it's a robust system which supports over 50 users logged on at the same time and each user has a password and user name to allow access and is highly protected such that data input by one person can be detected on transaction entering. Regular backups of the system by the information and communication technology department to safeguard data privacy and information security, passwords give access levels assigned to various people in the department which has enabled to have authorized data.

Another key informant commented that;

Midterm reviews of the strategic plan is undertaken, with information and communication technology is constant and Monitoring and evaluation is a key cross cutting function in everything we do. Electronic evaluations of the students is today used at UMI, despite the challenge of Security threats, on Privacy policy, the institute is vulnerable, constant System failures (breakdowns which are Power related and Technical), Theft, Destruction of property, Technical expertise (capacity build). Security and physical monitoring gadgets are stolen usually for example Projectors, I pads, Laptops, Mobile phones and some cases where Staff member cars stolen are seen missing. However, the systems are in place, biometric machines, CCTV Cameras with the directors having direct access for monitoring purposes, use of the email system in a form of intranets and extranets for administration and a website open to all other stakeholders, each program has an email system where all its facilitators load power point slides and study material. Other physical controls include firewalls, strong door rock and burglary, however fire extinguishers are lacking on some blocks, and there are no smoke alarms in the institute. Directors have full controls (super controls), departmental heads are majors-limited controls (users), the Finance and accounts department have separate accounts, the human resource department and the institute registrar where we experienced issues relating to confidentiality, integrity and availability which are key pillars of information security. Last year (Error, lack of backups). We need to offer Technical support to students relating to wireless internet, modify Systems to reach library journal accessibility where participants are given user names and passwords to access the services. With information and communication services, Outsourcing is not done

normally. Other servers are in house that is the financial services and Email. Financial, Micro Soft dynamics financial software's are available where People run programs and the IT department offers Supportive role in the codes some cases an External Company comes in to check abnormalities.

On the other aspect of authorization respondents were asked whether Effort is undertaken to ensure that human resources transactions are authorized by the right persons responses were rated low (Mean score=2.05 & SD=1.327) which implied that majority disagreed and on the other hand whether Efforts is undertaken to ensure that financial transaction are authorized by rights persons responses were moderate (Mean score=3.77 & SD=1.541). This implied that majority of the respondents agree that Efforts is undertaken to ensure that financial transaction are authorized by rights persons.

Being asked to give their experience with internal control activities in the institute, the respondents were in agreement with quantitative findings and explained that;

The payments are done after request, approvals by the relevant officers, and it is must be meant for the purpose it was called for. Payments within the budgets and outside the budget are dropped. Funds must be available before payments are approved. The internal auditor comes in at times to conduct an internal verification and in case of anything outside the law is brought up for top management redress, the controls are so stringent in the institute. In case of fraud it can be detected and has helped in identifying misstatements and irregularities in the internal control systems.

A key informant expressed that;

The institute's procurement department often implements the accounting for, and safe guarding assets to provide assurance that accountability for assets is maintained and assets are safeguarded from unauthorized access, use or disposal. He views that accountability or assets starts at the time of their acquisition and continues till their use or disposal. In UMI it is achieved by maintenance of records of assets and their periodic comparison with the related assets. Through use of physical verifications of cash, investment scripts and inventories, and bank reconciliations, there frequency with which such compensations should be made would differ for different assets, depending upon their nature and amount. Thus, those assets which are susceptible to loss through errors or frauds need to be compared more frequently with the related records. He suggested that to safeguard the assets, it is necessary that access to assets should be limited to authorized personnel. This covers not only direct physical access but also indirect access through the preparation or processing of documents that authorize the use or disposal of assets. Direct physical access to assets can be limited through appropriate physical segregation and use of protective equipment or devices like locks, vaults and indirect access can be limited through a proper segregation of duties and through proper custody and control of books of accounts and documents like cheque books, specimen signature books etc.

However responses were rated low on whether effort is undertaken to ensure that procurement transactions are authorized by the right persons(Mean score=2.91& SD=1.540). This implied that majority disagreed with the statement.

According to a key informant during telephone interview noted that;

In UMI, management delegates authority to different levels and to particular persons in the institute to execute specific kinds of transactions in accordance with the prescribed conditions. For example in finance, the powers of various authorities to sanction expenditure and to disburse the same are usually laid down in writing. The institute has established procedures which provide assurance that authorizations are issued by persons acting within the scope of their authority, and that transactions conform to the terms of the authorization. The procedures established for achieving objective primarily consist of making independent comparisons of transaction documents with general or specific authorization. For example the institute treasures that the person disbursing as payment for overtime to employees would check whether the payment has been sanctioned by the departmental head as per the laid down procedure.

On the aspect of verifications; respondents were asked whether monthly financial reconciliations reports are promptly submitted to the relevant institute organs for action responses were rated low (Mean score=2.36 & SD=1.465). This implied that majority disagree that monthly financial reconciliation reports are promptly submitted to the relevant institute organs for action

The key informant explained that;

Before verification, in relation to payments if you need money in department X, you write the requisition to the Head of Department, to the Accounting officer, so that the Head of department checks whether there is money on the account and generates a vote tracker as evidence on the budget line there is money plus balance. It is sent to the account officer for approval (2 levels of approval), when it reaches the accounting officer, after approval he sends it to the finance department, the finance confirms and

prepares a payment voucher bearing the account or name of the payee and the amount to be paid we usually Pay by cheque transfer and are signed by the signatory category B and category A. All directors are signatories and don't sign at all, when the institute bursar is not there the senior accountant signs. People who initiate are very different from authorizations, it is purely segregated and cannot influence the process however, I cannot rule out collusions, when some people raise phone calls to beat the delays and to expedite the process or file (manual process). With Physical controls in the finance department, we have a cash office which has a safe, kept under key and lock for cheque books and others, vouchers are kept safely and every paid voucher is stamped, despite in the past the vouchers have been disappearing or lost and it became an audit query and the accounting officer had to explain.

On the other hand responses were rated moderate on whether prompt corrective actions are taken in case of identified variances in transactions of any nature (Mean score=3.55 & SD=1.299) which implied that majority agreed. However on whether all financial reconciliations are promptly submitted to the institute management for approval rates on responses were low (Mean score=2.27 & SD=1.453). This implied that majority of respondents disagreed that financial reconciliations are promptly submitted to the institute management for approval.

According to a key informant during face to face interview, he contended in agreement that;

The institute has often established several procedures to secure the accuracy, completeness and proof recording of accounting transactions. For example, numerical sequencing of documents like pre-numbered invoices. This Seeks to ensure that all numbered documents are duly accounted for. The trial balances are prepared periodically

in relevant intervals, use of self-balancing ledgers to obtain assurance about the accuracy of accounting records. Similarly procedures are established for ensuring prompt recording of transactions for example comparing of actual cash-in hand with the book records as at the closing of each day. He in addition contends that the institute, reconciles the tuition fees recorded in the books with the bank, and compares with the fees that should have been received, the letter being determined by multiplying the number of participants in each program with the tuition fee per participant. Overall reconciliations, input-output rates and similar other procedures are effective tools of internal control.

A key informant particularly noted that;

The institute Budget is in place to guide our expenditure, all payments made must follow the budgeting requirements and the accountant manages all the expenditure within the budget line. No expenditure allowed outside the budget and for the purpose meant, it is not always that we have the 100% budget, there are various reasons including Inflation problems, under and over budgeting, each department manages its own budget and there is a decentralized management of the budget all through the 36 departments. Each department manages each and if money is finished, you seek for a reallocations or a virement so that you can continue operating as funds are got from other areas. It is highly controlled and there must be justifications for each.

Again another key informant asserted that;

The indicative planning figures from the planning department are issued and initially to guide and every department budgets and submits their budget. Prior to budgeting you must justify depending on the previous performance and set targets. Clarity in the things they need focus. All departments have limits (ceilings) IPF's not exceed it. The budget is consolidated and harmonized left, Centre and right as a system. The challenges in budgeting in the institute is that People usually exceed their ceilings, discuss and engagement in the budget holders / conference, there are virements after approvals, there are supplementary and re-allocations at times whereas Budget cuts, flexible means are evidenced.

However to a similar note another key informant denoted that;

Budgetary cuts proposed or recommended, there should be a distinction between the budget holder and the budget committee before we spend and operate within our budget, we were on sport in the past years no virements and supplementary. The budget is not so big reallocating would come in if participants fulfill payments. Security checks and use of valid UMI ID are done to access some premises like the main gate, the library, the documentary Centre for you to get access to some information, you need to present either a library users card or an original identity card.

In contentment, another key informant explained that;

While narrating the budgetary controls, the respondent views it as the process that runs for a full year, the budgeting process starts in October but this time it is November (late). Budget conference attended by all vote controllers(heads of departments), where the

accounting officer communicates the priorities for the financial year, the finance plus planning, monitoring and evaluations department communicate the available resource envelope, the money they expect from government, school tuition revenues plus others, the finance department presents to the heads of department the performance of the previous Financial Year and the first (1st) quarter performances of this financial year is given that is July to September and advise the heads to explain and justify their expenditures from zero. They thereafter come up with department budgets then they send their budget estimates and work plans to finance department and planning department, the planning department consolidates the work plans and the finance department consolidates the budget and invites all stakeholders to present their over's and under budgeting to harmonize their positions.

Similarly a key informant during face to face interview noted that;

The only control in this budget is the use of the budget book and vote book. What you budgeted is put on the vote book to control over spending and it's what the accounting officer has to see (Vote tracker).The Vote book standard payment requisition form is a tool used for budgeting control. But despite the controls, we find out that some departments do under spend the reason is that the activities that were budgeted for did not take on for instance this financial year they budgeted a lot for research (international conference) but did not occur and when the inflows of the money did not match the timing (deferred by the accounting officer). The budget expires with in the financial year. Usually if not worked on the request is brought back and funded in the next financial year. All expenditure plus incomes of that year expires at 30th June and domestic arrears matched to uncollected revenues.

In agreement with quantitative findings, another key informant commented that;

On Budgeting and budgetary controls, since globally the resources are scarce we the planning, monitoring and evaluation department liaising with the finance department, we analyze indicative planning figures given by the ministry of finance and cascade them to internal departments. Initially we would ask departments to send their wish list but people could over budget for non-measurable activities. Now the Budget desk the institute bursar and finance department guide on indicative planning figures for the institute departments. Depending on key assumptions, we give them parameters as control measures, they submit documents and engage them, justifications for over budgeting and under budgeting are drawn for redress. There is today serious engagement of all stakeholders so much that departments should propose and allocate on a vote. Vote tracker system is today used by the institute where by spending is based on your vote when it is exhausted, you are done. The Challenges we have evidenced with this, many departments end up asking for re-allocations (people come in the middle of the financial year) after approval of the budget yet by the time it's difficult to do virements, re-allocate and supplement budgeting. It has been generally a learning process.

4.4.3.2 Inferential results on internal control activities and financial performance in UMI

The study intended to establish a relationship that exists between internal control activities and the financial performance at UMI and below is the findings;

Pearson correlation between internal control activities and the financial performance in UMI

To establish how internal control activities affect financial performance, the researcher carried out a correlation and linear regression test. The results are presented in the tables below;

Hypothesis: *There is a positive relationship between internal control activities and financial performance in UMI*

Table 22: Pearson correlation between internal control activities and the financial performance in UMI

		<i>Internal control activities</i>	<i>Financial performance</i>
<i>Internal control activities</i>	Pearson Correlation	1	.485*
	Sig. (2-tailed)		.022
	N	22	22
<i>Financial performance</i>	Pearson Correlation	.485*	1
	Sig. (2-tailed)	.022	
	N	22	22

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

The table 22 above shows a moderate and significant positive relationship that existed between internal control activities and financial performance in UMI, ($r=0.485$, $p=0.000$ $N=22$) statistically significant at 95% confidence level, since p-value (Sig.) is less 0.050 ($=0.000$).The positive relationship indicates that the two variables (internal control activities and financial performance) move in the same direction. However there demanded confirmation that the relationship is predictive or otherwise.

Results on regression for internal control activities and the financial performance in UMI

Table 23: Model Summary on internal control activities and financial performance

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.485 ^a	.236	.197	.51644

a. Predictors: (Constant), Internal control activities

The table 23 above presents the R and Adjusted R square values. The R-value represented the simple correlation and is 0.485^a, which represents a moderate correlation. The adjusted R-square is a corrected goodness-of-fit (modal accuracy) it establishes the rate of variance in the dependent construct, financial performance that is explained by the independent construct internal control activities. From table 23 above, internal control activities explains 19.7% of variations in financial performance (Adjusted R-square=0.197).

Table 24: ANOVA Values on internal control activities and financial performance

<i>Model</i>		<i>Sum of Squares</i>	<i>DF</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1	Regression	1.643	1	1.643	6.161	.022 ^a
	Residual	5.334	20	.267		
	Total	6.977	21			

a. Predictors: (Constant), Internal control activities

b. Dependent Construct: the Financial performance

Table 24above shows that internal control activities aspects collectively predict financial performance. Since the calculated p-value of 0.000 is less than 0.05, the regression model was found to be statistically significant with (F=6.161, DF = 1, p<0.05 (=0.000)). According to results in the table above, internal control activities explains 19.7%of variance in financial performance which is also supported by the regression values of 1.643compared to residual value

of 5.334. This means that there are other factors which strongly explain financial performance than internal control activities. Since internal control activities was significantly related to financial performance in UMI, the third hypothesis that there is a significantly positive relationship between internal control activities and the financial performance in UMI was accepted.

Table 25: Coefficients of Variations between internal control activities and financial performance in UMI

<i>Model</i>		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
		<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1	(Constant)	.514	.769		.669	.511
	<i>Internal control activities</i>	.649	.261	.485	2.482	.022

a. Dependent Variable: Financial performance

From table 25 above, the significance level of 0.000 indicates with no discontentment that we can reject the null hypothesis that internal control activities do not predict financial performance when internal control activities(X) is zero it is the value of financial performance(Y). In this case the intercept is .514, so X=0, Y will equal to .514, following the linear regression equation of $Y = \beta X + C$, where (Y) is the dependent variable, (X) is the independent variable, Beta (β) is the slope of the regression line and (C) is a constant/Intercept.

Financial performance = 0.485internal control activities + C

4.5 Financial performance

4.5.1 Descriptive Statistics on financial performance in UMI

Using descriptive statistics and a Likert scale answer format ranging from *1-strongly disagree* to *5- strongly agree*, the following were the responses on financial performance of higher institutions of learning (UMI) as below;

Table 26: Descriptive Statistics on financial performance in UMI

	<i>N</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>Std. Deviation</i>
Financial performance measures					
<i>Accounts receivables</i>					
UMI's staff to debtor's ratio is adequate for the effective and efficient financial success	22	1	5	2.05	1.090
UMI has an easy and convenient storage and retrieval of institutional and debtor's information	22	1	5	3.59	1.368
The debtor's workflow processes are clearly defined, sequenced and coordinated across the finance department	22	1	5	3.18	1.500
<i>Income and financial position</i>					
UMI has attracted reasonable funding to implement its mandate	22	1	5	2.14	1.490
UMI has been able to attract a health diverse third party funding	22	1	5	3.05	1.463
UMI always achieves its fees targets from national students	22	1	5	2.27	1.077
UMI has always mobilized and achieved its fees targets from international students	22	1	5	3.68	1.427
UMI is in position to meet its operating costs from internally generated revenue	22	1	5	1.86	.710
UMI has realized a health annual growth in its profits after tax	22	1	5	1.41	.503

UMI has achieved 100% financial self-sustainability	22	1	5	3.09	1.444
<i>Credit management</i>					
Does UMI have an operating credit management policy	22	1	5	1.55	.596
Does UMI creditors have channels/mechanisms for appeal against decisions taken by UMI staff	22	1	5	3.09	1.540
Are UMI creditors flexible with the credit terms of the institute	22	1	5	2.59	1.501
Are the creditors satisfied with the current financial strategies in UMI	22	1	5	1.64	.581
Proper rules, guidelines and regulations are in place and communicated to creditors and staff in UMI	22	1	5	1.77	.752
Duties, jobs and tasks are formally designed and segregated such that limits of delegation for approving orders and authorizing payments exist in UMI	22	1	5	2.05	1.214
There are sufficient precautions put up to limit duplication and amendment of accounts payable master file data mostly with bank account contents of UMI	22	1	5	3.86	1.320
Payments are initiated and authorized in right channels by right officers before their processing in UMI	22	1	5	2.05	1.214
The custody and accessibility to payment cheques and other procurement negotiable instruments are secured and properly controlled in UMI	22	1	5	2.27	.883
There are sufficient mechanisms to over time update the sustainability of recoverable VAT identification and coding in UMI	22	1	5	1.86	1.167
<i>Average mean score/standard deviation</i>	22			2.45	1.142

Source: Primary data, 2017

According to table 26 above, on the aspect of accounts receivables on UMI's staff to debtors ratio being adequate for effective and efficient financial success was rated low (Mean score=2.05& SD=1.090). This implied that majority disagree that UMI staff to debtors ratio is adequate to enable the institution attain financial success. However on whether the institute has an easy and convenient storage and retrieval of institutional and debtors information was rated

moderate (Mean score= 3.59 & SD=1.368) which indicates that the institute has an easy and convenient storage and retrieval of institutional and debtors information. Similarly on whether the debtors workflow processes are clearly defined, sequenced and coordinated across the finance department, ratings were moderate (Mean score= 3.18 & SD=1.500) which implies that the debtors workflow processes are clearly defined and coordinated across the finance department.

In addition, with income and financial position, specifically on whether UMI has attracted reasonable funding to implement its mandate, it was rated low (Mean score= 2.14 & SD=1.490), on whether the institute has been able to attract a health diverse third party funding it was rated moderate (Mean score= 3.05 & SD=1.463), also with UMI being in position to always achieve its fees targets from national students, it was rated low (Mean score= 2.27 & SD=1.077) which depicts that UMI always fails to achieve its fees targets from national students. On whether UMI has always mobilized and achieved its fees targets from international students, ratings were moderate (Mean score= 3.68 & SD=1.427) implying that the institute has always mobilized and achieved its fees targets from international students. In addition, on whether UMI is in position to meet its operating costs from internally generated revenue, ratings were low (Mean score= 1.86 & SD=0.710) meaning that the institute is not in position to meet its operating costs from internally generated revenue. These findings are in agreement with responses from key informants

Asked to propose financial controls that their departments need to tighten, most respondents explained that;

With financial controls, there are sufficient internal controls systems and they were designed by senior consultants, well strong and as technology is advancing they may need to be upgraded. For example on the increasing student's debtors, strategies to recover them were undertaken and have apparently reduced in relation to last financial year. There are data collectors within the institute and someone was appointed to concentrate on creating a database of all student accounts receivables. Avoid the manual, go fully computerized. As these cause delay in supervisions and because of the nature of our activities not fully automated, we still have a cash office in this era which is so disgusting.

A key informant commented that;

Being part of government, we have to follow government regulations which some are not tight they give way or tempt somebody to commit a crime, thus need to streamline the policies, rules and regulations to reduce the mismatch between the drafts and implementation. For example the Education Management Information System is not yet implemented at UMI, the Integrated Financial Management Information System has however been deployed but needs more operation effective for payments you pay and your account is credited within 72 hours. However, system failures plus unreliable networks coverage together with constant power supply are pitfalls that need to fix (the system is meant for cash accounting and cannot support accrual accounting that is used in the institute).

Asked to suggest means that the institute has to undertake to raise and collect all expected tuition fees, views of the key informants were;

A key informant highlighted that;

Accounts receivables or Debtors still have a problem. Challenges are that for example we invoice students per semester, we are thinking of invoicing per module. Thus change policy, finance policy, credit policy and operational policy, program policies (One policy conclusive). On compliance to operational policies, it's on and off (compliance) depending on the situation (delays). Generally most policies are complied with and managers at certain times fail on compliance. There is segregation of duties, many times people are independent.

In agreement another key informant explained that;

In order to raise expected tuition collections or fees, the institute should borrow and apparently implement what we sported out in the aligned strategic plan. We are proposing to have an electronic access system to lecture looms and other services within the institute, and people have appreciated. The payment card enables you access the class and different services in the institute.

Similarly another contended that, there should be surprise and routine visits and assessment of classes to track exam numbers as well as non-payments and there should be a system to work with the students' leaders such that they wipe out strategies and changing their clients, sensitize them and reminding them to settle their tuition fees on time.

A Key informant during interview noted that;

The raise in the accounts receivables mainly students debtors and corporate debtors, Students debtors must register on condition that they must have paid 50% of the tuition, some register and for some reasons study for one semester, drop out, some are transferred to far places, and some die. Despite continuous invoicing, the debt keeps on remaining on the balance sheet for so long. The number has expanded and indeed need to be reduced. The corporate debtors for example government institution like state house, and the local government, delayed payment for their students, there is no possibility because of delayed release of their disbursements and you know the government does not default but just delays to pay so we expect them to clear us soon.

In line with the above another key informant explained that;

Looking at the unethical issues that appeared in the management letter of the auditor general's report, according to me means fraud per peculated by and internal staff, who exploited the loop holes of the system was detected internally and his case is with police. However much we take the oath, the oath does not limit anybody as a diverse culture. The oath is a tool that just detects and not explicitly continuous. The Senior Human resource officer handles complaints from associates (financial and others) in case of administrative reviews.

Asked to suggest the means that the institute has to undertake to raise all expected tuition fees,

A key informant suggested that there is need to Create awareness for more students to understand the tuition payment policy, Software or database to maintain students information (records and data) regarding invoices relating to students debtors needs to be

developed as well as the Payments received from key participants, proper and efficient accounting system to maintain database for participants and the response has been positive. Revenue has increased and construction of more class room blocks and increasing enrolment and funding from African development Bank sponsoring more students, Customer care, and tuition fees is competitive and we go for quality education so we need to be more customers oriented.

Another key informant expressed that;

In his words the senior accountant says that the institute has to introduce an operational policy (if you have not paid you don't access the class room, block the students from sitting the exams , encourage full payment before the starting of the semester with awarding discounts on full payments plus additional benefits however, in this competitive environment , the remedies may not work as there are many other higher institutions of learning that trade is bogus subjects though poor quality for which Uganda management institute offers value for money education.

Another key informant during face to face interview noted that;

It may be the Source of strikes in most public higher institutions of learning thus generally it is stick and carrot; you cannot raise all the money, unless full payments are done before registration. In addition on the means that the institute needs to undertake to collect all her expected tuition fees, respondents were keen and established that the practices of students to pay upfront would help to reduce on student debtors that is don't start classes up to when you pay in full. However, there is a tuition policy but it is not working fully. Unlike the undergraduates by the time they access their admissions

payments are settled, also there is need to invoice statehouse such that receipts are planned for. The institute appointed an officer in charge of debt collection; there is one only that prompts more staffing

The following attributed to accounts payables and specifically on credit management asked to confirm whether UMI has an operating credit management policy ratings were low (Mean score= 31.55 & SD=0.596) implying that the institute suffers with a weak operating accounts payables management policy. In addition on whether UMI creditors have channel/ mechanisms for appeal against decisions taken by her staff, ratings were moderate (Mean score= 3.09 & SD=1.540) meaning that the institute creditors have channels for appeal against decisions taken by her staff. On whether UMI creditors are flexible with the credit terms of the institute, ratings were low (Mean score= 2.59 & SD=1.501) indicating that the institute creditors are not flexible with her credit terms. Asked to rate on whether proper rules, guidelines and regulations are in place and communicated to creditors and staff in UMI, ratings were low (Mean score= 1.77 & SD=0.752) signaling that policies and guiding principles or procedures are not implemented and hardly are they timely disseminated to accounts payable and other organizational staff.

On whether there are sufficient precautions put up to limit duplicating and amendment of accounts payables master file data particularly bank account details of UMI ratings stood moderate low (Mean score= 3.86 & SD=1.320) indicating that there are adequate controls over creditor master file data in the institute. However on whether payment are initiated and authorized in right channels by right officers before their processing in UMI, ratings were low (Mean score= 2.05 & SD=1.214) meaning that credit payment runs are not authorized in line with procedures and order stipulated. And on whether the custody and accessibility to payment cheques and other procurement negotiable instruments are secured and properly controlled in

UMI, ratings were low (Mean score= 2.27& SD=0.883) implying that the custody and handling them is insecure and improperly controlled.

Lastly from the table above on whether there are sufficient mechanisms to over time update the sustainability of recoverable VAT identification and coding in UMI, ratings were low (Mean score=1.86 & SD=1.167) implying that there are no mechanisms put up to periodically review the effectiveness of VAT identification, coding and remittance in the institute. Submissions of the quantitative study are in agreement with key informant findings. For example;

Asked on why accounts payables of the institute are overwhelming,

The Key informant stated that the institute's creditors include trade creditor normal suppliers that supply stationary and regular consumables, statutory creditors who suppliers of utility like electricity and water are including Taxes to Uganda Revenue Authority they tax the staff, National Social Security Fund contributions and Staff creditors including lecturers who supervise students- supervision allowances, marketing and others. The institute has an operating credit policy and payments must be made within 30 days, there are fluctuations in the cash flows but there are also delays in the payment system. Trade creditors go through a procurement process which must adhere to the Public Procurement and Disposal of Assets guidelines because it is a government institution. All purchases must be open competition and relevant procurement principles must be applied and the best bidder is always given the offer. A contract's committee does the selection of the best bidder on behalf of the accounting officer.

Another key informant explained that;

The Accounts payables in the institute like in any other government institution, there are delays in payments because of cash inflow issues', thus paying them has been difficult and use of accrual systems. The finance management committee, help the Bursar to determine how they can be paid. They pay the long existing suppliers we have to boost Collection of debtors to pay the creditor mismatch. They commit the money before getting the money mainly participants dropped out.

Asked to describe whether management is committed to tax remitting as per the income tax Act section 119,

The key informant replied that;

“There is commitment by management to make sure that all taxes are remitted”. All government institutions are supposed to remit it by every month and remitted to Uganda Revenue Authority. As cited as one of the audit queries in the external auditor's management letter, he asserts that there was an omission and miss reporting but the auditor general's staff did not scrutinize the documents well. When the query was raised, response was that it was deducted, it was deducted, and the query was dropped, so these days it is a policy and requirement that all payments as you pay them you must pay the tax. UMI is apparently complaint on tax matters. On the recommendation and key issues cited by the internal auditor and the external auditor in the Management letter, the Director General instructs people to refund money; management flourishes a recommendation feedback on audit reports (liaise with management)

Another key informant asserted that;

Creditors / payables to a small extent the department of planning, monitoring and evaluation comes in to guide on the increasing rates of accounts payables. We usually Deal with procurement and we are trying to ensure that projects come and service providers and suppliers are paid urgently before the 30days credit period matures. In our meetings with top management as the corporate department, we recommended that the procurement department should be allocated funding towards payments on outstanding creditors. However, the institute in relation to all government institutions we just delay to pay but never default, so we usually clear off old outstanding creditors first before we pay those acquired or accumulated in the present financial year.

Another key informant explained that recently in July, 2017 URA recognized top 20 tax paying education institutions in the country, among them was UMI. Much as we are supposed to pay taxes, the moment we make money, we remit it immediately in form of taxes. The institute pays income tax, Pay As You Earn (PAYE) and withholding tax. However, there should be an effective accounting system, and if put in place, there is discipline and it makes compliance work. However the penalties that are imposed on non-compliant entities and laws that coerce institutions to pay taxes but they have never forced us to pay taxes. We are always ahead of time.

4.6 Multi correlations and regressions between internal controls and financial performance in UMI

The researcher carried out multiple correlation and regression analysis on internal controls and financial performance in order to ascertain their relationship. The results are presented in the tables below;

Table 27: Multi-Correlation between internal controls and financial performance

		<i>Internal controls</i>	<i>Financial performance</i>
Internal controls (<i>Internal control environment, internal control activities and internal control monitoring</i>)	Pearson Correlation	1	.763**
	Sig. (2-tailed)		.000
	N	22	22
Financial performance	Pearson Correlation	.763**	1
	Sig. (2-tailed)	.000	
	N	22	22

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

The table 27 above shows the relationship between internal controls (independents variable) and financial performance (dependent variable). It shows that the correlation between the combination of all the three constructs of ICs (Internal control environment, internal control activities and internal control monitoring) and financial performance gives a multiple correlation coefficient $P=0.000$ $N=22$, $r= 0.763^{**}$.The relationship is statistically significant at 95% confidence level since p-value (Sig.) is less 0.050 ($=0.000$). This implied that there exists a strong relationship between internal controls and the financial performance in UMI.

Table 28: Model Summary of internal controls and financial performance in UMI

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.763 ^a	.582	.561	.38174

Predictors: (Constant), Internal controls (Internal control environment, internal control activities and internal control monitoring)

The R' column represents the multiple correlation coefficient, R=0.763. The Adjusted R The table 28 above presents the R and Adjusted R square values. The R-value represented the simple correlation and is 0.763, which represents a strong degree of correlation. The adjusted R-squared (0.561) is a corrected goodness-of-fit (modal accuracy) it identifies the rate of variance in the dependent construct, financial performance that is explained by the independent variable internal controls. In this case 56.1% of financial performance in UMI is contributed by internal controls. The remaining 43.9% is contributed by other factors.

Table 29: ANOVA Value on internal controls and financial performance

<i>Model</i>		<i>Sum of Squares</i>	<i>DF</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1	Regression	4.063	1	4.063	27.879	.000 ^a
	Residual	2.915	20	.146		
	Total	6.977	21			

a. *Predictors: (Constant), ICs (control environment, control activities an control monitoring)*

b. *Dependent Variable: **Financial performance***

The table 29 above indicates that the regression model predicts the dependent variable significantly well. To confirm the relationship another test was carried out using a regression analysis which also established that there is a relationship between internal controls and the financial performance, (p=0.000 N=22) and the F- value of 27.879 which is greater than 0.05. This confirms that there is a relationship between internal controls and the financial performance in UMI.

Table 30: Coefficients of variation of internal controls and financial performance

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.656	.341		1.925	.069
	Internal controls (environment, activities and monitoring)	.681	.129	.763	5.280	.000

a. *Dependent Variable: Financial performance*

From table 30 above, the significant level of 0.000 indicates that we reject the null hypothesis that internal controls do not predict financial performance. When internal control (X) is zero, it is the value of financial performance (Y). In this case the intercept is .763, so X=0, Y will equal to .763, following the linear regression equation of $Y=BX+C$, where (Y) is the dependent variable, (X) is the independent variable, Beta B is the slope of the regression line and (c) is a constant/intercept.

$$\text{Financial performance} = 0.763 \text{ Internal controls} + C$$

Table 31: Multi-Regression Analysis for Internal Controls in UMI

Model		Un standardized coefficients		Standardized coefficients	t	Significance
1		B	Std error	Beta		
	Constant (Internal controls)	.681	.129	.763	5.280	.000
	Internal control environment	.500	.107	.724	4.688	.000
	Internal control activities	.649	.261	.485	2.482	.022
	Internal control monitoring	.561	0.79	.847	7.134	.000

Dependent Variable: *Internal control (Environment, Activities, Monitoring)*

Table 31 above shows that all dimensions of ICs (Internal control environment, internal control activities and internal control monitoring) were significant influential factors of financial performance. All the R-values were greater than 0.000 indicating that all variables were statistical in influencing financial performance within UMI. The influence of internal controls on the financial performance in line with the (hypothesized model by Higgins 2005 and Thompson 1991) as specified in chapter three can be summarized in the following linear function. $Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3$ where;

Y = is the dependent variable (Financial performance)

a = Constant

β = Beta values

X_1 = Internal control environment

X_2 = Internal control activities

X_3 = Internal control monitoring

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter majorly presents a summary, discussion, conclusion and recommendations of the study on internal controls and the financial performance of UMI. The first section presents a summary of the study findings in relation to the specific objectives. This is followed by a discussion, conclusion, limitations, contributions and recommendations for further studies also presented by this chapter. The discussion involves the perceived implications of the study while conclusions are the most significant issues found out in the study. Recommendations mainly focus on proposals for improving the internal controls in Uganda Management Institute, and organizations with a similar organization chart for better attainment of their objectives.

5.2 Summary of findings

This sub section presents a summary of findings on the relationship between internal controls and the financial performance of UMI based on the findings from chapter four.

The study was carried out at UMI Kampala branch to examine the relationship between ICs and the financial performance of the Institute. The selected respondents were subjected to structured questionnaires and key informant interviews in order to attain their opinions. The staffs of UMI participated in the study and were sampled from 8 departments, finance and accounts, planning, monitoring and evaluation, administration and management (Deans and directors), quality assurance, human resource, procurement, ICT, and internal audit. It was noted that these staff served in different positions like heads of department, accountants, senior human resource

officer, chief internal auditor, personal assistants, institute bursar, director student's affairs, director finance and administration, mention.

It was discovered that the personnel of UMI had attained education levels ranging from diploma level up to PhD in different fields of study (Natural Sciences, Social Sciences and Business Management). The study revealed a moderately strong positive correlation between internal control environment and the financial performance, a moderate significant positive relationship between internal control activities and the financial performance and a very strong positive correlation between internal control monitoring and the financial performance in UMI. Since these respondents as agents in the internal control assurance chain, they run strategic matters and take decisions on daily financial problems, risks and opportunities, thus, were highly knowledgeable and well positioned to implement the control policies and systems in the Institute for better financial performance.

5.2.1 The relationship between control environment and the financial performance in UMI

The Pearson correlation between internal control environment and the financial performance (Table 12) above ($r = 0.724$, $p=0.000$ $N=22$), presented a very strong positive relationship between the variables of 0.724 worth 72.4% at UMI. This implies that the stronger the internal control environment, the better the financial performance. They both move in the same direction and thus, UMI's supervision, leadership, direction, top management monitoring, high management commitment to controls, the organizational chain of command, the ethical considerations and strong human resource policies and procedures that aid delegation, a participatory management style, and high reporting structures stimulate effective communication and guidance for better financial performance.

The adjusted R square values (Table 13) explained by the independent variable internal control environment, the findings depict that 50% of variations in financial performance in UMI is contributed by internal control environment. To confirm the relationship, another test was carried out using regression analysis which also established that there was a relationship between internal control environment and the financial performance ($p=0.000$ $N=22$) and the F-Value of 21.979, which is also supported by the regression values of 3.653 compared to residual value of 3.324 (Table 14). This means that there are other factors which strongly explain financial performance other than internal control environment. Since internal control environment was significantly related to financial performance, the first hypothesis that internal control environment positively affect financial performance at UMI was accepted.

Finally in this case, the standardized coefficients, B is equal to 0.724 (Table 15) implying that for each 1 effect by internal control environment, there are 0.724 effects in financial performance.

5.2.2 The relationship between control monitoring and the financial performance in UMI

The Pearson correlation between internal control monitoring and financial performance (Table 17) is $r=0.847$, $p=0.000$ $N=22$, confirmed existence of a very strong positive relationship between the two constructs which means that the actions of internal control monitoring leads to financial performance.

The adjusted R square values (Table 18) explained by the independent variable internal control monitoring contributes 70.4% to financial performance in UMI. The remaining 29.6% is contributed by other factors other than internal control monitoring. To confirm the relationship (table 19 above), another test was carried out using a regression analysis which also established that there is a relationship between internal control monitoring and the financial performance ($p=0.000$ $N=22$) and the F- value of 50.900 which is high but significant at 0.000, since the

significance value is greater than 0.05. This confirms existence of a very strong relationship between internal control monitoring and the financial performance of UMI; the residual values are smaller than the regression value which shows few errors. Thus rejecting the hypothesis that stated that internal control Monitoring negatively affects financial performance in UMI.

Finally considering the standardized coefficients, B is equal 0.847(Table 20) implies that for each 1 effect by internal control monitoring there is 0.847 effect on financial performance in UMI.

5.2.3 The relationship between control activities and the financial performance in UMI

The Pearson correlation between internal control activities and financial performance (Table 22) is $r=0.485$, $p=0.000$ $N=22$) shows that there was a moderate significant positive relationship between internal control activities and the financial performance of UMI. The positive relationship indicates that the two variables (internal control activities and financial performance) move in the same direction. However there was need to confirm whether the relationship is predictive or not.

The adjusted R-square value (Table 23) is 0.197; the R-value explained a simple correlation and is 0.485^a , which represents a moderate degree of correlation. Thus internal control activities explain 19.7% of variations in financial performance.

To confirm the relationship another test was carried out using regression analysis which also established that there is a significant relationship between internal control activities and financial performance ($p=0.000$) and F-value = 6.161 $N=22$ (Table 24) which confirms the existence of a significant weak relationship between the two variables. Thus the hypothesis that there is a positive relationship between control activities and the financial performance in UMI was

accepted. Finally in this case, the standardized coefficient B is equal to 0.485 (Table 25) implying that for each 1 effect by internal control activities, there are 0.485 effects on financial performance.

5.3 Discussion of findings

This sub section presents a discussion of the study findings on the relationship between internal control environment, monitoring, activities and the financial performance of a public higher institution of learning in relation to the literature review.

The following sections present a discussion of findings according to the study objectives.

5.3.1 The relationship between control environment and the financial performance in UMI

The first specific objective of this study was to examine the relationship between control environment and the financial performance of UMI. The study findings generated and evidenced in table 11 above, all constructs of control environment presented an overall average score of 2.68 which evident that respondents agreed to a high degree that control environment has a big relationship with the financial performance. Whereas a standard deviation of 1.337 means that there was no consensus in the response, thus there is a relationship between internal control environment and financial performance in UMI. The findings are in line with what Beneish et-al (2008) narrates when defining the control environment as the policy sphere or organizational culture and the way it operates. It concerns the establishment of a calm and supporting condition in which people can conduct and accomplish their assignments and carry out their control responsibilities justified by the COSO, (2004) that looks at the ethical environment of an institution to encompass aspects of upper management's tone in achieving high level goals, their value judgments and management styles.

Control over ethics showed that the respondents understood UMI's policies on professional conduct as staff because of the manual that defines the standards in line with Rae & Subramanian (2006), who coined that the core and unique resource of an institution is its human resources as the engine that set a pace for the organization. They narrate further that their individual attributes (honesty and integrity, ethical values and competence) and the environment in which they operate determines their productivity, success of the Institution, and that the control environment as established by the directors and management sets the tone and influences the control consciousness of its people.

In relation to the organization structure, the respondents explained that it was somehow bureaucratic though clearly defined and supportive to UMI since directors have made it flexible and usually take decisions in the same hierarchy thus in the same meaning as the ISA 315 that defines the organizational structure to refer to streamlined and proofed pillars in an institution's events for goal attainment. They are a planned charter that defines lines, powers, responsibility and reporting. Lou (2008) contends that higher levels directors and managers of an entity are obliged to establishing an appropriate control environment.

Controls over human resources policies and practices are clearly defined in the UMI human resource manual and the public servants codes of conduct, statutory orders and the public finance guidelines borrowed from the financial management and regulations Act 2015, honest and trustful staff support other controls to be mainstreamed in the financial valves of institutions (COSO, 1992). Mechanisms of the hired and informing the trained, promoted, and compensated are important elements that demand ICs. Whereas Kgabo (2013) denotes that a branch of guiding

principles and blue print must be chosen in the mainstreaming of internal controls with Tertiary Institutions just as ISA 315 explains that human capital development policies, financial management policies and regulations are vital concerns in the control consciousness of any entity both in logical design, documentations and implementation over a range of decisions, that will reduce the risk of material misstatements.

5.3.2 The relationship between control monitoring and financial performance in UMI

Objective two of the study was to examine the relationship between internal control monitoring and financial performance in UMI. The researcher obtained an overall mean of 2.962 (Table16) that implied that respondents were in agreement that there is a relationship between internal control monitoring and the financial performance in UMI. On the other hand an overall standard deviation of 1.321 means that there was no consensus in the responses. This means existence of a relationship between internal control monitoring and the financial performance in UMI. The study findings are in line with the available literature established by Muhota (2005), that monitoring is performing procedural tasks involving an ongoing periodic review of organizational or unitary reports to evidence accomplishments in duties and tasks delivered. The instruments used include reconciling, internal checking and audits to verify the accuracy of transactions that are reflected on financial statements and asset registers.

Puttock et-al (2008) asserts that management controls are exercised with leadership all through systems in their normal business operations by all stakeholders and some instances at surprising periods. These involves supervisory controls, review of budgets, internal audits and other special review procedures, which was justified by Pierce (2012) who coined supervision as development cyclic undertaking designed to accelerate or stimulate an individual's acquisition of the esteem, efficacy, knowledge, and vital features to multitask and enrich the job at hand. The findings

showed the existence of an organizational chart that highlights the supervisory levels and showing a clear definition and allocation of roles and duties. UMI constantly supervises the daily activities through duty officers, the monitoring and evaluation department and heads of other departments produce weekly reports arising from supervision to improve customer satisfaction. Also in their writings, Timothy et-al (2008) established the essence of management to monitor and supervise. They contend that management basically analyze the setup feedback of controls periodically and get involved in ongoing evaluations of control. Supervision should be carried out by supervisors to observe the efficiency appropriateness and output shifts of employees who report directly to the supervisors (MC Namara, 2010) and feedback should be given.

According to the study findings, UMI has a strong and independent internal audit department that ensures safeguarding of all company assets, detects fraud, and ensures sustainable assurance of reliability and compliance to the stipulated rules, regulations and laws reporting directly to the audit committee to the Institute Council, this has kept it on the right path to having a strong internal control system Just as Holmes et-al (2002) put it, that top management should empower and offer adequate support to the internal watchdog, to enforce management oversight of the institution's control sphere because it is a tool to measure the perceived compliance of a firm's internal control effectiveness through capturing and systematically tracking the control spine and a routine status, informs taking necessary remedial action to ensure efficiency and effectiveness, (Mwachiro,2013). The study findings are in agreement with the available literature for example Mawanda (2008) in his study assessing the impact of ICs on the financial performance in Institutions of Higher Learning in Uganda recommends having contingent plans for competence profiling in the internal audit department which should be on what the institution expects her auditors to execute and their measurable deliverables.

In addition to that, UMI just like any other Public Institution, the role of the external auditor is inseparable with mainstreaming a strong internal control in public trust. The argument is because the managers are the agents and the public or government is the principal that uses tax payers' funds which are in line with what Kirsty (2008) and Ngugi (2011) emphasized that an ICs concrete an organization's trust and belief in its willingness to deliver or otherwise on a particular task and proactively remedy possible shortfalls, thus coordinating reliable organizational and financial performance standards, mainstreaming adherence to relevant prudential regulations, the increased demand for accountability, democracy participation and transparency, both internal and external audits are vital to monitor compliance with company and industry policies as well as government regulations. Also in conjunction with Hsu et-al and Li (2009) that examined the behavior of the board to continuously watch and guide strategic investments and institutional success and found out that its seriousness makes them win a large market share and sustain earnings thus, related to corporate investment and to institutional performance. The fact is that all public institutions are managed by agents appointed by the government (public) in public interest just as in the available literature, Bongani (2013) examined that internal control systems are tools or pillars that an organization can deploy to build good governance to its stakeholders or trustees and safeguard its assets.

5.3.3 The relationship between control activities and the financial performance in UMI

The third specific objective of the study was to examine the relationship between internal control activities and financial performance of UMI. According to the findings presented in table 21 above, results on all constructs of control activities generated an overall average score of 2.822 implying that respondents agreed that there is a relationship between internal control activities (segregation of duties, Authorization, verifications, physical controls, budgeting and budgetary

controls) and financial performance in the Institute. On the other hand the overall standard deviation of 1.331 that means that there was no consensus in responses thus meaning a relationship between internal control activities and financial performance in UMI exists. The findings present in agreement with the available literature just as Shelton and Whittington (2008) established that control activities are the binding principles and procedures implemented by an organization to ensure that management's directives are carried out namely operational, financial reporting and compliance. They include approvals, authorizations, verifications, reconciliations, segregation of duties and physical controls with budgeting and budgetary controls. His submission was supported by Ramos (2004) who examined that to check the validity, reliability and completeness of information, a variety of control assignments should be performed with authorization of transactions as alpha and omega.

According to internal control checklist, (2011), reconciliations and verifications are important financial controls that help to detect and prevent errors in transactions. They are components of a prudent financial management strategy. Ledgers should be verified and reviewed on a regular basis since taking long makes it increasingly difficult to detect and act upon questionable transactions (post mortem). Organizations must show evidence of verifications by documenting, how they are addressing outstanding reconciling items, names, signature and date of the authorities who performed the verification, review and acknowledgement. These are benchmarked by UMI in her operations as presented by findings in the previous chapter though there is less use of automated systems as paper work is still the rule of the office games.

As asserted by Visser and Erasmus (2008), authorization is the centre at which the authority to seal a given stage of jobs or a task is delegated. The levels in a recording process are namely;

(Initiations, submitting, processing), approving (pre-approval, post entry review), and reconciliation. The delegated authority should be documented for it creates legitimacy and powers for accountability. This authority may be system generated (passwords and user names) or hard copy signatures, rules and guidelines stipulating that an institution must clearly identify which individuals are authorized for initiating, submitting, reconciling, reviewing or approving different transactions. Again management must monitor operations to ensure that transactions are authorized by the right persons. Most of key informants supported this ideology that UMI has a well streamlined authorization function in her operations.

COSO (2004) defines segregation of duties as a pyramid in controls processes that increases, secures existing resources, and reduces errors with omissions. It is argued that segregation of duties helps to strengthen an appraisal climate between inter jobs or functions and it is usually classified into functions of authorization, custody, record keeping, reconciliation and the justification is that roles and duties should be divided on a transaction, because the person with multiple functional roles may abuse the powers thus fraud and material misstatements or conflict of interest. Increased segregation of duties in relation to specialization boosts efficiency and financial effectiveness. This argument is in agreement with the study findings

Despite having a strong security check point in almost all buildings and gates of the institute, UMI has instituted a policy of using identity cards to access key places like the library, resource center, and computer laboratories, as well as strong locks that limit accessibility to examination stores. This is coordinated to the available literature thus suggests that to ensure financial performance, appropriate physical security and safety precautions should be in place to detect, control and protect organizational mass property which are institutionalized to safeguard the

Institute's custody of assets such as portable high value goods, fixed assets and cash (Yuan, 2007). The study findings are in agreement with this literature. Physical controls include single exit or entrance to the premises, security guards (people), store rooms, and restrict entry. These securities to precaution access, information systems and management securities systems, backup and recovery procedures as well as intranets and extranets.

Budgeting and budgetary controls of the institute move in direction of the normal public sector organization and following the guidelines of the ministry of finance and the National planning Authority, thus related to Hinks (2005) who contended that financial resource allotments and disbursements or budgets in public institutions serves drawback checks on which pillars of task results are compared and accountability of individuals or teamed agents appraised, as core control activities, public institutions need to ensure budgetary control to prevent over or under spending, diversions or financial indiscipline and fraud. Whereas this can be supported by arguments of Boquist (1998) who pointed out that there are some setbacks institutions encounter in the network of mainstreaming budgetary control systems, for example; inadequate dynamic operating structures, macro-trend issues of inflation, foreign exchange rates, bank interest rates, globalization and its new practices, hence there is need for management to be proactive, adaptive, and flexible in order to address significant variations from planned results. This was supported by most of the respondents.

5.4 Conclusions

This sub section presents the learning points on the relationship between internal controls and financial performance of UMI based on findings and discussions above.

Basing on previous sections conclusions are presented in a chain of the study objectives. The study rounds up with assertions deducing the existence of a significantly positive relationship between ICs (control environment, monitoring and control activities) and the financial performance of Public Higher Institutions of Learning (UMI) giving a multiple correlation coefficient $P=0.000$, $N=22$, $r=0.763^{**}$ significant at 95% confidence level.

5.4.1 The relationship between control environment and financial performance in UMI

UMI had a strong control environment as reflected by the Board and top leader's attitude and support to the proactive system that had enabled it to significantly attain financial performance. The study also revealed a good atmosphere that actions of the Institute have a will initiated by the top level authorities and is embedded with core manuals and guiding documents for each task thus an edge for effective and efficient communication, control and follow studying events, and assets. With respect to the findings, UMI has a strong organizational structure that spells out the responsibility of each person though it needs to check on the red tapes, her staff are competent, highly trained and disciplined, there is a high tone, efficient management philosophy with stringent human resource policies and procedures that other Higher Institutions of Learning should benchmark to boost their financial controls and performance.

The existence of a strong control environment in UMI is in support of COSO (2004) who explained that the ethical control climate for an entity relates to the gear and efforts of her leadership, guidance and coordinate tasks as results orientation, and degree to engage others in decision making. Factors explaining concrete internal control environment rotate on the integrity of staff, ethical values, competence of employees and management, management's philosophy and operating style, the manner in which authority and responsibility are assigned, the organization and development of employees, and the attention and direction of the board of

directors towards organizational success (Bates, 2001). The roundup of the study was that management trusted and believed in contributions by others and it fairly deals with her interface at the Institute. There is a shared vision, mission, participatory planning with demarcated ways to detect, track and mitigate fraud related risks, in addition, there are identified individuals who are tasked to coordinating various actions at the Institute.

5.4.2 The relationship between control monitoring and the financial performance in UMI

A systematic measure occurs at each stage of service at UMI and includes regular management, duty watchdogs, and other tactics that personnel employ on performing during their job allotments. ICs require indefinable follow-ups, as vital catchment zones to critically review the quality of the systems over time (Colbert & Bowen, 1996).

The study found out that there is a role, duty and responsibility clarity, and knowledgeable supervisors of activities as line staff; where weaknesses that are sported are addressed, and findings explain the existence of an independent internal audit department that has made its mandate efficient, while conducting regular audits and producing regular audit reports to the audit committee to the Institute Council which offers an edge of detecting and correcting deviations just in time. The likelihood, content and regularity of appraisals are favored primarily on risks assessments, and the effectiveness of patrolling procedures. ICs deficiencies should be reported strategically, by proactive and creative personnel to top authorities leading and directing institutions, since they are too drastic, yet the nature and size of the public higher institutions of learning being complex, has exhibited a culture that does not flourish continuous monitoring which has resulted into financial loss, material misstatements and mandate decay as less compliance to rules, laws and policies by staff is evidenced. As Puttick et-al, (2008) asserts that management critically reviews tasks exercised by a team of stakeholders internal and far external

to the day to day routine of the system, they involve supervisory controls, review of budgets, internal audits and any other special review procedures. Evaluating the value scores of internal controls should not only be part of the petty tasks of the Institution, but should extrapolate separate indifferent evaluations of the entire internal control sphere, internal audit and external audit to match the worth of other stakeholders, thus the occurrence of evaluations should be dependent on the risks, frequency, and degree of external- internal environmental changes.

The study concluded that the Institute has a very strong control monitoring function explained by high supervision, a strong and independent internal audit team, a highly trusted and stringent external audit watch dog team, the automation of systems in monitoring expenditures, revenues, and that the audit committee sufficiently ensures a flexible and formal line of effective interactions with the Institute's external and internal Auditors for guidance.

5.4.3 The relationship between control activities and the financial performance in UMI

Study findings evidenced a moderate positive relationship between internal control activities and financial performance in UMI. Though positive, there is need to revitalize the set-up of control activities in the Institute thus, management should establish and execute control activities (such as initiation, verification, authorization, approvals, segregation of duties, physical controls, budgeting and budgetary controls) supported by well documented policies and procedures that should be communicated and known to all stakeholders as part of an Institution's internal controls to manage or reduce risks in a timely manner to in the long run improve financial performance (mainly reduce the percentage of students debtors and accounts payables). As evidenced by Ramos, (2004) who narrates an array of activities that should be delivered to ensure accuracy, reliability, and conclusiveness of financial reports like authorizations of transactions and restricting access to programs and data. Which is similar to Li, (2008) who

narrates that roles and jobs must be slashed and technically sliced among different parties to mitigate the spillovers of inappropriate actions, to protect against fraud, waste, abuse and mismanagement of resources, adds that proper custody for machinery, valuable stock, goodwill, liquid cash, cheques and diverse valuable assets must be incorporated on the physical security score card, periodically counted and compared with quantities and values in amounts shown on control records or documentation. The study concluded that the Institute had periodic process checks, evaluations of control activities on regular basis, periodic budgeting and budgetary control reviews, and changes to the vote amounts required the approval of an authorized individual and physical controls are run on daily basis as well as monthly reconciliations that reconcile records and dully resolves any deviations.

5.5 Recommendations

This subsection presents the action points on the relationship between internal controls and the financial performance of UMI that the responsible persons could adopt. Zeroing on the results, below remedies are proposed for improving the internal controls in Uganda Management Institute.

5.5.1 The relationship between control environment and financial performance in UMI

Basing on findings, the study demands that the Institute should adopt, link and incorporate ICs to modern information systems that will extinguish general operations, finance and regulatory information requirements, disseminated reports and otherwise to satisfy running and coordinating the Institute's sphere. Management must also be serious with organizing awareness campaigns for staff to alert them on the understanding of their roles in the control system (departments other than accounts and finance).

UMI is recommended to critically reflect on organizational practices and devise new mechanisms to ensure that these practices become embedded within the organizational structure as part of individual and collective roles and responsibilities.

The board and directors should bind that internal control systems are viewed as a collective responsibility of all staff members of UMI by creating a structure that enhances the sustainability of good working relationships between management and operational staff, thus boosting better channels of communication. As well as enhancing continued training of the finance and accounts personnel in order to devise means of managing accounts receivables and accounts payables.

Management is recommended to constantly review organizational policies to ensure robust and dynamic implementation of internal controls while embracing diversity.

5.5.2 The relationship between control monitoring and financial performance in UMI

There are sufficient desires for ICs implementation and monitoring for considerate examinations of the minimally acceptable standards, completeness of the control spines' performance overtime. Monitoring of trade debtors (accounts receivables) feedback, accounts payables (creditors) and surprise management audits should be conducted periodically by internal auditors. Capacity of staff mainly in IT, planning, monitoring and evaluation, and internal audit need to be enhanced through training periodically in implementing and strengthening their work towards higher Institutions of Learning. In addition, management should empower and encourage all staff to report major challenges and weaknesses promptly so as to ensure the effectiveness of the internal controls.

The board and other top management should embrace ICT and increase funding for the information and communication technology department and the entire school so as to automate

the monitoring system in UMI as well as boosting e-services, e-administration, e-governance with new systems like the integrated financial management system, the education management information system and integrated personnel and payroll system.

As times memorial, institutions irrespective of size, ownership or nature, an internal watchdog function is paramount for categorical monitoring. To gear and accelerate its independence, there is imperative need to place it autonomously with other functional departments; and that they report to a distinguished level of authority, preferably the audit committee to the institute governing council. However much this is followed in the institution, the internal audit department needs to be funded, and staffed rightly with pegged accountability to mainstream its operations.

Since the quality assurance department, and planning, monitoring and evaluation departments are corporate departments, there is need to decentralize their services through creation of line managers to school or departmental level.

The Management tone should be that of setting a good example in both their internal and external dealings, anonymity of the whistle blowers on any suspicions of fraud or noncompliance to policies.

5.5.3 The relationship between control activities and financial performance in UMI

The study also suggests that the institution should establish a feasible, shared and sustainable strategy for implementing the collection of all tuition fees from outstanding debtors; raise additional financing sources for the operations of the institute. This could be done by putting to greater use the funds allocated and utilizing them optimally as depicted on votes and budgets or

works plans, as well as reviewing and unselectively implement the tuition policy, and negotiating for better creditors' days.

Management should place emphasis on segregation of duties, regular job rotations, and should conduct regular system checks to ensure that ICS are not infiltrated by unauthorized individuals who may cause potential financial losses to the Institution.

5.6 Limitations of the study

Logistical issues, the study required high sums of financial and non-financial resources that could enable the researcher to generate the findings within the allocated time frame. However, cost mapping as well as sourcing out for funding from parents, friends and family members who contributed and enabled me to handle the escalating costs of stationary, transport and internet.

During the research study (field work), there were many interruptions most especially with interviewing the respondents in the finance and Accounts department. As many suppliers could come in to check on their payments, staff and other creditors who consumed most of my time, thus were causing delays in data collection. Also phones ringing almost every after 10 minutes destabilized the research process. However most of the interview appointments were rescheduled with fewer interruptions to late hours after normal working time.

Non response errors and concealment of information were common while interviewing in the field. The researcher increased on the sample size to minimize the error in the study. In addition, another challenge was mainly on meeting or interviewing the directors, their personal assistants were less cooperative via arranging for interviewing time (Booking the directors) for interviewing. There were procrastinations and delays which affected the research to be

conducted as per the time and schedule planned. However, questionnaires were used to capture their responses on the study.

Some respondents (interviewee's) could get biased on the study phenomenon, dodging questions and some reluctant to give core information. However, this was aided by showing them the introductory letter and ensuring that information to be acquired was confidential and for academic orientations only.

Field tasks were tight and accessing feedback from the Institute staff being loaded with critical workloads, made many less available. The researcher was forced to make appointments and the questionnaires were accessed at a later date. This gave chance to the respondents to fill the questionnaires at their own time.

The study was concerned only with the relationship between internal controls in Public Higher Institutions of Learning. It did not take into account other factors that affect financial performance in addition to the internal controls.

The information given by respondents was uncontrollable and the researcher was not sure if it was true or false. The respondents were explained that the information would only be used for educational purposes. This allowed them to be confident that they would not be persecuted of the information they gave.

5.7 Contributions of the study to New Knowledge

The study hopes to add new knowledge to a body of available literature on internal control and its relationship with financial performance in public higher institutions of learning.

Management of UMI may gain more knowledge on how to carry out efficient and effective internal controls so as to attain sustainable financial performance. Since there has never been any study relating to internal controls conducted on UMI.

Finally the study will enable me to attain a Master's Degree in Public Administration in Uganda Management Institute that has revitalized me and empowered me with research skills that I will apply to impact generations.

5.8 Suggestions for further research

The study focused on the relationship between ICs and the financial performance, thus another study should be carried out on the relationship of external factors on the financial performance in UMI.

The study findings established that approximately 56.1% was the variance in the financial performance of UMI thus is contributed by ICs explained by internal control environment, activities and monitoring putting into consideration all the variables and the sample size of the study. The remaining 43.9% is contributed by other factors other than internal control environment, activities and monitoring (Table 28).

The study focused on UMI solely however a study should be carried out on the impact of internal controls on the financial performance in other public higher institutions of learning. A study on the relationship between ICs and the financial performance of private higher institutions of learning should also be carried out.

Another study should be carried out on the relationship between internal control systems with dimensions of risk management, information and communication management and the control

environment on the financial sustainability of public higher institutions of learning with dimensions of financial performance as (Revenue growth, accountability etc)

The study should be carried out on the relationship between human resource controls and financial performance of public higher institutions of learning in Uganda because of the variations in payroll management and administration to ascertain the loss due to fraud.

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APPENDICES

Appendix 1: Interview Guide

The main purpose of this is to find out the relationship between internal controls and the financial performance of public higher institutions of learning in Uganda a case study of UMI.

You have been selected in the institute to participate in this study by furnishing us your experiences so kindly feel free and answer diligently as your responses will be treated with confidentiality and only used for achieving academic objectives.

1. Describe the internal control environment in Uganda management institute in relation to
 - Organizational policies and procedures
 - Management philosophy
 - Organization structure
 - Ethical considerations
2. What are your experiences with the internal control activities in relation to
 - Verifications, approvals and authorizations
 - Segregation of duties
 - Physical controls
 - Budgeting and budgetary controls
3. What are your experiences with internal control monitoring in the institute in relation to
 - Supervision
 - External audits
 - External audits
4. What financial controls does your department need to tighten
5. What means does the institution have to undertake to raise all expected tuition fees

Appendix 2: UMI Directors, Heads of Department and Departmental Staff Study Questionnaire

Dear Respondent,

I am a student at Uganda Management institute pursuing a Masters degree of public Administration. The main purpose of this study is to find out the Relationship between internal controls and the financial performance of public tertiary institutions in Uganda. Internal controls are defined as those activities, procedures and systems used by an organization to ensure transparency, accuracy and effective use of an organization's resources. An example of an internal control could be the requirement that all the organization's cash collections are acknowledged in writing on pre-numbered receipts, with duly stamped copies for the person paying and the organization receiving the cash.

You have been selected in the institute to participate in this study by furnishing us your experiences so kindly feel free and answer diligently as your responses will be treated with confidentiality and only used for achieving academic objectives.

SECTION A: BACKGROUND INFORMATION

Kindly (Tick as appropriate)

1. Sex: 1. Male [] 2. Female []
2. Marital status: 1. Single [] 2. Married [] 3. Others []
3. Position in the institute
4. Department
 1. Accounts & finance department [] 2. Internal audit Department []
 3. HR Department [] 4. IT Dept []
 5. Procurement Dept [] 6. Quality Assurance Dept []
 7. Admin & Mgt/Council/Board [] 8. Planning, Monitoring & Evaluation []

5. Respondent's highest level of Education:

- 1. PHD []
- 2. Doctorate []
- 3. Masters degree []
- 4. Degree []
- 5. Undergraduate degree []
- 6. Diploma []

6. Your professional Background:

- 1. Natural Sciences []
- 2. Social Sciences []
- 3. Business Mgt []

7. How long have you served the institute(UMI)

- 1. Less than 1 Year []
- 2. 1 – 3 Years []
- 3. 4 – 6 years []
- 4. 7 years plus []

8. How frequent does UMI review its internal control systems?

- 1. After 5 years []
- 2. Annually []
- 3. Half-yearly []
- 4. When need arises []

PART ONE: INTERNAL CONTROLS (INDEPENDENT VARIABLE)

SECTION B: INTERNAL CONTROL ENVIRONMENT

Indicate the extent to which you agree or disagree with the following positions of internal control environment in UMI on a scale of **5 - strongly agree, 4 – Agree, 3 – Not decided, 2- Disagree, 1 – strongly disagree.**

Statements	1	2	3	4	5
Structures and policies					
1.The UMI Management style evidently manifests commitment to internal controls	1	2	3	4	5
2.Internal control is part of the culture in UMI	1	2	3	4	5
3.The institute regularly & comprehensively reviews its organizational structure to make it responsive to the realities	1	2	3	4	5
4.The institute regularly and comprehensively reviews its human resource policies and procedures to make them more responsive	1	2	3	4	5
5.The institute regularly and comprehensively reviews its financial, management policies and guidelines to make them more responsive	1	2	3	4	5
6. The institute regularly has out in place adequate procurement management regulations and guidelines.	1	2	3	4	5
7.The institute regularly reviews the academic programs, policies and guidelines to make them responsive	1	2	3	4	5
8. The institute regularly reviews the adequate of student welfare policies and guidelines.	1	2	3	4	5
Ethical considerations	1	2	3	4	5
9.UMI has a code of conduct manual which adequately defines the standards which employees are required to adopt	1	2	3	4	5
10.UMI has put in place adequate fraud control systems and plans	1	2	3	4	5
11. The institute has a strong internal Audit committee to oversee the implementation of internal controls.	1	2	3	4	5

SECTION C: INTERNAL CONTROL ACTIVITIES

Indicate the extent to which you agree or disagree with the following positions on internal control activities at UMI on a scale of **5 – strongly Agree, 4 – Agree, 3 – Not decided, 2 – Disagree, 1 – strongly Disagree.**

Statements	1	2	3	4	5
Segregation of duties					
1.The separation of initiation function in transactions is adhered to	1	2	3	4	5
2.The separation of recording function e.g. preparing source documents or code is adhered to	1	2	3	4	5
3.Direct separation of duties for custody of assets is adhered to	1	2	3	4	5
4.There are clear separation of reconciliation / audit functions in UMI	1	2	3	4	5
Authorization					
5.Effort is undertaken to ensure that human resources transactions are authorized by the right persons	1	2	3	4	5
6.Efforts is undertaken to ensure that financial transaction are authorized by rights persons	1	2	3	4	5
7.Effort is undertaken to ensure that procurement transactions are authorized by the right persons	1	2	3	4	5
Verifications					
8.Monthly financial reconciliations reports are promptly submitted to the relevant institute organs for action	1	2	3	4	5
9.The relevant persons / organs undertake to investigate deviations in all UMI transactions	1	2	3	4	5
10.Prompt corrective actions are taken in case of identified variances in transactions of any nature	1	2	3	4	5
11.All financial reconciliations are promptly submitted to the institute management for approval	1	2	3	4	5

SECTION D: INTERNAL CONTROL MONITORING

Indicate the extent to which you agree or disagree with the following positions on internal control activities at UMI on a scale of **5 – strong Agree, 4 – Agree, 3 – Not Decided, 2 – Disagree, 1 – strongly disagree.**

Statements	1	2	3	4	5
Self-Evaluations					
1. Self-assessments & evaluations of UMI internal control systems are regularly conducted	1	2	3	4	5
2. Periodic reviews evaluations of internal control are regularly conducted.	1	2	3	4	5
3. Management assessment of the effectiveness of internal control are regularly conducted	1	2	3	4	5
4. The staff carrying out activities obtain evidence as to the adequacy of internal controls in the institute at their level	1	2	3	4	5
5. Academic staff appraisals are regularly conducted	1	2	3	4	5
6. Administration staff performance appraisals are regularly conducted	1	2	3	4	5
Internal auditing					
7. The institute has good staff for internal audit function	1	2	3	4	5
8. Internal audits separate evaluations of internal controls are regularly conducted	1	1	3	4	5
9. Special audits are conducted on UMI accounts	1	2	3	4	5
10. Management usually responds promptly to audit queries	1	2	3	4	5

PART TWO: FINANCIAL PERFORMANCE (DEPENDENT VARIABLE)

SECTION E: FINANCIAL PERFORMANCE

Indicate the extent to which you agree or disagree with the following positions on organizational performance at UMI on a scale of **5 - strongly Agree, 4 – Agree, 3 – Not Decided, 2 – Disagree, 1 – strongly disagree:**

Statements	1	2	3	4	5
Financial performance measures					
Accounts receivables					
1.UMI's staff to debtor's ratio is adequate for the effective and efficient financial success	1	2	3	4	5
2.UMI has an easy and convenient storage and retrieval of institutional and debtor's information	1	2	3	4	5
3.The debtor's workflow processes are clearly defined, sequenced and coordinated across the finance department	1	2	3	4	5
Income and financial position					
4.UMI has attracted reasonable funding to implement its mandate	1	2	3	4	5
5.UMI has been able to attract a health diverse third party funding	1	2	3	4	5
6.UMI always achieves its fees targets from national students	1	2	3	4	5
7.UMI has always mobilized and achieved its fees targets from international students	1	2	3	4	5
8.UMI is in position to meet its operating costs from internally generated revenue	1	2	3	4	5
9.UMI has realized a health annual growth in its profits after tax	1	2	3	4	5
10.UMI has achieved 100% financial self-sustainability	1	2	3	4	5
Accounts payables					
Credit management					
11. UMI has an operating credit management policy	1	2	3	4	5
12. UMI creditors have channels/mechanisms for appeal against decisions taken by UMI staff	1	2	3	4	5
13.Are UMI creditors flexible with the credit terms of the institute	1	2	3	4	5
14.Are the creditors satisfied with the current financial strategies in UMI	1	2	3	4	5
15.policy and standard operating procedures are in place and disseminated to accounts payable and other organizational staff in UMI	1	2	3	4	5
16.Roles and responsibilities are clearly defined, with adequate segregation of duties and delegated approved ordering and payment authorization limits in UMI	1	2	3	4	5
17. There is adequate control over the creation and amendment of creditor master file data particularly bank account details of UMI	1	2	3	4	5

18.Payment runs are authorized in accordance with procedures stipulated prior to processing in UMI	1	2	3	4	5
19.The custody and handling of cheques and or other negotiable instruments is secure and properly controlled in UMI	1	2	3	4	5
20. There is a mechanism in place to periodically review the effectiveness of recoverable VAT identification and coding in UMI.	1	2	3	4	5

END

Thank you for your cooperation

Stay merciful

Appendix3: Table for determining Sample Size

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	267	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	270	159	750	256	2600	335	100000	384

Adapted from Krejcie, Robert V., Morgan, Daryle W, “Determining sample size for research Activities, Educational and psychological measurement, 1970.Note:“N” is population size“S” is sample size.

Appendix 4: Authorization Letter to Conduct Research in UMI

Appendix 5: Introduction Letter from UMI School of Management

Appendix 6: Field Research Letter