



Uganda Martyrs University
Archbishop Kiwanuka
Memorial Library

INTERNAL CONTROL AND FINANCIAL PERFORMANCE IN THE AGRIBUSINESS

CASE STUDY: APONYE UGANDA LIMITED (AUL)'S AGRO PROCESSING

A dissertation presented to

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

in partial fulfillment of the requirements for the award of the degree

Master of Business Administration

Uganda Martyrs University
Making a Difference

UGANDA MARTYRS UNIVERSITY

TURYAHEEBWA John Bosco

2022-M102-21134

Supervisor: Ms. Josephine Namuli

August 2025

DECLARATION

UGANDA MARTYRS UNIVERSITY

DIRECTORATE OF GRADUATE STUDIES, RESEARCH AND ENTERPRISE

Master's Dissertation

Declaration

I have read the rules of Uganda Martyrs University on plagiarism and academic honesty, and hereby state that this work is my own.

It has not been submitted to any other institution for another degree or qualification, either in full or in part.

Throughout the work I have acknowledged all sources used in its compilation.

I finally grant Uganda Martyrs University permission to store and reproduce this dissertation, in whole or in part, in any manner or format, which Uganda Martyrs University may deem fit.

Researcher's name: TURYAHEEBWA John Bosco

Researcher's signature:



Date of submission: 2nd September 2025

Submitted to the Directorate of Graduate Studies, Research and Enterprise

APPROVAL

UGANDA MARTYRS UNIVERSITY

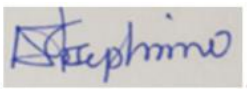
DIRECTORATE OF GRADUATE STUDIES, RESEARCH AND ENTERPRISE

Master's Dissertation

Approval

This dissertation has been produced under my/our supervision and submitted for examination with my/our approval as the appointed academic supervisor/s.

Name of Supervisor : Ms. Josephine Namuli

Signature of Supervisor :.....

Date of submission : 2nd September 2025

Submitted to the Directorate of Graduate Studies, Research and Enterprise

DEDICATION

I dedicate this dissertation to my wife, Charity Birungi, and children, Tracy Ainomugisha, Trisha Clare Ampaire, and Michelle Aheebwa, as well as to my siblings, Deo Rwangoga, Sarah Ainobushoborozi, and Disma Namanya, for their continuous love, support, and encouragement.

My supervisor Ms. Josephine Namuli with her invaluable guidance throughout the research process, and to my parents, the late Bornifance Bitekateko and Ms. Restetuta Tafiire for their love and inspiration.

ACKNOWLEDGEMENT

I would like to convey my heartfelt appreciation to everyone who played a role in the successful completion of this dissertation. To begin with, I am grateful to my supervisor, Ms. Josephine Namuli, for her invaluable guidance, support, and timely feedback during the entire research journey. Your knowledge and motivation have significantly enhanced the quality of this work. Your tireless queries invoked my hitherto hidden research capabilities. I will forever be grateful for that. I equally extend my sincere appreciation to the great lecturers in the faculty of Business Administration and Management, Uganda Martyrs University whose guidance and blended mode of lecturing (physical and on-line) accommodated my part time schedule of balancing work and classes. I particularly thank them for tolerating my many clarification questions during lectures; these sessions deepened my understanding of the various modules' expectations. I also thank the non-academic staff (administration, finance, ICT and library) for their support during my studies. To my fellow Managers (MBA 2022/23) and various discussion groups (Genius, etc.); your continuous encouragement and open-minded sharing made me a better person.

I am greatly indebted to the Management and staff of AUL for permitting me to conduct the research at their organization and for actively participating in answering my Questionnaires and responding to the Interview guide. Special thanks to Director Human Resources (Ms. Annet Twebaze), Head of Finance (Mr. Ben Tukwasibwe), Director Transport (Mr. Brodis Kweyongyera) and Managing Director (Mr. Harold Byamugisha) for your co-operation throughout my research process.

I am deeply grateful to my family, especially my wife, children, parents and siblings, for their solid love, support, and encouragement throughout this journey. I am particularly grateful to my brother, Mr. Deo Rwangoga, for his constant inspiration, given his vast expertise in academia.

I also thank my employer, Bank of Africa Uganda Ltd, for allowing me time to study while fulfilling my day-to-day tasks at the bank. Finally, I offer my sincere gratitude and best wishes to all those who have had a positive impact on my life. May the Almighty bless you all abundantly.

TABLE OF CONTENTS

DECLARATION	ii
APPROVAL	iii
DEDICATION	iv
ACKNOWLEDGEMENT	v
LIST OF TABLES	x
LIST OF FIGURES	xi
LIST OF ABBREVIATIONS	xii
ABSTRACT	xiii
CHAPTER ONE	1
INTRODUCTION	1
1.0 Introduction	1
1.1 Background of the study	1
1.2 Statement of the Problem	7
1.3 General Objective	8
1.3.1 Specific Objectives	8
1.4 Research Questions	9
1.5 Study Scope	9
1.5.1 Geographical Scope	9
1.5.2 Content Scope	9
1.5.3 Time Scope	9
1.6 Significance of the Study	10
1.7 Justification of the Study	11
1.8 Conceptual Framework	11
1.9 Operational Definitions of Key terms	13
1.10 Conclusion	14
CHAPTER TWO	15
LITERATURE REVIEW	15
2.0 Introduction	15

2.1 Theoretical Review	15
2.1.1 Agency Theory (Michael Jensen and William Meckling, 1976)	15
2.1.2 The Stewards Theory (Donaldson and Davis, 1989, 1991).....	17
2.2 Conceptual Review	17
2.2.1 Overview of Internal Controls	17
2.2.2 Overview of Financial Performance	20
2.3 Actual Review	21
2.3.1 Internal Control Environment and Financial Performance.....	21
2.3.2 Internal Control Activities and Financial Performance	23
2.3.3 Internal Control Monitoring and Financial Performance	24
2.4 Ownership Structure and Control.....	26
2.5 Literature summary and gap.....	32
2.6 Conclusion.....	32
CHAPTER THREE	33
METHODOLOGY	33
3.0 Introduction	33
3.1 Research Design.....	33
3.2 Study Population	33
3.3 Determination of Sample Size.....	34
3.3.1 Sample Size	34
3.4 Sampling Techniques	35
3.4.1 Simple Random Sampling	35
3.4.2 Census Sampling	35
3.5 Data Collection Methods.....	35
3.5.1 Questionnaire Survey Method	36
3.5.2 Key Informant Interview Method.....	36
3.5.3 Documentary Review	36
3.6 Data Collection Instruments.....	37
3.6.1 Questionnaire.....	37
3.6.2 Interview Guide	37
3.6.3 Document Review Checklist	37
3.7 Quality Control.....	37
3.7.1 Validity	38

3.7.2 Reliability	39
3.8 Data Collection Procedure	40
3.9 Measurement of Study Variables	40
3.10 Data Analysis Techniques	40
3.10.1 Quantitative Data Analysis	41
3.10.2 Qualitative Data Analysis	41
3.11 Ethical Considerations	41
3.12 Limitations of the Study	42
CHAPTER FOUR	43
PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS	43
4.0 Introduction	43
4.1 Response Rate	43
4.2 Demographic/ Background characteristics	44
4.3.1 Internal Controls and Financial Performance at AUL	45
4.4 Correlations analyses for internal control on financial performance	64
4.5 Regression analyses for internal control on financial performance at AUL	67
4.6 Discussion of findings	70
4.7 Conclusion	73
CHAPTER FIVE	74
SUMMARY, CONCLUSION AND RECOMMENDATIONS	74
5.0 Introduction	74
5.1 Summary of Findings	74
5.1.1 The effect of internal control environment on financial performance at AUL	74
5.1.2 The effect of internal control activities on financial performance at AUL	76
5.1.3 The effect of internal control monitoring on financial performance at AUL	78
5.2 Conclusion	80
5.2.1 The effect of internal control environment on financial performance at AUL	80
5.2.2 The effect of internal control activities on financial performance at AUL	82
5.2.3 The effect of internal control monitoring on financial performance at AUL	83
5.3 Recommendations	85
5.4 Suggestions for Further Research	86
REFERENCES	88

APPENDICES	103
Appendix 1: KREJCIE AND MORGAN TABLE (1970)	103
Appendix 2: Questionnaire for Lower and Middle-Level Management at Aponye Uganda Limited (AUL)	104
Appendices 3: Interview Guide for Top Management and Auditors of Aponye Uganda Limited (AUL)	111
Appendices 4: Document Review Checklist	113
Appendices 5: AUL produce business line performance for FY 2020-FY 2023	114
Appendices 6: AUL produce Trading, Profit/Loss Statement as at 30th September 2024 (3rd Quarter)	115
Appendices 7: Financial Analysis for AUL agro-processing unit for the period FY 2020/23	116

LIST OF TABLES

Table 1. 1: Vulnerability in the company's control environment (Ronet et al., 2023).....	8
Table 3. 1: Study Population, Sample Size, and Sampling Techniques	34
Table 3. 2: Content Validity Index Results.....	38
Table 3. 3: Cronbach Alpha Coefficient results.....	39
Table 4. 1: Response rate	43
Table 4. 2: Background information (n=61)	44
Table 4. 3: Descriptive Statistics for Internal Control Environment at AUL	46
Table 4. 4: Descriptive Statistics on Internal Control Activities at AUL	53
Table 4. 5: Descriptive statistics on Internal Control Monitoring at AUL	58
Table 4. 6: Descriptive Statistics on Financial Performance at AUL	60
Table 4. 7: Correlation results for internal controls and financial performance of AUL	65
Table 4. 8: Model summary for internal control on financial performance at AUL	67
Table 4. 9: ANOVA results for internal control on financial performance at AUL	68
Table 4. 10: Coefficient estimates for internal control on financial performance at AUL	68

LIST OF FIGURES

Figure 1. 1: Conceptual framework showing the relationship between internal control practices and financial performance.....	12
--	----

LIST OF ABBREVIATIONS

AUL-	Aponye Uganda Limited
COSO-	Committee of Sponsoring Organizations of the Treadway Commission
COVID-19-	Coronavirus Disease 2019
MOTIC-	Ministry of Trade Industry and Cooperatives
MT-	Metric Ton
NPA-	National Planning Authority
NSSF-	National Social Security Fund
SPSS-	Statistical Package for Social Sciences
UACE-	Uganda Advanced Certificate of Education
UBL-	Uganda Breweries Limited
UGX-	Uganda Shillings
UMU-	Uganda Martyrs University
URA-	Uganda Revenue Authority
USD-	United States Dollars
ICs-	Internal Controls

ABSTRACT

The study examined the effect of internal control on financial performance in the Agribusiness: A Case of Aponye Uganda Limited (AUL)'s Agro processing. Specifically intended to examine the effect of internal control environment on financial performance at AUL, examine the effect of internal control activities on financial performance at AUL and establishing the effect of internal control monitoring on financial performance at AUL.

A cross-sectional survey design was used to capture in-depth data. A sample of 73 elements from a population of 82 participants included top management, middle level management, lower-level management and External Auditors of AUL were obtained using simple random and census sampling techniques. Data was collected through key informant interviews, questionnaires, and document review, with a triangulation approach applied to capture both primary and secondary data. The study yielded a response rate of 91.5%. Regression results show that internal control activities emerged as the strongest predictor of financial performance ($B = 0.687$, $p = 0.000$), indicating that effective control mechanisms significantly enhance financial outcomes. Then internal control environment exhibited a significant influence on financial performance ($B = 0.387$, $p = 0.000$). And internal control monitoring showed an insignificant effect on financial performance ($B = 0.075$, $p = 0.536$).

The study recommended that the internal control oversight should be strengthened, improve asset management, enhance internal audit independence, increase leadership commitment, and optimize debt recovery strategies while improving corporate governance structures. Similarly, strengthen adherence to standard operating procedures, address procurement and supplier oversight issues, strengthen working capital management, strengthen Management's responsiveness to audit findings, improve external audit execution, robust stock monitoring systems and integrate audit findings into strategic planning.

The study invited investigation on the impact of timely implementation of audit findings on financial stability and efficiency, evaluate how the establishment of a fully functional internal audit unit can improve financial oversight and reduce fraud and investigate strategies to enhance management vigilance in monitoring internal controls to reduce inefficiencies and financial mismanagement in agro processing units.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Strong internal controls are essential to the financial performance of organizations and the effectiveness and quality of the internal control structure adopted by management are cardinal in an entity's ability to survive (Chalmers et al., 2019). Thus, effective internal control systems contribute to reducing the risks of fraud and manipulation and increasing confidence in financial reports, in addition to contributing to achieving company goals and improving the quality of its financial reports (Vu & Nga, 2022). This section presents the background, the statement of the problem, the purpose, the specific objectives, the research questions, the scope, the conceptual framework, the significance, justification of the study and definition of key terms and concepts.

1.1 Background of the study

The main variables in this study were the effect of internal control as the independent variable and financial performance as the dependent variable. India's Federal government reported poor operation of results-based budgeting reforms despite being allocated USD 1.78 billion, with matters ranging from limited financial controls and unchecked use of process and output indicators, non-measurable targets to inconsistent and unreliable reported data, thus disrupt public financial management and service delivery (Akinleye & Kolawole, 2020). In German, Ostaev (2015), and Khoruzhy (2013) notably contributed to developing the internal controls both in theory and practice of agribusiness. They emphasized the application of management accounting in agriculture to increase business control and planning (Ostaev, 2015). This standardization enables agribusinesses to assess and aggregate results across a diverse range of activities using common indicators like monetary measures, profitability, and liquidity. These indicators serve to gauge the level of success across all entities. They add that financial indicators should be closely monitored by shareholders and other persons interested in the performance of the organization. This study was underpinned by the Agency theory advanced by Michael Jensen and William Meckling (1976) who described managers as agents and shareholders as principals and the Stewards Theory by Donaldson and Davis, (1989, 1991) that

describes the relationship between ownership or principal and management of a company or steward.

Across many parts of Africa, commendable progress has been made in recent years to increase agricultural productivity; reduce hunger, malnutrition, and poverty; create new employment opportunities; and improve the livelihoods of rural communities. Her population growth is projected to double by 2055, causing accelerated food demand, leading to rapid increases in food imports despite strong agricultural sector growth (Christiaensen, 2020; Seleshi, 2021). Transition from mainly producing and exporting raw materials and importing processed foods in Africa contributes to delivering on the African Union's Agenda 2063 targets of economic growth, wealth generation, and employment (AUC, 2015). This might bring continued food import dependencies, heightened vulnerability to global supply shocks, and lost opportunities for significant incremental wealth generation among rural and urban populations (Goundan et al., 2022; Goundan and Tadesse, 2021). While agribusiness was scattered and characterized by the presence of a small number of large firms and a proliferation of small and micro firms (Hollinger and Staatz, 2015; Snyder et al., 2015).

Moreover, a report prepared by the Economic Policy Research Centre (2018) provided the basis for the recent focus towards agro-industrialization (Economic Policy Research Centre, 2018). Justification was dominance of agriculture as a source of livelihoods and shift to modern industrial economies. Therefore, more emphasis on agribusiness value chains remained essential to advancing food system productivity and inclusivity (Malabo Montpellier Panel, 2021). Agribusiness the “missing link” of Africa's urban food systems (Halvorson, 2017).

In the 1980s and 1990s, efforts by the National Institute of Food Technologies were increased to develop and extend new processing and conservation technologies (Thériault et al., 2017), agro-processing was emerging with distributing branded flour and other ready-to-cook derivatives to urban markets in the early 2000s to date (Badiane and Ulimwengu, 2017). Agribusiness was becoming more complex across the continent, as local foods, including traditional staples such as fermented milk products, maize flour, and plantain chips, available in processed forms in urban markets in west and East Africa traded with imported processed products (Andaan et al., 2019 and Snyder et al. 2015). In 2019, African markets traded in more locally processed products than for unprocessed products (Goundan and Tadesse, 2021), yet 53 percent of Africa's total exports were processed agricultural products, while less than ten percent were unprocessed agricultural exports (Goundan et al., 2022). These were greatly

consumed in Kenya retails and supermarkets for both adults and children (Demmler and Qaim, 2020).

Considerably, small agro-processing firms suffered much before formalizing and growing (Hollinger and Staatz 2015). There was evidence that those in agribusiness record the largest market shares and require a holistic internal control to re-engineer their operations (Tadesse and Badiane, 2020). The main agenda of Uganda National Development Plan III (2020/21-2024/25) “Sustainable industrialization for inclusive growth, employment and wealth creation” where Uganda prioritized the elevation of value-addition through agribusiness support (Munu, 2019). Ought to improve household income and reduce vulnerabilities by creating backward and forward linkages (NPA, 2019). In line, the National Agriculture Sector Strategic Plan of 2020/21-2024/25, focused on coffee, tea, cotton, cassava, maize, vegetable oil, fish, dairy and beef to stimulate livelihoods in Uganda (MOTIC, 2019). The level at which internal control practices are appropriately executed leads to exceedingly more business profitability, liquidity and sustainability (Lawson et al., 2017). However, many agribusinesses marginalize internal control aspects and practices, weakened by management that bend the procedures and policies on their will and rarely make investment in strengthening them (Johnston and Zhang, 2018). This affected their performance financially. This study intended to examine the effect of internal controls on financial performance in agribusiness business in Uganda a case of Aponye Uganda Limited (AUL) in Kampala Capital City Authority.

In recent years, there has been growing interest in the role internal control practices play in the effectiveness of a company. Internal control is a dynamic integral process that is constantly adapting to the changes facing modern organizations (Muthusi, 2017). In response, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed a broad integrated framework of internal control to provide guidelines for creating, adapting and monitoring systems of control. Internal control frameworks were chosen to explain internal control. The COSO framework (2013), gives five parameters for measuring internal controls that is control environment, risk assessment, information and communication, control activities and monitoring. These play an important role in achieving the internal control objectives of a firm (Mpora et al., 2023). While control system included internal control and internal procedures (Vitolla et al., 2020), the novelty of this study was that a strong internal control system is essential for risk mitigation, assuring financial integrity, and protecting an organization’s assets. It contributes to the organization’s overall effectiveness and performance

by fostering accountability, openness, and obedience to laws and regulations (Chen et al., 2020).

Control environment refers to the attitude toward internal control and control consciousness established and maintained by the management and the employees of an organization (Vu and Nga, 2022). It is a product of management's philosophy, style and supportive attitude, as well as the competence, ethical values, integrity, and morale of the organization's people. The organization structure and accountability relationships are key factors in the control environment. Control environment provides discipline and structure for attaining internal control system goals and improving system quality (Chiu and Wang, 2019). In this study, measures of control environment were management philosophy, management competencies, integrity and ethical values and morale of the organization's people.

Control activities are tools both manual and automated that help prevent or reduce the risks that can impede accomplishment of the organization's objectives and mission. Management should establish control activities to effectively and efficiently accomplish the organization's objectives and mission (Chang et al., 2019). Dimensions of control activities were approval and authorization, verification, supervision, separation of duties and reporting.

Monitoring refers to the review of an organization's activities and transactions to assess the quality of performance over time and to determine whether controls are effective (Mpora et al., 2023). Management should focus monitoring efforts on internal control and achievement of organization objectives. For monitoring to be most effective, all employees needed to understand the organization's mission, objectives, and responsibilities and risk tolerance levels.

Financial performance on the other hand had become a catchphrase for and about profitability, insolvency, and others while insinuating organizational effectiveness and efficiency (Kumar, 2021). Recognizing that one of the driving forces in businesses is profit realization, several studies had been conducted to understand how such firms can be kept aloft even when the business landscape appears to be turbulent (Alcazar, 2020; King, 2021; Palm and Sieczko, 2021). Well-managed firms come along with several benefits; they inhibit staff turnover, boost corporate social responsibility, and the like (Anshari et al., 2020). Although the financial status of firm is one of the critical issues in the service industry, there is a dearth of studies on the internal control system and firm performance (Saha et al., 2021). Large number of high-profile cases of fraud have been found in recent years (Domnişoru, Ogarca and Dragomir, 2017) and

rationale for internal controls assessment was peak high, the scope of work performed by internal auditors has grown in the context of globalization of business operations, greater automation and business complexity (Rehman, 2021). Whether a company adopts a global internal control framework or develops its own, management should always be guided by the need to safeguard business value (Ronet et al., 2023). Recent incidence of corporate failures and accounting frauds are mostly preceded by failure in companies' internal control structures (Njiru and Bunyasi, 2016).

Financial Performance in this study referred to the measure of an agribusiness's efficiency and accountability, liquidity, profitably, survival, and growth in response to external actors (Bugembe, 2018). It referred to the process assessing the characteristics of a firm in terms of financial ratios. Such ratios include liquidity, profitability, and market value (Batchimeg, 2017). The demand for stronger shareholder returns and increase in global market volatility has occasioned the development of internal control mechanisms to boost a company's competitive edge (Bhaskar et al., 2019). As a result of business risk, business transaction complexities, growing use of information technology and globalization, internal controls practices are increasingly crucial components of corporate governance (Alfartoosi and Jusoh, 2021; Le et al., 2020; Odekand Okoth, 2019). An efficient internal control system aids organization in realizing its goal of providing trustworthy financial accountability as well as protecting its assets and other significant resources (Hoai, Hung, and Nguyen, 2022). Several Agribusinesses in Uganda faced governance issues leading to lapses in internal control practices (Asiligwa, 2017). Several of these businesses are run by families and relatives and largely lack automated systems. Frauds would go on undetected resulting in poor financial performance (Chalmers et al., 2019).

Aponye Uganda Limited (AUL) is a registered private Company since 1989 and is involved in buying and selling of produce, agro-processing, and manufacturing in the domestic and regional markets. Every season, the company buys Maize, Beans, Soya Beans and Sorghum from farmers. It's cleaning and drying facilities are currently based at Nalukolongo in Kampala district, Kyazanga in Lwengo district and Mubende district. It was listed among the top agribusiness in Uganda since its being a nominee for the 2019 Uganda Responsible Investment Award at a High-Level Uganda Responsible Investment Summit and Award Ceremony.

Among others, AUL offers produce dealing and processing (white maize grain, maize flour, beans, sorghum and soya beans) to serve the chains of World Food Programme, Ministry of

Defence, Uganda Prisons, and Office of the Prime Minister, United Nations, Red Cross International, South Sudan and Rwanda. The entity has a fleet of 50 trucks with a tracking system which ferry produce from upcountry buying centres. Each year the company handles over 100,000MT of grain which is sold in the domestic and regional markets and had put in place a competent team of staff that managed operations for over 32 years.

AUL exploited a financial lease from Uganda Leasing Company in 2000 for three trucks financed by Nile Bank and Uganda Cooperative Bank. And thrived on working capital and bank loans from DFCU bank since 2001 and Stanbic Bank Uganda Limited in 2004 tapping from deposits, contract financing, asset financing through leasing, letter of credit, import loans, agriculture loans, guarantee and overdraft facilities. Further advancement was being listed on the World Food Programme suppliers in 2003 that generated an edge over other players in the grain agribusiness. Their storage facility had capacity of over 30,000MT while its cleaning and drying plants run a capacity of 300 MT per day to bulk produce procured all over Uganda. The firm acquired land in Nalukolongo where her first processing plant was set up in 2005 with the manufacturing machinery of Maize Flour, Oil & Soap as option for diversification into agro-processing. They further leased the processing plant in Kyazanga from Official Government Liquidator in 2010.

In its bid to diversify, in 2013 the firm obtained financing from Uganda Development Bank Limited and acquired the machinery for milling plant, oil refinery and soap making. They acquired more land in Mubende and put up another processing facility that matches her market requirements. In 2015 the company got financing from East African Development Bank to finance the development of Mubende with partnership of Abi Trust as a donor and has since met all the conditions that were stipulated in agreements with Abi Trust. AUL has a fleet of over 50 incredibly well-maintained trucks transiting to both local and across borders like Rwanda, Burundi, and Southern Sudan to serve clients like World Food Program, Ministry of Defence, Uganda Prisons and Red Cross. While continuous supplies contracts with United Nations, World Food Program, Red Cross International Akuku Farmers, Kam Suppliers & Contractors, Afro Kai Limited, Joseph Initiative among others, has enabled them to service standing loans considering ties with its financiers. And winning several awards in recognition of its undisputed quality performance in the field of produce buying and selling. For example, as number one exporter of cereal sector from Uganda national export promotion board since

2004 to 2015 and were listed as the most Compliant Tax payers and scooped the URA vantage award in general trade sector.

Nevertheless, the firm has been hustling with diverse financial tests since 2020 evidenced with struggles with profitability, liquidity problems, untimely financial reports, wanting accountability for financial resources from time to time, frauds and misuse of institutional resources (Aponye Profile, 2022). Furthermore, prior literature has limited its attention on private entities like financial institutions, small and medium firms in other sectors and public institutions like universities, local governments leaving insignificant studies in regard to agribusiness (Su, Baird, and Schoch, 2015). A big gap that this study uncovered considering a case of AUL. It is against this background that this study sought to examine the effect of internal control on financial performance in agri-businesses industry in Uganda a case of AUL in Kampala Capital City Authority.

1.2 Statement of the Problem

Strong internal controls are essential to the financial performance of organizations and the effectiveness and quality of the internal control structure adopted by management are cardinal in an entity's survival abilities (Kumar, 2021). The degree to which internal controls are suitably executed for continuous progress in return depends on the dynamics of the competitive environment (Nanzala and Ingabo, 2021). Continuous efficiency and robust internal control mechanisms improved financial reporting systems, operational effectiveness, and efficiency that shield agribusiness profitability, liquidity, and solvency (Hoai, Hung, and Nguyen, 2022).

Aponye (U) Limited (AUL) had over the years introduced regular operational policies and procedures communicating the management philosophy, reviewed her organizational structure, segregated duties put up tight approvals and authorizations for transactions, fixed tight physical control systems, supervision, internal and external audits to manage its operations (Aponye Management Report, 2022).

Despite the efforts, the company still grapples with reduced net profit margin. The firm's profitability was reversing and thriving on debts thus affecting her solvency. High liquidity ratios with huge debts suggest possible inefficient use of assets. In AUL Management and External Auditors Report (2023), damages and returns caused a loss of over UGX 80 million per year. These stock losses proved weaknesses in inventory management systems and internal controls. Surprisingly, differences in stock balances as per the inventory management system

and physical report or Stock Bin Cards were not up to date to reflect daily movements in stock and poor debtors management put AUL at stake (AUL Management & External Auditors Report, 2023). From June to September 2022, a financial loss of UGX 346,146,800 was suffered due to seventeen fraudulent fuel purchases related to the produce logistics. Such occurrences highlighted fraud risks and poor internal control systems.

Table 1. 1: Vulnerability in the company's control environment (Ronet et al., 2023).

Financial perspective	2020	2021	2022	2023
Net Profit Margin	2%	(3%)	(2%)	3%
Liquidity Ratio (Current Ratio)	23.1	105.1	27.1	10
Solvency Ratio (Debt Equity Ratio)	49%	50%	68%	54%

Source: Adapted from AUL Annual Audited Financial Reports (2020-2023)

Although the board of directors was appointed to check compliance, monitor the efficiency and effectiveness of the internal business processes, and stimulate learning and innovations, net profit margin, current ratio, and answerability remained crippled and. This might be probably because of inadequate internal controls hence the study deduced a positive effect of internal control on financial performance in the agri-businesses industry in Uganda a case of AUL's Agro processing.

1.3 General Objective

The main objective of this study was to examine the effect of internal control on financial performance in agri-businesses industry in Uganda a case of Aponye Uganda Limited (AUL)'s Agro processing in Kampala Capital City Authority.

1.3.1 Specific Objectives

- i. To examine the effect of internal control environment on financial performance at AUL.

- ii. To examine the effect of internal control activities on financial performance at AUL.
- iii. To establish the effect of internal control monitoring on financial performance at AUL.

1.4 Research Questions

- i. What is the effect of internal control environment on financial performance at AUL?
- ii. What is the effect of internal control activities on financial performance at AUL?
- iii. What is the effect of internal control monitoring on financial performance at AUL?

1.5 Study Scope

1.5.1 Geographical Scope

The study was conducted at Aponye Uganda Limited's head office, located at Plot 6 Wankulukuku, Kitebi Road, Aponye House, Nalukolongo, Rubaga Division, under the jurisdiction of Kampala Capital City Authority in Uganda. This location was chosen because over 70% of Aponye Agribusiness operations were managed at the head office, where the finance department utilized a centralized tally system crucial for recording financial transactions. This centralized system ensured the effective monitoring and management of financial data, which were fundamental for assessing the link between internal control and financial performance.

1.5.2 Content Scope

The link between financial performance and internal control in the agribusiness industry was the main issue of the inquiry, with a particular emphasis on AUL. Evaluating and analyzing the effects of AUL's internal controls in terms of internal control environment, internal control activities and internal control monitoring on its financial performance in terms of profitability, liquidity and solvency was the main goal. This helped in determining how well internal controls worked in the agribusiness setting to reduce risks, maintain compliance, and improve operational effectiveness.

1.5.3 Time Scope

The study covered a period of three years, from 2022 to 2024. This timeframe was chosen because it coincided with a period when Aponye Uganda Limited's internal control system was

reportedly deteriorating (AUL Minutes of Management Meeting, 2022). Additionally, the company's financial performance, indicated by net profit margin, liquidity ratio, and solvency ratio, was declining during this period. Moreover, this period encompasses the impact of COVID-19 on many agro-processing economies and firms, as documented by the Ministry of Trade, Industry & Co-operatives Uganda (2019). This context provided a relevant and challenging environment that examined the relationship between internal control and financial performance.

1.6 Significance of the Study

The study benefited the following ways;

To managers of agribusiness firms, this study assisted them in the areas of identifying the effect of internal controls on financial performance and its consequences. And aid in reducing the level of risk and fraud within their organization and increase confidence level of their shareholders. This gives guarantee to the proper usage of company assets since improper usage can create downtime if services must be re-delivered because of service defects and client frustrations.

The study was relevant to agribusiness industry players like AUL by exposing them to the effect of internal controls on public financial performance and not only that it also serves as an eye opener to the fact that as managers, there are lots of issues relating to internal control within the organization which if left unattended to would jeopardize the vision, mission and goal of the company. The study also contributed to the available literature or research that will serve as a guide for organizational staff in order to prevent fraud and risks within the agribusiness setting.

Policy makers benefited from this study in formulating policies relating to the effect of internal control on financial performance.

Theoretically the study was a fresh area to prompt more researchers in the area of study that grounds wide literature to tap into looking beyond the scope of the present study and impacting to the knowledge already acquired.

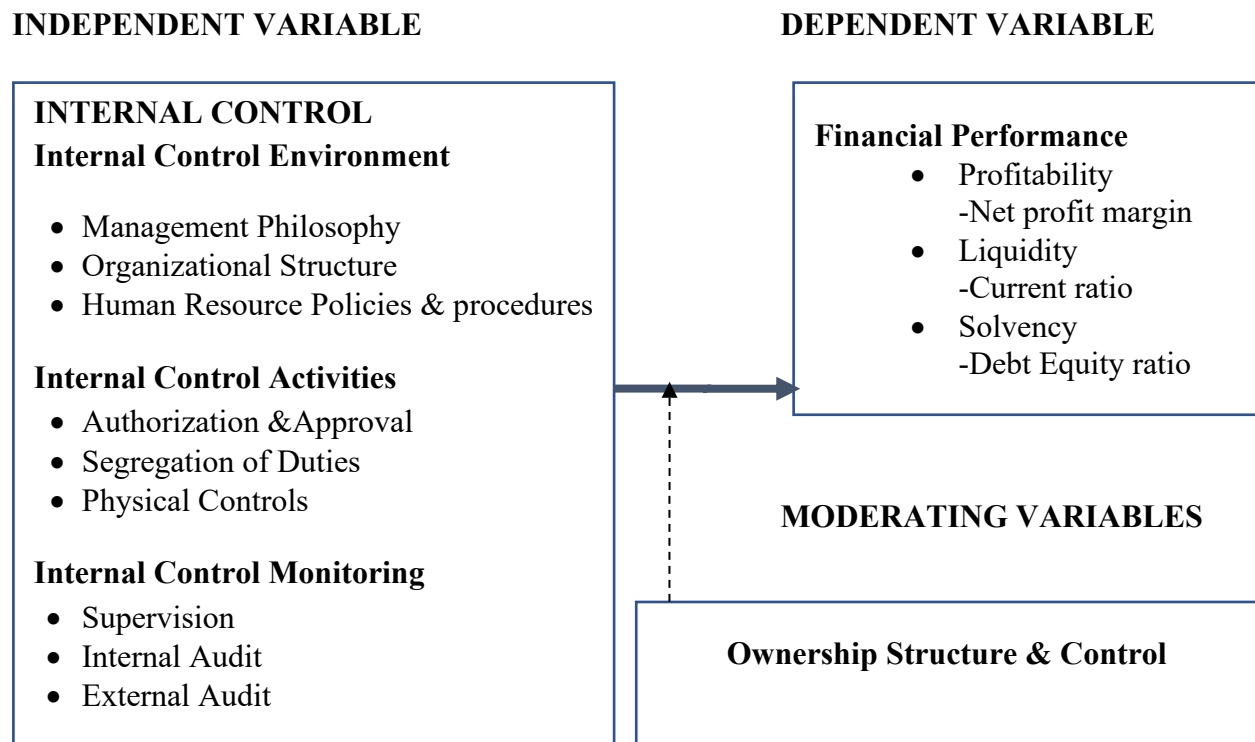
1.7 Justification of the Study

COSO (2013) accentuated that internal control systems must be incorporated into an organization's operation to detect, avoid and offer reasonable assurance of meeting performance targets and correct material misstatement. On the other hand, financial performance had become a catchphrase for and about profitability, liquidity, turnover, accountability and reporting, insolvency, and others while insinuating organizational effectiveness and efficiency (Kumar, 2021). The purpose of the study was to examine the effect of internal control practices on financial performance in agri-business, focusing on a case of AUL. Although studies had been conducted under this topic, there was a reason to still review it. Common literature showed irregularities in concepts, context and geographic arenas. Many scholars looked at internal controls dimensions as control environment, communication and information technology, Risk management and control activities. Yet many operationalized financial performance as sales growth, profitability, market growth and increased investments. Others over concentrated on the context of public entities, financial or banking industry and higher institutions of learning with a few evidence from agribusiness and agro-processing (Alex & Kazaara, 2023). This study explored the effect of internal control (control environment, internal control activities and internal control monitoring) on financial performance (profitability, liquidity and solvency) in agri-businesses industry in Uganda a case of Aponye Uganda Limited (AUL)'s Agro processing in Kampala Capital City Authority.

1.8 Conceptual Framework

According to the model below, the performance of agribusiness was determined by the relationship between internal control environment, internal control activities and internal control monitoring as measures of the internal control and financial performance (Chen et al., 2020). Internal control was the independent variable while financial performance was the dependent variable. Financial performance was measured by parameters of profitability, liquidity and solvency.

Figure 1. 1: Conceptual framework showing the relationship between internal control practices and financial performance.



***Source:** Adapted from Chiu, T., & Wang, T. (2019) and modified by the researcher*

The relationship between the identified controls (environment, activities, and monitoring) and financial performance (net profit margin, current ratio and debt equity ratio) explained the extent to which the two variables were correlated and how the independent variable impacted the dependent variable in this study (Vulley, 2022). Changes in ICs affected the levels of financial performance and vice versa. Moderating variable ownership structure and control were measured by parameters of managerial or sole proprietorship, institutional structure or partnership ownership, and partnership ownership and control.

1.9 Operational Definitions of Key terms

Financial performance: This referred to the ability to operate efficiently, profitably, survive, grow and react to environmental opportunities and threats. In the current study it will be measured using profitability, liquidity and solvency (Kumar, 2021).

Internal Control activities: This referred to the policies and procedures implemented by an organization to ensure that management's directives are carried out in a manner that enhances the achievement of the organization's objectives relating to operations performance, financial reporting, and compliance (Chang et al., 2019).

Internal Control Environment: This referred to the tone of an organization and the way it operates. It concerns the establishment of an environment in which people can conduct their activities and carry out their control responsibilities effectively to achieve organizational objectives (Hazzaa et al., 2022).

Internal Control Monitoring: This referred to the process of assessing the quality of the organization's internal control system's performance over time in a struggle to meet the organization's performance objectives (Mpora et al., 2023).

Internal control: This referred to the integration of the activities, plans, attitudes, policies, and efforts of the people of an organization, working together to provide reasonable assurance that the organization will achieve its objectives and missions (D'Aquila, 2013).

Liquidity: This referred to the ease with which the firm can convert an asset to cash, without affecting its market value (Alcaza, 2020).

Ownership Structure and Control: This referred to the internal organization of a business entity and the rights and duties of the individual holding the equitable or legal interest in that business (Kuo et al., 2020).

Physical control: This referred to the process of proper monitoring with clear procedures of the valuable, portable, exchanged, and desirable assets of a firm and making them only accessible to authorized persons (Kalemeera, 2018).

Profitability: This referred to the degree to which a business or activity yields a financial gain and the firm's total income exceeds its total expenses (Kumar, 2021).

Segregation of duties: This referred to the acts of separating authorization, execution, Custody, and recording and processing functions of transactions (Bugembe, 2018).

Solvency: This referred to the ability of a company to meet its long-term financial obligations (Kumar, 2021).

Supervision: Referred to the activity carried out to oversee the productivity and progress of employees who report directly to the superior officers (Mpora et al., 2023).

1.10 Conclusion

Chapter one presented the background, statement of the problem, purpose, study objectives, research questions, scope, significance, justification, definitions of key terms, and the conceptual framework on the effect of internal control on financial performance in the agribusiness, a case of Aponye Uganda Limited's agro processing. The next section reviews past literature on the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed the literature on the effect of internal control practices on financial performance in the agri-businesses industry in Uganda. It looked at the effect of internal control practices, internal control environment, internal control activities, internal control monitoring, and financial performance. It also reviewed the theoretical and empirical views of different scholars.

2.1 Theoretical Review

2.1.1 Agency Theory (Michael Jensen and William Meckling, 1976)

The Principal Agency Theory guided this study. He describes managers as agents and shareholders as principals. The theory argued that the value of a firm cannot be maximized if appropriate incentives or adequate monitoring are not effective enough to restrain firm managers from using their discretion to maximize their benefits (Lavoie & Dwyer, 2010). Agency theory assumed that the principal and agent have different purposes and risk preferences, leading to potential conflicts of interest (Heywood and Kenley, 2017). Information asymmetry exists between the principal and the agent, with the agent having more knowledge and control over the resources (Knobloch, 2020). He looked at Managers as self-interested and economically rational, while shareholders monitor their behavior through disclosures (Chang et al., 2019) to minimize self-serving ways of agents (David Walker, 2018). Without incentives, the principal may face difficulties while verifying actions, dependent on conflicting goals and conflicts that create agency problems (Roach, 2016). There were likelihoods for incremental transactional costs and accumulating monitoring data for validating results by a third party.

Agency theory was used in management research to justify relationships (Tagliaro, 2018), by economists and financiers (Heywood and Kenley, 2017), political and social sciences (Knobloch, 2020), information systems (Kaplan, 2013) and applied to supply chain management (King, 2021) and project management (Crosman, 2018). Monitoring remained critical for streamlining roles, behaviors, expectations, interests, outcomes, information, and

resource utilization (Knobloch, 2020). There may be selfish agribusiness management putting individual priorities ahead of collective goals and objectives (Tagliaro, 2018). The principals may ensure that contractual terms reflect such priorities as obligations for contingent employees to abide (Kopp, 2019), other than serving a high-level purpose (Tagliaro, 2018).

Implicitly, agribusiness agents delivered effectively when incentivized (Knobloch, 2020). Their contracts are pegged with clear, competitive terms and conditions (David Parker, 2016), such as salaries comparable to other sectors, benefits, gratuities, and other schemes (Roach, 2016). While some tend to breach their contracts attracting legal costs (Knobloch, 2020). As implications, the theory underlines the bedrock of analyses to guide contractual arrangements (Kauppi and Van Raay, 2014). These should intend to create mutual benefits despite risks of adverse selection, asymmetric information, and moral hazard (Alcazar, 2020). Economists have created a “second-best contract” where a principle determines how parties, the employers, and the workers can share the outputs (David Parker, 2016). The principal agency theory is relevant for agribusinesses for exploring the derived significance of agency problems in contract arrangements for bargaining tangible performance-based incentives (Cheung et al, 2015).

In criticism, the Agency theory arrangements posed risks and create serious technical challenges Mitnick, (2013). Economic theorists mention that Agency theory provided inflexible solutions and presents “scientific characterization of solutions creating more difficulties” (Heywood and Kenley, 2017). Quantitative solutions would not be readily available from implicit equations of sharing rules (Whitford et al., 2013). It attracted the risk of higher transaction costs arising from the incentivization of agents (Ceric, 2014), monitoring controls and management of moral hazard, and opportunism in hiring contingent employees for agribusiness (Rehman et al., 2021). Performance monitoring would create exorbitant costs for principals and agents (Tagliaro, 2018). In a nutshell, the normative approach of agency theory is predominantly applied (Knobloch, 2020). Internal control enhances the distribution of additional information to the shareholder (the principle) regarding the acts of the agent (management), reduces information asymmetry, and affects financial performance. Concerning the study and based on its past application, the theory explored a positive connection between internal controls and financial performance at AUL.

2.1.2 The Stewards Theory (Donaldson and Davis, 1989, 1991)

He explained a human model that describes the relationship between ownership or principal and management of a company or steward (Johnson, 2019). It addressed criticisms of agency theory since it is based on psychology and sociology that managers seek a sense of worth, altruism, good reputation, reciprocity, discretion and autonomy, a job well done, satisfaction, and a sense of purpose besides financial motives (Keay, 2017). They vied for maximizing profits and bringing good returns to stakeholders' not selfish acts of isolated managers (Davis and Donaldson, 1997). Agency theory claimed that improved performance is due to the implemented governance structures by the principal to limit the opportunistic behavior of the agent. Stewardship offered that improved performance is due to the principal creating an empowering and encouraging governance structure that motivates the pro-organizational behavior of the steward (Kopp, 2019). Stewardship theory added that managers have a high level of identification with the firms, more collaborations, or collectivism which empowers executives to work hard and gain intrinsic rewards from principals (Walckirch, 2016). By valuing the stewardship relationship and treating followers as owners and partners, the stewardship role is illustrated with loyalty to the business over self-interest, further proving that organizations and individual roles can be easily attained. This answered the weaknesses of agency theory for effective operations at Aponye Uganda Limited.

2.2 Conceptual Review

2.2.1 Overview of Internal Controls

Internal controls referred to a system of rules and process that aid agribusiness in complying with regulations and laws, improving operational efficiency and effectiveness, and achieving financial reporting dependability (Hazzaa et al., 2022). Internal controls are measures established to attain primary agribusiness objectives (Odunko, 2022). He categorized internal control systems as detective, preventative, directive, corrective, or compensatory controls. These functions aimed at decreasing substantial errors, omissions, wastes, purposeful acts, and frauds that negatively impact a company's performance (Quasim, 2021). Good internal control systems are essential for the efficient and effective monitoring and evaluation of agribusiness finances to mend profitability and liquidity (Vulley, 2022). However, most agro-processing management rarely protected the practice and control culture. This was revealed at AUL.

Internal controls are a sequence of rules and processes that help a company comply with regulations and laws, improve operational efficiency and effectiveness, and achieve financial reporting dependability (Alfartoosi and Jusoh, 2021). Internal control mechanisms improved financial reporting systems, operational effectiveness and efficiency, and adherence to established norms and rules (Nanzala and Ingabo, 2021). Internal control mechanisms safeguarded a firm's assets, improve financial and operational performance, and assure policy compliance (Hoai et al., 2022). This study evidenced what works for agribusiness while studying AUL.

Human resource policies and procedures are formal rules, guidelines, and step-by-step instructions set up by businesses to manage their employees and inform what actions should be taken to comply with them (Kalemeera, 2018). All transactions should be properly authorized and approved by an appropriate personality, limits to the authorization should be determined, and communication to those involved (Bugembe, 2018). External audit referred to processes where an independent body examines financial statements of a company to evaluate its performance and practices to ensure compliance with regulations and maintain a strong financial position (Alcaza, 2020). Internal Audit referred to an independent appraisal activity established within an organization as a service to it and a management tool that analyses the effectiveness of all parts of an entity's operations and management (Chiu & Wang, 2019). Management philosophy refers to the philosophy adopted by a company's executives outlining how they believe a business should be directed, particularly regarding the treatment of fellow workers and employees (Domnisoru & Dragomir, 2017). Organizational structure referred to the process and how activities such as task allocation, coordination, and supervision are directed toward realizing organizational aims (Chalmers & Khlif, 2019). These were cardinal in maintaining a fundamental internal control environment at AUL.

Numerous authors contended that internal control mechanisms enhance organizational effectiveness through control environment, control activities, risk assessment, monitoring of controls, and information and communication (Asiligwa, 2017; Chen et al., 2020; Guo and Eschenbrenner, 2018). The control environment offered order and structure for the control environment goals to be met (Al-Zwyalif, 2015). Control activities guarantee management controls and directions on financial reporting while crafting solvency and profitability (Chang et al., 2019). Risk assessment detected and analyzed operational risks promptly (Taiwo et al., 2016). Monitoring assures efficacy and efficiency in system design and operation (Masa'deh,

Al-Dmour and Obeidat, 2015). Control environment was the attitude toward internal control and control consciousness established and maintained by the management and the employees of an organization (Vu and Nga, 2022).

Chiu and Wang (2019) defined control activities as actions generally described in policies, procedures, and standards that help management mitigate risks to ensure the achievement of objectives (Johnston and Zhang, 2018). Control activities may be preventive in nature and may be performed at all levels of the organization. However, no clear picture is established on the connection between ICS and profitability, liquidity and solvency of agribusinesses which were fixed by this study.

Ibrahim et al., (2017) explained that internal control systems can only ensure reasonable rather than complete guarantee to the achievement of the organization's growth, profitability and competitiveness which are instituted by an institution's management and board of directors. Further, the respondents were reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about them or their enterprises (Muhunyo, 2018). There was no such evidence in Ugandan agribusiness and how they score on the link between ICS and financial performance. This study uncovered it and fixed the gap.

On internal control monitoring, COSO (2013) asserted that an intercontinental standard for the professional practice of internal auditing requires internal audit activities to evaluate and contribute to the improvement of governance, risk management, and control processes to contribute to its continued efficiency, profitability, and effectiveness (Khakhonova, 2021). Therefore, the execution and monitoring of internal controls guaranteed compliance with the laws and regulations, and it is good for AUL and agribusinesses at large to improve and enhance effectiveness and good governance.

Adegboyegun et al. (2020) acknowledged that a culture of internal controls and considerate operational performance of medium and small companies in Ondo State brought about a rise in annual profitability, improvement in communication flow, and division of risks. It was concluded that internal control systems do not affect the operational performance of small and medium-sized companies (Adegboyegun et al., 2020). Much as the connection between internal control systems and profitability was significant. This study explored the connection

between the internal control environment, activities and monitoring, and financial profitability, liquidity, and solvency at AUL.

2.2.2 Overview of Financial Performance

Financial Performance in this study referred to the degree of an agribusiness's efficiency and accountability, liquidity, profitability, survival, and growth in response to external actors (Bugembe, 2018). Financial Performance had become a catchphrase for and about profitability, insolvency, and others while insinuating the effectiveness of internal business processes and ethics (Kumar, 2021). More emphasis was put on measuring the company's profitability to show how funds are utilized for value (Alcazar, 2020; Palm and Sieczko, 2021). Others looked at the level of revenue against the operating expenses that management puts into her operations (Anshari et al., 2022). According to Khakhonova (2021), financial performance was justified by the growth in sales and profitability, business survival, and operations (King, 2021). An agribusiness would manage and control its resources.

Profitability referred to the measure of how effective management optimally utilizes both the total assets and the net assets as recorded on the balance sheet. It justifies net profit to the assets utilized to generate the net profit margin. According to Nguyen et al., (2020), profit margin reflects a firm's ability to generate profit based on sales and a significant decrease may generate the risk of bankruptcy. Since profitability is an indicator of short-term performance, many managers are challenged by identifying the conditions under which profit growth does not significantly affect a firm's competitiveness (Li et al., 2020). It reflected the net revenue per unit of sales and the extent to which the use of a company's resources and funds generates profit (Endri et al., 2020). In this study, profitability was the difference between the firm's revenue and operational costs.

The higher the liquidity, the lower the company's ability to generate profits (Alawaqleh, 2021). And observed a negative effect of current ratio on the financial performance and liquidity is inversely proportional to profitability (Nguyen & Nguyen, 2020). Financial performances report a positive impact on liquidity (Nenu et al., 2018). It related to the organization's ability to repay short-term liabilities, which include operating expenses and financial expenses resulting within the firm in the short term (Robinson et al., 2015). It utilized ratios like current ratio, quick ratio, cash ratio and defensive interval ratio. Organizations concentrate on calibration of current assets and current liabilities. It explains the speed in the transfer of assets into cash by

concentrating on cash flows (Zygmunt, 2013). Herein, liquidity meant the current ratio that is total assets over total liabilities of a firm.

Solvency explained how many of the company assets are financed by debt or how large the proportion of the firm's debt is (Mpora et al., 2023). A solvency ratio was used to measure the extent to which a company's assets are financed with debt. It explained how much debt the company bears compared to its assets (Supardi et al., 2016). Here therefore, solvency meant the debt equity ratio of Aponye Uganda Limited.

2.3 Actual Review

2.3.1 Internal Control Environment and Financial Performance

Control environment was the supporting attitude, style and philosophy of those connected with the organization as well as their competency, morale, integrity and ethical values (Chen et al., 2020; Gao and Zhang, 2019). Several authors accorded with the above view, when they assert that the control environment consists of structures, human resource policies and procedures, methods and measures that serve as a foundation for evaluating the internal control framework (Chalmers et al., 2019; Vu and Nga, 2022). It offered discipline and structure for boosting the profitability and creating order at work while improving system quality (Peterson, 2018; Chiu and Wang, 2019). It had failed to justify the connection between control environment and agribusiness profitability, liquidity and solvency in Uganda.

Similarly, several authors contended that control environment validates management dedication to ethical business practices which builds a culture of employee behavior and organizational performance (Gal and Akisik, 2020). They also concur with earlier research which argued that control environment contains structures, approaches and measures that serve as a foundation for evaluating the control systems (Chalmers et al., 2019). The findings support the postulation of researchers (Gao and Zhang, 2019). The results also indicated that management philosophy enshrined in a well-defined organization structure had a significant impact on organizational effectiveness (Hazzaa et al., 2022). The results supported earlier studies which contend that control activities help in managing business risk while also considering the operational environment (COSO, 2013). There was need to explore the link between control environment and financial performance of agribusiness in Uganda. This study considered AUL.

A correlational study was undertaken on different internal control components and internal control effectiveness and the link between internal control practices and financial performance remained holistically less clear (Zhou et al., 2016). More so in the Nigerian manufacturing industry, a similar study was done and provided overlapping and mixed results (Eniola and Akinselure, 2016). This study therefore concentrates on internal control (environment, activities and monitoring). This study will tell how management philosophy, organizational structure, and human resource policies and procedures influence financial performance of agro-processing industry in Uganda. In line, Etengu and Amony (2016) investigate that control environment, control activities and monitoring should be enhanced to further improve the financial performance. In line, weak internal controls accounts for most business failures (Otoo, 2023). Poor and inefficient internal control environment and defined mechanisms result in theft, loss of income and fraud conspiracy (Hoaiet al., 2022). To achieve an effective, efficient and transparent financial system, there must be a culture that adheres to the internal control systems (Rehman, 2021). Little is known about the effect of internal controls on the financial performance of agribusiness in Uganda. This study will show evidence on this.

Information and communication are processes used in the location, collection and properly disseminating essential information within the confines set by management to fulfill the organization's financial reporting purpose (Frazer, 2020; Vu & Nga, 2022). Hamdan (2019) contends that effective communication is predicated on disseminating pertinent information with every significant organizational division. Effectiveness of information and communication in an organization reflects the organization's control environment (Bruwer, Coetzee and Meiring, 2018). Similarly, there are arguments that an effective information and communication system promptly provide accurate and pertinent information to the various stakeholders (Peterson, 2018). He underlined the necessity of monitoring, information and communication in supporting the various segments of internal control to function efficiently and when financial reporting is done well, financial performance improves. Organizational competencies, morale, integrity and ethical values are associated with organization's style, supporting attitude and philosophy (Chenet al., 2020). Therefore, one of the most pressing concerns for agribusiness is to consider a control environment where standards of conduct are reinforced and communicated as well as the suitability of their organizational structure (Gao & Zhang, 2019). This study will unveil the context at Aponye Uganda Limited.

2.3.2 Internal Control Activities and Financial Performance

Control activities are systems, procedures and policies that ensure the implementation of directives on financial reporting as well as management controls (Adegboyegun et al., 2020; Le et al., 2020). Additionally, there is evidence that financial control activities such as transactions approval and authorizations help in lowering operational risk and help organizations accomplish its mandate (Gamage Low and Keving, 2018). Several authors argue that the control activities permeate all organizational levels to make sure that all activities and procedures are recorded rightly to clearly tell the financial change realized as profit or loss (Chalmers et al., 2019). Internal control activities are tools policies, procedures, techniques, and mechanisms that help ensure management's directives are carried out as dictated by segregation of duties and reporting line. Control activities help identify, prevent or reduce the risks that can impede accomplishment of the department's objectives since they occur throughout the department (Crosman, 2018). D'Aquila (2013) stressed that when selecting and establishing control activities, management should consider operations, particular characteristics of authorizations, physical controls like minimal accessibility to strong rooms and the approval of certain transactions. In a similar vein, Chang et al. (2019) emphasize that agribusiness management should periodically examine physical, accessibility to cash office and to key assets, approvals and segregate duties to see if they are still relevant and make any required changes. However, there is no empirical evidence outlined that justifies the nature and direction of the relationship between internal control activities and profitability, liquidity and solvency of agribusinesses in Uganda.

Control activities refer to all policies, actions, and instruments that are established in organizations to ensure proper implementation of managerial directives (Quasim, 2021). As guided by Roach (2016), agribusiness management must ensure that the roles of different staff in the organization are explicit, documented and separate to ensure accountability and elimination of role ambiguity. These authors seem to suggest that control activities are more staff-oriented than director-oriented. A study on internal control and performance of universal banks in Ghana by (Otoo et al., 2021) shows that performance is likely to improve in institutions where management assigns individuals with the responsibility to identify risks and the criteria to mitigate these risks. This study exalts the role of segregation of duties in organizations in context of the banking unit but fails to be clear on the effect of authorization

and approvals on the financial performance of agribusiness firms. It was also geographically explaining what occurs in West Africa and not East Africa. This study will take place at AUL.

Kalemeera (2018) studied internal control and financial performance in higher education institutions of learning in Uganda. Using control environment, monitoring and control activities as predictor variables, the study found a significant effect of monitoring controls, control environment and control activities on financial performance. He looked at information management systems, accounting systems, passwords and regular putting under key and lock of vital offices and stores could minimize fraud and thefts hence a better profitability and liquidity position. Kakooza (2016) studied internal controls and performance in public secondary schools in Uganda. Using control activities, monitoring controls and risk assessment to predict the influence of internal control on performance, the study showed a significant relation between the two variables. Control activities appeared to influence internal control the most. While the studies used related independent predictors of internal control on performance, they focused on Uganda management Institute, which is not an agribusiness. They also align with previous research which showed that control activities ensure that all required steps are taken to lower risk and help organizations accomplish its objective (Gamage Low and Keving, 2018). The findings support the assumption of researchers (Adegboyegun et al., 2020; Chalmers et al., 2019). Furthermore, the results show that the risk assessment had a significant impact on organizational effectiveness. The results are consistent with earlier studies which indicated that risk assessment facilitates the identification of relevant risks that could affect the achievement of management objectives (Chen et al., 2020). However, most agribusinesses rarely monitor or care about the risk cycle in their operations. Effective approvals, authorizations, verifications, reconciliations, documentation, separation of duties, and safeguarding of assets is vital for financial performance (Kalemeera, 2018). On a sad note, agribusiness culture is rarely dependent on the ideal internal control activities. This has affected her financial and operational performance.

2.3.3 Internal Control Monitoring and Financial Performance

Internal control monitoring entails evaluating the quality of the control systems' functioning (Wali and Masmoudi, 2020). Monitoring of controls ensure effectiveness and efficiency in system operation and design (Masa'deh et al., 2015). Several authors postulate that internal checks, audits and evaluating a system's effectiveness and efficiency on a frequent basis is an essential component of any comprehensive internal control system (Crosman, 2018; Zhou et

al., 2016). In the same vein, others assert that monitoring assesses the quality of the controls and their effectiveness in managing identified risks (Dowdell, Klamm, and Andersen, 2020; Jacob and Philip, 2016). This culture of control if established by the top management of the organization, it takes the form of communication, adherence to diligence and commitment to responsibility, integrity checks, and observance of ethics and values (Chen et al., 2020). Generally, control environment sets the standards the organization follows in ensuring internal controls (Omar and Yussuf, 2021). An organization's control environment highly depends on the effectiveness of the ethical conduct of individuals and procedures, which holds them accountable using regular internal and external audits (Zhou et al., 2016). We are yet to tell how it works in agribusiness.

Studies have established that the control setting, and external audit sets the tone of an organization, and influences the control consciousness of its people, the discipline and the structure while giving the picture and image of internal processes to the shareholders to tell the status of their shareholding and investments (Bett and Memba, 2017). There is evidence that the control environment is the backbone of integrity, ethical values and the competence people exhibit in the organization, and it spells out the philosophy, the operating style, and the way management assigns authority and responsibility to officers (Asiligwa, 2017). However, management should be assertive enough to ensure that all ethical values and procedures set are adhered to; to minimize fraud and resource wastage (Kinyua, 2015). It was not clear whether this is the practice for agribusiness as we studied the context of AUL.

COSO (2013) asserts that an intercontinental standard for the professional practice of internal auditing requires internal audit activities to evaluate and contribute to the improvement of governance, risk management, and control processes. As such, internal auditors play a key role when it comes to assessing how effective an organization's internal control system is. The independent internal auditors offer guidance to senior management and accordingly, they can evaluate the implementation and contribute to its continued efficiency, profitability and effectiveness (Rehman, 2021). Therefore, executing and monitoring internal controls will guarantee compliance with the laws and regulations and it is good for AUL and agribusinesses at large to improve and enhance the effectiveness and improve good governance. All in all, agribusinesses like AUL need to tightly supervise or monitor their internal control system to assess whether controls are effective and operating as intended. Such routine managerial activities like supervision, reconciliations, checklists, comparisons, performance evaluations,

and status reports from internal audits/reviews or arising from comparison to peer groups or industry standards, surveys must be reported to those responsible for the function, with serious deficiencies being reported to top management (Mpora et al., 2023).

2.4 Ownership Structure and Control

Sole Proprietorship refers to where the owner operates and controls the business as the manager and has not registered with the state like a limited liability company or corporation (Falade et al., 2021). Partnership ownership and control means a business owned by two or more people that haven't filed papers to become a corporation or a limited liability company (Dogan, 2020). Institutional ownership (company) and control refer to the percentage of company available shares owned by mutual or pension funds, insurance companies, investment firms, private foundations, endowments or other big entities that manage funds on behalf of others (Falade et al., 2021).

Liu et al. (2019) explained that this kind of ownership structure and control works better for long-term financial performance. It guarantees independency among directorship in monitoring duties which in the end enhance their financial capabilities and sustainability. At times large owners that either directly manage the firm or internalize the benefits from monitoring managers, managerial interests are aligned with those of the large partners' shareholder. Large shareholders can exert governance through direct intervention in a firm's operations or can govern through an alternative mechanism of selling their shares if the manager underperforms (Edmans & Holderness, 2017). In that way, multiple controls may increase the firm's information capital, efficiency, and consequently its performance. Besides, the empirical literature tries to explain the block holder's controversy. For example, it is quite an agreement that partnership control and position is essential when considering the impact of concentration of ownership in the firm's financial performance. If the two biggest owners have a high ownership concentration and the types of the owners are not heterogeneous, the concentrated cash-flow rights discourage expropriation of corporate assets (Rashid, 2020). On the other hand, the literature is of different opinions on family-owned firms, presenting a bulk of closely held firms with overall block holding structure.

Managerial ownership is the proportion of shares that is owned by the executives. Managerial ownership is one of the techniques used to reduce agency problems (Alhassan & Mamuda, 2020), and is applied to improve the value of the firm attained through an increased financial

performance. The separation of ownership and control is a subject of concern to many researchers as empirical studies show mixed findings on the relationship between managerial ownership and financial performance. According to the convergence-of-interests hypothesis, an increase in managerial ownership can reduce agency problems drastically (Amneh et al., 2021). However, the entrenchment hypothesis proposed that a higher level of Sole Proprietorship in a firm decreases the firm's fiscal results associated with more voting power by executives to control strategic decision-making. This study intends to unveil the moderating effect of managerial control on the relationship between internal controls and financial performance of agribusiness firms.

Empirical results such as Alabdullah et al. (2021), have established that Sole Proprietorship has a positive impact on financial performance. He deduced that an increase in management control positively impacted on firm's monetary performance in Jordan. Additional evidence is shown by Hai, Huang & James, (2018). Others agreed with the earlier findings that increasing the executive shareholding increases financial performance (Galego, Mira, & Silva, 2019). Additionally, managerial ownership exerted a positive effect on financial performance in Thai firms (Al Farooque, Buachoom& Sun, 2019). Further observed that Sole Proprietorship is a structure that supports both the interests of shareholders and managers to enhance performance of a firm (Alhassan & Mamuda, 2020). Both suggested having a concentrated control and ownership structure since pertinent control and monitoring of the firm's liquidity, profitability and solvency depends on external directors as opposed to managerial dictation. Firms with concentrated and partnership structures are more susceptible to direct or indirect governance from the majority shareholder in relation to key decision-making procedures such as the election of the board of members and replacement of crucial executives (Haddad, El Ammari & Bouri, 2020). More is required to model a clear picture on the effect of internal control on financial results of agribusiness in Uganda.

According to El Beshlawy & Ardroumli, (2021), institutional owners bend towards maximizing profit and maintaining liquidity and are less directly involved in organizational control. In contrast, the personal nature of individual or sole proprietorship control manifests itself in terms of exerting organizational control. Sole proprietorships have a greater direct concern over governance quality to protect their interests and a higher degree of engagement (El Beshlawy&Ardroumli,2021). These factors reflect a direct conflict of interest between individual owners and the other shareholders and can cause conflicts of interest during crises.

It is thus logical to posit that individual owners may make more efforts than other shareholders to steer management decisions in their interest (Lou et al., 2020). They postulate an inverse relationship between the sole proprietorship control intensity and cooperative or company ownership concentration (Lou et al., 2020). Both testify that the higher the control of one group, the lower the control of the other group. Therefore, individual shareholders 'self-interest could lead to deterioration in corporate financial resilience, liquidity, solvency and revenue growth (Haddad, El Ammari & Bouri, 2020). This explains that individual owners front their self-interest to the detriment of the common interest of all shareholders, particularly during crises. They would reduce short-term financial costs preferring internal financing in place of cheaper long-term external financing (Lou et al., 2020). They might delay investment while preserving cash flows in favor of maintain dividend distribution and hence negatively influencing the financial performance and growth of an organization in the long run. Sole proprietors often sacrifice long-term plans for quarterly gains being reliant on their freedom to withdraw their investments at any time. This study will justify empirical evidence in Uganda's agribusiness entities.

Again, in case they work as manager-owners, there is a likelihood to focus on maximizing their pay and growing their share value and can lobby with other shareholders to sway voting in their favour (Joseph, 2018). If they happen to be minority owners or managers can also gain more from the appreciation of their shares 'value (Joseph, 2018). Therefore, during crises, manager-owners could make the selfish decision to serve their own interests at the expense of other shareholders, particularly when they sacrifice the organizations 'strategic goals for quarterly gains, with no regard to other shareholders 'interests. However, literature shows that increasing the number of managerial ownerships in a company can help decrease agency problems and improve the performance of managers (Alabdullah et al., 2022). In the preceding year Alabdullah et al., (2019), saw that a high level of managerial ownership might create more eager to maximize the company's performance. The board of directors can easily monitor the management of a company without having to keep a close eye on them. This can help minimize the agency cost. Increasing the share stock of the managers can also help improve the firm's performance. Alabdullah (2022), finds that having more managerial ownership can also help improve the company's performance. It can give the board of directors the necessary incentive to monitor and control the company's operations in the end bringing efficiency and firm value. It can give the board of directors the necessary incentive to monitor and control the company's operations.

Under partnership ownership structure and control, efficiency and effectiveness levels are moderated and controlled on management behavior which might cause optimal allocation of resources (Kuo et al., 2020). While the directors monitor management operations to tell how their decisions and actions are consistent with the expectations and interests of stakeholders (Kao et al., 2019). Again, the supervisory committee and board of directors' aid in ownership of investors to safeguard stakeholders' interests (Alabdullah, 2019). Different stakeholders have different strategic decision-making powers that may affect their financial performance and degree of internal control (Kuo et al., 2020). Nevertheless, in situations where there is a board of directors or supervision team that checks financial analysis to obtain the image of the business (Lin and Fu, 2017). These use clear incentives and power to track efficiently and compel management to maximize the interests of shareholders which diminishes the risk of fraud and it's critical in managing and disciplining management power and affecting reporting (Kao et al., 2019). This study will unveil the situation at AUL agribusiness in Uganda.

Galego et al. (2019) explains that group and partnership ownership structure helps the board of Director's to measure financial performance. It brings efficiency and dictates the diversity of ownership and control in any entity. Kuo et al. (2020) justifies that various types of ownership structure and control inform investment strategies other than the investment horizons that may influence the profitability, market share, liquidity and solvency of agribusiness. And Mardnly et al. (2018) confirms that supervision of the committee has become significant in influencing decisions and at times conflict of interest between shareholders and management. This minimizes the firm's worth mostly when managers are more concerned with optimizing their interests at the cost of the owners' expectations (Khan and Zahid, 2020). This mainly occurs in situations where management holds shares (Bhutta and Hizmo, 2021). Little is known about AUL. This study seeks to provide empirical evidence on the variables.

Partnership investors are organizations or groups of individuals which pool large sums of money and invest those sums in securities, real property and other investment assets. They can also include operating companies which decide to invest their profits to some degree in these types of assets (Joseph, 2018). Just like banks, insurance companies, retirement or pension funds, hedges funds, investment advisors and mutual funds who utilize exit strategy by selling their shares when they are not satisfied with managerial decisions and policies (Tahir et al., 2015), but when their equity ownership grows, they gain more clout to speak up when they disagree with management decisions. Dogan (2020)'s study on the relationship between

company and firm value found out a positive relationship between variables. It confirmed that partner investors are more drawn to companies with strong market performance. Furthermore, Damilola et al. (2020) assessed the impact of institutional investor's ownership on the financial performance of deposit money banks listed on Nigerian stock exchange and deduced a positive and significant relationship between study variables. It was recommended that management should give more attention to the large institutional shareholders due to their influence on the growth, profitability and survival of the company. The findings were dismissed by Bamigboye and Akinadewo (2020), who found out that sole proprietorship and company cost have negative and significant effect on performance of listed deposit money bank in Nigeria. Therefore, since institutional investors might have some influence and active engagement in corporate governance as well as in the management of corporations because they are entitled to exercise the voting rights in a company. This study will capture more evidence on the moderating relationship between ownership and control on internal controls and financial performance of AUL.

A study on the effect of ownership structure on the financial performance of listed oil and gas companies in Nigeria showed that foreign ownership has a positive significant impact on the financial performance of the mineral industry in Nigeria suggesting that management of these companies should formulate policies that would boost the number of shares allocated to foreigners (Suleiman and Nasamu, 2021). This was agreement with more findings on the effect of the ownership structure (Managerial ownership, employee ownership and private ownership) on the financial performance of eighteen food and beverage quoted firms on the Nigerian Stock Exchange by Joel, Oluwaseun and Grace (2020). Since institutional investors have the freedom to buy and sell shares, they can determine the level of liquidity, solvency and profitability of agribusiness through providing them with capital and investment management (Suleiman and Nasamu, 2021). Little is known about the connection between companies how it moderates the link between internal controls and financial performance of agribusiness in Uganda.

Prior studies have shown mixed and inconclusive evidence on the relationship between institutional ownership and firm performance. Some studies demonstrated a positive relationship between institutional ownership and firm performance (Elyasiani and Jia 2010; Yeh, 2019) and the same positive correlation was noted between foreign ownership and firm performance (Kao et al., 2018), hence, confirming the "active monitoring" view. Another study

on the relationship between institutional ownership and Tobin's Q showed a significant positive association between institutional ownership and accounting-based firm performance (Rashid, 2020). Similarly, others concluded that foreign and director ownership has a significant positive influence on a firm's financial performance considering both accounting and market-based performance, whereas institutional ownership positively impacts only accounting-based performance (Fitri & Surjandari, 2022). Due to their internationally diversified portfolios, independence from local management, absence of conflicts of interest, and professional monitoring abilities, foreign institutional investors play a stronger role than domestic institutional investors in internal corporate governance, and hence, improve the firm's fiscal value as well as operating performance (Lou et al., 2020). This is elsewhere and not at AUL where we are yet to get empirical evidence on the link between variables.

Contrary to the above findings that favour institutional ownership and control, others have put forward the adverse effect institutional investors have on firm performance (Tsouknidis, 2019). For instance, Musallam et al. (2018), using a dataset from the Indonesian Stock Exchange, and in United States listed shipping companies, results depict a significant negative correlation between institutional control and corporate profitability, liquidity and general performance, since institutional investors are unable to effectively monitor the managers (Tsouknidis, 2019). Only more inclined towards earning short-term benefits by aligning interests with incompetent managers rather than monitoring those managers for further improvement of the company's performance (Tsouknidis, 2019). However, under rigorous monitoring by the institutional owners, managers are forced to act in the best interest of the shareholders and make decisions that are most beneficial for the firm. This aligns with outcomes of a study in Japanese dataset that revealed that monitoring by institutional investors significantly improves firm survival and liquidity by Sakawa and Watanabel (2020).

Previous studies have shown that one of the advantages of institutional shareholders is that they have a pool of liquid funds which can be invested in the manufacturing firms which can influence the worth of the company's value (Falade et al., 2021). Previous studies carried out in Jordan, Turkey, and Kenya respectively by ALNajja (2015), Dogan (2020) and Mukaria et al. (2020) examined the relationship between institutional ownership and firm, while Oyedokun et al. (2020) focused on consumer goods companies rather than all of the manufacturing companies listed on Nigeria Exchange Group. It was observed that none of the previous studies considered the use of dividend payout as a moderating variable to test the

relationship between institutional ownership and firm value. All in all, the ownership structure of a firm plays a vital role in decision making and cost control (Kirimi et al., 2022). It dictates and provides the level of influence and control, influences corporate governance, corporate strategy and financial performance (Galego et al., 2019), hence reducing the managerial agency problem. This study looks at justifying how ownership structure and control moderate the effect of internal control on financial performance of agribusiness in Uganda.

2.5 Literature summary and gap

The literature reviewed examined the relationship between internal controls and financial performance of Agribusinesses with some scholars indicating a positive relationship while others indicating a negative relationship (Otoo et al., 2023). More so, the relationship between internal controls and financial performance of Agribusinesses was also not clear according to the literature (Kakooza, 2016). This is because the effect was two-fold, a significant relationship and a non-significant relationship, which created a gap for further research. The study also reviewed examined several literatures on internal controls such as internal control environment, internal control activities and internal control monitoring however, most of them were concerned with development of conceptual tools and classification frameworks and less with the descriptive side, and their applicability in the real world which was limited (Mpora et al., 2023). Thirdly, most of the literature used also focused on external small and medium enterprises, financial institutions and education sector that function in more endowed environment with a lot of resources as opposed to internal agribusinesses that were overwhelmed with resource constraints (Alfartoosi&Jusoh,2021) and (Kalemeera, 2018). Lastly, although most of the reviewed literature bespoke the effect of internal controls in the profitability, liquidity and solvency significance of agri-businesses, its implications on the process were rarely explicitly considered. This study provided worthwhile evidence at AUL.

2.6 Conclusion

This section presented the past scholarly work about the effect of internal control on the financial performance of agribusiness. It mainly showed conflicting and mixed reactions about the connection between the variables and the degree to which they relate. Next chapter presents the methodology that was used.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodology that was implemented by the current study. It presented the research design, population of the study, sample size and selection, sampling techniques and procedures, data collection methods and instruments, validity and reliability, procedure for data collection, data analysis, measurement of variables and ethical considerations.

3.1 Research Design

A research design refers to a strategy that guides the investigator during data collection, analysis, interpretation and that can be used to justify the case of generalization of results (Bukhari,2020). The study used a cross-sectional survey design. It looked at lots of data at a single point in time, suitability for analysing relationships among variables and participants were selected based on variables of interest. Cross-sectional research design will be used because it is cost-effective, allowed quick assessment of prevalence in population and gave a quick overview of a phenomenon studied and captured explicit information at a point in time (Amin, 2005). These facilitated confirmation of the study findings, provided more comprehensive data and increased validity and improve understanding of study phenomena (Carter, et al, 2014). It adopted a triangulation of both qualitative and quantitative approaches.

Qualitative approaches described the features of a population and analytically investigate associations between variables of cause and outcome. This minimized bias and allowed thorough study of predominant qualities within a group and generally gives a picture of a particular correlations, associations and relationships between variables. Quantitative methods were used to investigate the expected relationships between variables. Numerical data further justified the dispersion, test the hypothesis based on descriptive and inferential statistics. It captured, searched and used independently interpreted data (Poth & Munce, 2020).

3.2 Study Population

A research population is the focus of statistical research usually a large collection of people (Ochoa, 2017). The study population of 82 participants which include top management, middle level management, lower-level management and External Auditors of Aponye agribusiness in

Uganda was considered (AUL, 2022). The top management were interested in internal control measures for safeguarding their investments, insights into decision making depending on AUL's financial reports. Other management levels looked at internal control policies and procedures, coordination of the organizational structure, and having clear roles and responsibilities related to financial performance. External Auditors were interested in highlighting the strengths and weaknesses of a general internal control system as aligned to agribusiness standards. The above categories were members of both direct internal and direct external environment who regularly interface with the operations of the entity and serve or are provided services with key transactions which required stringent internal control and would affect or be affected by financial misstatements and fraud.

3.3 Determination of Sample Size

3.3.1 Sample Size

A sample is a section containing characteristics of accessible populations (Poth & Munce, 2020). Sampling is the process of selecting a representative sample from accessible populations (Gioia & Hamilton, 2012). This extended the results of the study to the entire sample collection population. Therefore, a sample size of 73 determined by Krejci and Morgan (1970) table was considered for this study, comprising of four top management, 17 middle level managers, 47 lower-level managers and five Auditors at AUL.

Table 3. 1: Study Population, Sample Size, and Sampling Techniques

Category	Study population	Sample size	Sampling technique
Top level management	4	4	Census sampling
Middle level management	19	17	Simple random sampling
Lower-level management	54	47	Simple random sampling
External Auditors	5	5	Census sampling
Total	82	73	

Source: Aponye (U) Limited, (2022)

3.4 Sampling Techniques

A sample is a part of the population which is studied to get inferences about the whole population (Creswell, 2018). The study utilized both probabilistic and non-probabilistic sampling techniques. Given the size of the population, the researcher used cluster sampling technique for selecting the survey respondents and census sampling for the key informants.

3.4.1 Simple Random Sampling

This refers to drawing a sample without bias with all members of the population having an equal chance of selection (Ochoa, 2017). The researcher adopted the multi-stage sampling technique to select the respondents. According to Lauren (2020), this method is efficient and applicable for large study populations and mostly where it was not viable or too expensive to test the entire population. Using this method, the study population of 82, was obtained by listing all members representing the different regions; each having similar distribution characteristics of the study population. Thereafter, simple random sampling technique was used to select middle and lower-level staff, up to when the required sample size was raised. From each, the researcher randomly selected to get a total of 64 respondents. This sampling technique enabled the researcher to save time and resources. It ensured external validity because the sample reflects the features of the larger population (Ochoa, 2017).

3.4.2 Census Sampling

Census sampling involved collecting data from every single member of a population (Creswell, 2018). This contrasts with sample surveys, which only study a portion of the population (Berg & Lune, 2017). In this study, it was used to select key informants such as top management and Auditors of agribusiness in Uganda. This technique permitted the researcher to digest the matter deeper with the key informants and on basis of their responses (Creswell, 2018). It provided the most accurate and more in-depth data with reduced sampling error, and the researcher would seek for more clarifications on issues that are unclear with the key informant being interrogated (Nowell et al., 2017).

3.5 Data Collection Methods

This referred to the techniques that were deployed in gathering and assembling data from the field (Ikart, 2019). The researcher utilized triangulation in conjunction with data collection

methods. This study used questionnaire survey, interviews and documentary review to obtain the original data.

3.5.1 Questionnaire Survey Method

A questionnaire survey is a method of gathering information by asking questions to individuals who are believed to have the favorite information. It was used to collect data from the middle and lower-level management at AUL. A structured self-administered survey tool was developed and administered to the respondents by both the researcher and trained research assistants. This method allowed collection and gathering a lot of information cheaply from many respondents and in a very short period (Ikart, 2019).

3.5.2 Key Informant Interview Method

Interview method captured open ended questions about the subject under study. According to Bernaardita (2022), this method aid in gathering information that wouldn't be directly seen by our naked eyes or obtained through survey; and can give detailed information about the study. It helped to capture data from crucial informers (Creswell, 2018). An interview guide was developed, and interviews conducted by the researcher and his assistants. These were applied on top management and Auditors of AUL since they were technical and are assumed to be knowledgeable enough on the control spectrum and its importance on organizations.

3.5.3 Documentary Review

It involved the systematic and coherent evaluation of relevant records pertaining to the study such as printed and electronic (computer-based and internet-transmitted) materials to understand their content, context and significance. The study findings were used to verify both qualitative and quantitative information gathered from the field (Tight, 2019). The technique precisely described specific conditions and practices that existed within the organization and allowed identifying themes, analyzing gaps and inconsistencies (Creswell, 2018). Some of the written documents that were reviewed comprises of legal records, historic records, and physical records like Stock management records, Company Policies and procedures/manuals, Departmental Manuals and reports, Quarterly Reports, Minutes of Management Meetings, Management reports, Annual financial performance reports from 2020 to 2023 and External/Internal Audit reports 2020 to 2023, newspapers, textbooks, journal article from

Uganda Grains Association, press publications, government records, student dissertations and internet literature were relevant to the study.

3.6 Data Collection Instruments

3.6.1 Questionnaire

A questionnaire is defined as a set of pre-formed written questions in which respondents record their answers (Stake, 2011). A structured questionnaire with closed ended questions was designed by the researcher and administered with the research assistants to the selected respondents to capture quantitative data. The questionnaire intended to answer questions about internal controls and financial performance in a short time (Ikart, 2019). It allowed the researcher to obtain huge information from a big sample and provides respondents ample stretch to answer the queries. It minimized interview bias by not unveiling the identity of the respondents (Creswell, 2013).

3.6.2 Interview Guide

An interview guide is a set of questions composed for the interviewer to capture qualitative data from knowledgeable respondents (Lauren, 2020). The researcher customized a key informant guide with open ended guiding questions and used it to guide discussions with the respondents. This instrument enabled the researcher to capture in-depth information on the effect of internal controls and financial performance by probing. This tool was preferred because it allowed the researcher to avoid extraneous answers as the enquiries were directed to specific answers (Creswell& Clark, 2018).

3.6.3 Document Review Checklist

Agreements, contracts, minutes of meetings and quarterly reports were reviewed. These were officially signed organizational documents that provided authenticated secondary information to the researcher.

3.7 Quality Control

Quality of research was controlled using validity and reliability. Validity was used to test accuracy and goodness of instruments while reliability explained the consistence of information composed by the researcher.

3.7.1 Validity

Validity refers to the ability of an instrument to measure what it's supposed to measure (Bukhari, 2020). The validity of the data collection instruments was established by testing for Content Valid Index (CVI). To realize this, a copy of the questionnaire was distributed to the field experts and the supervisor to rate the relevant items regarding the research objectives.

The Content Validity Index (CVI) was arrived at using the following formula.

$$CVI = \frac{\text{Number of items declared valid}}{\text{Total number of items}}$$

The results are presented in table 3.2.

Table 3. 2: Content Validity Index Results

CVI	Initial Number of items	Number of items declared valid	CVI
Internal Control Environment	12	10	0.833
Internal Control Activities	13	10	0.769
Internal Control Monitoring	11	10	0.909
Financial Performance	11	10	0.909
Overall	47	40	0.851

Source: Primary Data (2024)

The table 3.2 above shows a CVI of 0.833 for Internal Control Environment with 10 items declared valid, 0.769 for Internal Control Activities with 10 items declared valid, 0.909 for Internal Control Monitoring with 10 items declared valid, 0.833 for Financial Performance with 10 items declared valid, and 0.851 for all the variables with a total 40 items declared valid. The

tool therefore passed the CVI test of validity for each of the variables and for the entire variable since each of them was greater than 0.7. According to Taherdoost (2016), the instrument is deemed valid when this index surpasses 0.7.

3.7.2 Reliability

Reliability measures how well an instrument generates consistent results when used under the same conditions (Bukhari, 2020). The Cronbach's Alpha Coefficient was utilized to test for reliability. This captured piloting the questionnaire on a sample of 15 randomly selected respondents from AUL middle and lower-level management who had similar aspects of the targeted population. Computation of Cronbach's alpha coefficient helped to determine the reliability of the data. After performing the test, the results of coefficient above 0.7 confirmed the tool as reliability as proposed by Creswell & Clark (2018). Cronbach alpha is a function of the number of test items and the average correlation between items (Ikart, 2019). The Cronbach's alpha was computed based on the average inter-correlations among the items measuring the concept. Below presented in Table 3.3 are the results from the Cronbach Alpha coefficient.

Table 3. 3: Cronbach Alpha Coefficient results

Variable	Alpha Cronbach's coefficient	No. items retained
Internal Control Environment	0.866	10
Internal Control Activities	0.711	10
Internal Control Monitoring	0.778	10
Financial Performance	0.791	10
Overall	0.876	50

Source: Primary Data (2024)

The table 3.3 above shows a Cronbach alpha of 0.866 for Internal Control Environment with 10 items, 0.711 for Internal Control Activities with 10 items, 0.778 for Internal Control Monitoring with 10 items, 0.791 for Financial Performance with 10 items, and 0.876 for all the variables under study totalling 50 items. The tool therefore passed the test of reliability for each of the variables and over all since each of them was greater than 0.7, given that the level of Cronbach that is adequate is any value equal to or greater than 0.7 (Taherdoost, 2016). The instruments were therefore suitable for data collection.

3.8 Data Collection Procedure

At UTM Office of Faculty of Business Administration and Management, the letter of introduction was obtained and introduced the researcher to management of AUL. The researcher validated study tools with the supervisor prior to field work. Questionnaires were delivered to defined persons and scheduling for interviews done in line with a drafted timetable. Thereafter, both the researcher and the assistants collected, sieved and managed data.

3.9 Measurement of Study Variables

This refers to the assignment of numbers to objects, events or characteristics according to rules. The coding system was utilized, and numbers assigned to the characteristics or events that allowed operationally defining the variables. The nominal, ordinal interval and ratio measurement were applied (Amin, 2005). The variables in the questionnaire were measured using the five-point scale. Likert Scale to measure internal control environment, internal control activities, internal control monitoring and financial performance which addressed the research questions (Andrew et al., 2019). Interval scale was designed to examine how strongly subjects agreed or disagreed with statements on a five-point scale with the following scales; strongly disagree (SD) =1, Disagree (DA) =2, Neutral (N) =3, Agree (A) =4, strongly Agree (SA) =5.

3.10 Data Analysis Techniques

Data analysis is a process of gathering, displaying and transforming data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making. Data analysis had multiple facets and approaches, encompassing diverse techniques under a variety of names, in different business, science, and social domains (Bernardita, 2022). The

quantitative data collected from the respondents was analyzed using the SPSS version 22.0 and qualitative data analyzed using content and thematic approaches.

3.10.1 Quantitative Data Analysis

The researcher utilized both descriptive and inferential statistics to analyze the quantitative data using Microsoft Excel, and SPSS version 22.0 software. Data analysis in this study entailed descriptive statistics such as minimum, maximum, mean and standard deviation values. On the other hand, inferential statistics techniques were captured using Pearson correlation and regression analysis. The results were presented in the form of tables. Regression analysis technique was used to analyze the relationship between a single dependent variable and one or several independent variables assuming a linear correlation between the dependent variable and the independent variable(s) (Berg & Lune, 2017), thereby assuming a regression model as in the formula ($Y = \alpha + \beta X + e$), Where: Y is the dependent variable (Financial Performance of Agribusiness), " α " is a constant; β coefficient of X and X is the independent variable.

3.10.2 Qualitative Data Analysis

The researcher deployed thematic and content analysis. Important themes such as direct quotations from the respondents were extracted and reported in line with study variable (Creswell, 2018). Content analysis was used to identify some words, themes, and narratives within the qualitative data and coding of words for easy interpretation.

3.11 Ethical Considerations

Informed consent: A letter from Uganda Martyrs University was obtained to introduce the researcher to AUL management and it was shown to other participants. This intended to alert respondents about the subject and purpose of the study, questions to be asked, and possible, and the study findings. Permission was granted before conducting interviews and delivering questionnaires.

Privacy: The researcher respected the right that respondents have a right to privacy. Respondents were not forced or coerced to answer queries in the interview or questionnaire survey (Syed Muhammed, 2016). And the researcher did not capture or disclose names of participants. Their information remained private.

Confidentiality: All information and identities was kept to the maximum degree of confidentiality. And information was only used for only research purposes and not provided to others for any other purpose or drive.

Plagiarism: All information got from secondary sources such as textbooks, journals, reports, and internet sources was treated with ultimate professionalism and citations made to acknowledge the effort done by the writers.

3.12 Limitations of the Study

The study was limited by resource constraints.

Some participants were not interested in giving rightful responses. However, a thorough elaboration on the research questions and rationale was highlighted and necessary language barrier solved by translating to common language.

The research being on financial performance, some vital information was hidden, not shared and some bias as sources feared retaliations. The researcher utilized zoom and telephone interview to reach some key informants to obtain required information.

Bias among some participants arose from personal interests, suspicion, and confidential issues in a unit. The researcher did background checks and guaranteed secrecy with replacing respondents whose information warranted clearance.

The study confidentiality was questioned. However, the researcher prioritized informed consent by building a rapport with key participants, being open to them and assuring utmost confidentiality. The entire process required having enough funds to enable the researcher to generate the findings within the allocated time frame. However, alternative cash streams were exploited to make the study a success.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

This chapter provides a presentation, analysis and interpretation of the research findings according to the three objectives of the study. The purpose of the study was to examine the effect of internal control on financial performance in agri-businesses industry in Uganda a case of AUL's Agro-processing in Kampala Capital City. The first section is a presentation of the introduction, the second the response rate, the third the background information and the fourth section is a presentation and analysis of the study findings in relation to specific objectives.

4.1 Response Rate

The study targeted nine key informants and seven successfully interviewed giving a response rate of 77.8%, whereas 73 respondents were planned to answer questionnaires and 68 questionnaires were respectively successfully filled and returned, giving a response rate of 93.2%. The overall response rate was therefore 91.5% as shown in Table 4.1.

Table 4. 1: Response rate

Data Collection Instrument	Issued	Collected	Response Rate
Questionnaires	73	68	93.2%
Key Informant Interviews	9	7	78%
Overall	82	75	91.5%

Source: Primary data (2024)

The summary of the response rate for the study in table 4.1 above indicates that data was collected from a sufficient number of respondents; hence the collected data and the findings from it can be relied on. According to Wang (2015) study findings can be relied on only if the 70% minimum or above is attained to be authentically representative to the population size.

The sample size used in this study was relatively fair to generate findings which can be generalized to the entire population.

4.2 Demographic/ Background characteristics

In this section, is a presentation of the demographic characteristics of only the questionnaire respondents. These provide valuable context for understanding the effect of internal controls on financial performance in the agri-business industry of AUL. These characteristics include age distribution, education levels, and work experience, which influence employees' perceptions and implementation of internal controls and the findings are presented in table 4.2.

Table 4. 2: Background information (n=61)

Age group	Frequency	Percent
20 -29 years	19	31.1
30 -39 years	23	37.7
40 -49 years	13	21.3
50 years and above	6	9.8
Highest Education level		
PLE	6	9.8
UCE	8	13.1
UACE	11	18.0
Diploma	18	29.5
Bachelors' degree	13	21.3
Masters' degree	5	8.2
Duration worked with AUL		
Less that 1 year	5	8.2
1 -5 years	11	18.0
6 -10 years	15	24.6
10 years and above	30	49.2

Source: Primary data (2024)

Age Distribution: The workforce at AUL is predominantly young and middle-aged, with the highest percentage of employees falling within the 30-39 years age group (37.7%). This is followed by those aged 20-29 years (31.1%), indicating that a substantial portion of the workforce is under 40 years old. Employees aged 40-49 years represent 21.3%, while those aged 50 years and above constitute the smallest proportion (9.8%). The dominance of younger employees suggests that AUL's workforce is likely to be adaptable to technological advancements in financial controls. However, the relatively lower percentage of older employees, who may possess more experience in risk management and financial oversight, could have implications for internal control effectiveness.

Education Level: The highest percentages of employees at AUL hold Diplomas (29.5%), followed by those with Bachelor's degrees (21.3%). A significant portion also possesses UACE qualifications (18.0%), while employees with UCE (13.1%) and PLE (9.8%) represent a smaller segment. The least represented category is employees with Master's degrees (8.2%). This distribution suggests that the majority of AUL's workforce has attained at least a diploma or higher, which may contribute positively to financial literacy and the understanding of internal control policies. However, the relatively lower proportion of employees with advanced degrees could indicate potential limitations in strategic financial decision-making and policy formulation.

Work Experience: AUL's workforce demonstrates substantial experience, with nearly half (49.2%) having worked at the company for 10 years or more. Employees with 6-10 years of experience constitute 24.6%, while those with 1-5 years account for 18.0%. Only a small percentage (8.2%) has been with the company for less than a year. The high percentage of long-tenured employees suggests strong institutional knowledge and familiarity with internal control systems and so could provide compliance and financial stability. The presence of experienced staff may also facilitate the consistent implementation of financial policies and effective risk management, contributing to overall organizational efficiency.

4.3 Descriptive Statistics on Variables

4.3.1 Internal Controls and Financial Performance at AUL

The findings on internal controls on financial performance AUL are presented using descriptive statistics of frequencies (absolute numbers and percentages), means and standard deviations to

describe and summarize the findings. Qualitative findings collected using interview guides and documentary results were used to supplement the quantitative findings.

4.3.2.1 Descriptive Statistics on Internal Control Environment and financial performance at AUL

Internal control environment at AUL was measured on the questionnaire using ten statements to which the respondents were required to indicate their level of agreement or disagreement, and the findings are presented in Table 4.3. Qualitative findings collected using interview guides were used to supplement the quantitative findings.

Table 4. 3: Descriptive Statistics for Internal Control Environment at AUL

Internal Control Environment	N	Min	Max	Mean	S.D.
The organization has an accounting and financial management system	61	4.0	5.0	4.5	0.5
Management is committed to the adherence of the accounting system	61	2.0	5.0	3.9	0.7
Management closely monitors implementation of Internal control systems	61	2.0	5.0	3.4	1.0
Appropriate measures are taken to correct errors in the accounting and financial management system	61	2.0	5.0	3.6	1.1
Management decisions uphold ethical values	61	2.0	4.0	3.4	0.9
The organization has an objective, independent and active audit committee	61	2.0	5.0	3.1	1.2
The board of directors and its committees are independent of Management	61	1.0	5.0	3.1	1.4
Top Management has a Supporting Attitude towards internal controls	61	2.0	5.0	3.5	1.0
There is adherence to established norms, values and rules and this has created an ethical environment at AUL	61	2.0	4.0	3.0	1.0
Management provides constant feedback to lower staff	61	1.0	5.0	2.4	1.3

Source: Primary data (2024)

The findings from the study in table 4.3 above indicate that AUL has a generally well-established internal control environment, particularly in relation to its accounting and financial management systems. With a high mean score of 4.5 and a low standard deviation of 0.5, respondents strongly agreed that the organization has a functional and reliable accounting and financial management system in place. This suggests a solid foundation for maintaining financial discipline and transparency, which is crucial for enhancing financial performance. Additionally, management's commitment to adhering to the accounting system received a relatively strong rating (mean = 3.9), indicating that leadership largely supports the integrity of financial processes.

For example, the AUL Operational Manual (2011) documents the quality assurance and control to instruct and guide employees whose actions affect product quality and to inform the company's customers what controls are implemented to assure product quality. The Quality Policy of AUL is based on customer satisfaction. We strive for continuous improvement in our quality systems and meeting the objectives of our company: Supplying products that meet or exceed our customer's requirements providing a service that results in customer satisfaction Continuous development of a dependable vendor base. We are committed to continuous improvement in quality and the assessment of the quality system to assure its suitability to meet the requirements of our company and the requirements of our customers.

Key informant responses on their experience on the nature of human resource policies and procedures visible at AUL, majority respondents deduced that "Human resource policies and procedures are adopted at about 85% because of interference from family members in terms of authority in decision making. Recruitment/hiring are well done. There are no issues with NSSF/PAYE. Time management is well adhered to (attendance records, biometric controls) are all in place (Key Informant Interview, 1,4,6,8 and 9).

Again, during the AUL Management meeting held on 20th May 2024, Management had crafted feasible means to manage fleet in busy periods. With the Transport team availing a fuel and route chart for easy monitoring and control of fleet. It was agreed to revise the list of debtors that was later sent to debt collector (Gave PECT collection services only debtors who were three years and above and get another debt collector to handle debts less than three years). They supported the fixation of the faulty weighbridge to avoid losses.

However, while the structural components of internal control appear to be well-developed, the implementation and oversight aspects reflect some inconsistencies. For instance, the monitoring of internal control systems by management was moderately rated (mean = 3.4), with a notable standard deviation of 1.0, suggesting that while some employees see evidence of close oversight, others perceive gaps in the monitoring process. Similarly, the rating for appropriate corrective measures taken to address accounting errors (mean = 3.6) implies moderate efficiency in responding to internal control weaknesses. Furthermore, the ethical dimension of management decisions scored a mean of 3.4, highlighting that while ethical considerations are acknowledged, they may not be consistently prioritized in decision-making.

AUL Management meeting held on 4th December 2023, it was deduced that AUL maize grain supply contract with World Food Programme was suspended for the whole year till 2024. In matters arising, the Kyazanga shop outlet was closed. The interested agent wanted to know the stock balances and then take over the agency. There were options that their legal personnel should devise means of exchanging maize with the money he owed the firm. Other ways were to instruct the lawyers to write to debtors to remind them of the agreements earlier made to capture their commitment for paying some money.

A critical area of concern relates to the governance structures and ethical culture at AUL. The perception of the independence and effectiveness of the audit committee and board of directors was lukewarm, both registering mean scores of 3.1. High standard deviations (1.2 and 1.4, respectively) further suggest mixed views among respondents regarding the autonomy of these oversight bodies from management influence. Such ambiguity can weaken the effectiveness of internal controls, potentially exposing the organization to governance risks. The ethical environment, in terms of adherence to norms and values, was rated at a neutral level (mean = 3.0), reflecting uncertainty or inconsistency in the ethical culture of the organization.

On whether they have experiences with management philosophy at AUL, majority respondents mentioned that “Management philosophy at AUL is entangled with family interferences and slows decision making and adherence to proper internal controls. Solution is establishment of strong corporate governance structures to ensure strict adherence to internal controls. Limited growth due to bureaucracy and limited exposure also linked to one above. The owner late Apollo did not anticipate that the business would grow beyond current management capacity (Key Informant Interviews, 1, 2, 3, 5, 7 and 9).

However, other documentary records showed *absence of a Fixed Assets Register was also high. This is being worked on. We are in the final stages of having this done completely. We have started a process of asset verification. This was done; needs updates only. Provided for under the fixed asset management as FAR will be the cornerstone of the asset management framework of AUL since it will keep asset information as well as historical records for financial and non-financial information over each asset's life-cycle for the purposes of: Asset planning; Assisting in meeting the requirements of IAS 16 Property Plant and Equipment; Monitoring performance as each class of assets will have a separate page in the FAR Entry in FAR should be made before payment is released to the supplier. Any alteration in the FAR must be duly authorized by the General Manager.*

Most notably, the lowest-rated item in the assessment was management's provision of constant feedback to lower staff, which received a mean score of just 2.4 and a high standard deviation of 1.3. This finding reveals a significant communication gap within the organization. Lack of regular feedback from management can hinder the effectiveness of internal controls by reducing employee engagement, limiting accountability, and impairing the organization's ability to identify and rectify control failures in a timely manner.

On whether they think and how internal audits fit the needs of agro-processing business, majority respondents experience that *"it assists to review internal controls (processes and management effectiveness)"* (Key Informant Interview, 3, 4, 6, 7, and 9).

For example, AUL records showed that suspected fraud was reported by the external auditor to have been registered in FY 2020. This happened in the purchase of fuel from Rubis Energy (U) Ltd, Kyengera station between June and September 2022. The company had a Memorandum of understanding with Rubis Energy (U) Ltd, Kyengera Station to supply its trucks with fuel upon presentation of fully authorized fuel orders. It is the company's policy to have fuel orders prepared by the Transport officer, reviewed by a second Transport officer and this is verified by the Transport manager and authorized by the Managing Director. However, it was realized that 17 fuel orders amounting to UGX 346,146,800 were placed with Rubis Energy (U) Ltd, Kyengera Station without going through the company's laid standard operating procedures. These 17 orders were prepared by the Transport officer, checked and verified by another Transport Manager. However, these were not authorized by the Managing Director, but fuel arising from the same orders was drawn from the petrol station. This shows

irregularities and non-full authorization of fuel at AUL. And involved staff was on run after defrauding the company via fraudulent fuel orders.

When relating external audits and business continuity, they deduced that *“External audit brings in independent assessment/review of AUL activities and financial performance”* (Key Informant Interview, 1, 6, and 9).

Additionally, the internal audit function, which is critical for assessing financial performance and the effectiveness of internal controls, appears to be compromised by a lack of independence. The study found that nearly half of the respondents disagreed with the statement that AUL has an independent and active audit committee, and similar concerns were raised about the board's autonomy. One of the most significant concerns raised by respondents is the interference of family members in decision-making, which has been linked to slow decision-making processes and a lack of adherence to proper internal controls. This issue, along with the limited exposure and growth opportunities within the management team, can hinder the company's ability to adapt to changing market conditions and improve its financial performance.

Asked to give their feelings about supervision at AUL, majority respondents explained that “it creates efficiency of operations and activities thus improve financial performance, especially factory activities and inventory/stocks (Key Informant Interview, 2,3,7,8 and 9).

Furthermore, the minimum and maximum values across the internal control environment indicators provide further insight into the variability of perceptions among respondents at AUL. The maximum score of 5.0 was observed for most indicators, suggesting that some respondents strongly agreed with the presence and effectiveness of internal control elements such as the accounting system, management support, and monitoring practices.

“We lacked documentation of bale weight”. This is now better, weighing is done, and bales are marked. Absence of capital expenditure budget is still under management. Various management meetings are held with accounts to remedy this. Also counterparty risk is worked on with emphasis on relationship management of key suppliers and customers (AUL Final Annual Internal Audit Plan, 2024-2026 dated 8th January,2024).

“Our organizational structure at AUL has been good because it's largely functional/specialized and also caters for upcountry branches of Mubende and Kyazanga”

Internal controls ensure establishment of checks and balances which in turn positively impact on financial performance. Governance issues were outlined as no clear separation of roles between the Board and Management was also a High risk. We need to activate the board and have the Chairman to the board replaced (Key informant Interviews, 2 and 8).

Consequently, documentary evidence from AUL Annual Internal Audit Plan, 2024-2026 showed that: *AUL had a high gearing -High Debt/Equity ratio was a high risk. They were still in the process of ungearing the company and we have resolved at Management level not to take up new loans. The company maintains healthy gearing ratio when current borrowings are compared to the equity as at 31st December 2019.*

Business continuity, crisis management and disasters response (COVID-19, etc.) also had a High risk. Management has improved on this, and we have changed our strategy of contract handling. The business has improved and we have another good off taker UBL. Fraud and exploitation of operational disruptions was also a High risk. We have strengthened our internal control systems.

Other Management records for FY 2023 mentioned absence of some policies and procedures was high. That was justified by respondents “We have put in place a number of them, and they are being followed”. For absence of an Operating and a Capital expenditure Budget which had a High risk. Operational budget has been put in place and the 2024 Budget is out. Sales and Revenue misappropriation reflected non consistent growth in revenue. But management was working on the marketing strategy 2024 to 2028 and branding a consultant has been hired. Additionally, information and communication technology business interruptions remained medium risk. The IT infrastructure had been improved and the IT manual is in place. Most of the places have cameras. In line, inventory control risks were managed by carrying out monthly stock takings and reports. There is lack of a fleet management policy.

However, the minimum values ranged from as low as 1.0 to 4.0, indicating that a section of respondents either strongly disagreed or had significant reservations about certain control practices, particularly in areas like management feedback (min = 1.0), board independence (min = 1.0), and ethical adherence (min = 2.0). This wide spread between the minimum and maximum values reflects inconsistencies in how internal control mechanisms are perceived and possibly implemented across different departments or roles within the organization. It

underscores the need for management to promote uniformity in control practices and address gaps in employee experience and awareness.

AUL Management meeting held on 22nd January 2024, during their planning and harmonization strategies for the AUL Strategic Plan for 2024 showed that;

The General Manager urged management to remain focused regardless of the financial challenges at hand. AUL not having supply contracts from their off takers made them not to buy produce. Their only business focused on milling for schools that were about to open for first term. Management showed commitment to work on manpower plan for 2024 to assist AUL in identifying vacant positions to be filled and departments with excess labor to either get leave or dismissal as means of reducing labor costs.

They planned to follow the UDB advice to procure and purchase produce in January when the prices were low to minimize competition and do away with price increases to serve their routes in Rwanda and to agents in South Sudan. They prioritized debt collection, and the accountants were tasked to collect debts because they were the ones who deal with clients. Clients were to confirm the amount they owe the company, the stubborn ones were to be handed over to the debt collector.

Managers were to be held responsible for their operations in their units and reporting, and performance appraisal was to be upheld. This was to be aligned with the reviewed annual goals, objectives and activity plans. To guarantee quality and compliance for produce, management agreed to buy two afflation machines using approved Private Sector Foundation funds.

In conclusion, while AUL demonstrates strong structural components of the internal control environment such as the presence of an accounting system and management's general commitment there are notable weaknesses in feedback mechanisms, ethical culture, and oversight independence. These gaps could undermine the internal control framework's overall effectiveness, thereby impacting the company's financial performance. Addressing these areas, particularly communication and ethical reinforcement, would be vital in strengthening the internal control environment and supporting sustainable financial growth.

4.3.2.2 Descriptive Statistics on Internal Control Activities and Financial performance at AUL

Internal Control Activities at AUL were measured on the questionnaire using ten statements to which the respondents were required to indicate their level of agreement or disagreement and the findings are presented in Table 4.4. Qualitative findings collected using interview guides were used to supplement the quantitative findings.

Table 4. 4: Descriptive Statistics on Internal Control Activities at AUL

Internal Control Activities	N	Min	Max	Mean	S.D.
Roles of different staff are explicitly documented	61	3.0	5.0	4.1	0.6
The cash office, key assets are under key and lock with minimal physical access	61	2.0	5.0	4.1	1.1
Transactions' approval and authorizations are done by different people	61	4.0	5.0	4.4	0.5
The company has a standard operations procedure that comply with set company policies and documented plans	61	2.0	5.0	3.9	1.0
There is a procedure to ensure that all authorized transactions are recorded correctly and accurately	61	4.0	5.0	4.5	0.5
Cash receipts are properly controlled at AUL	61	3.0	5.0	4.4	0.7
Accounts receivables reconciliation is often done at AUL	61	2.0	5.0	3.9	1.0
Control activities have affected the organization's operating costs for the last five years	61	2.0	5.0	3.5	1.0
Control activities have affected the organization's revenue for the last five years	61	2.0	5.0	3.3	1.1
All activities and procedures are recorded correctly	61	2.0	4.0	3.4	0.9

Source: Primary data (2024)

The findings in table 4.4 provide insight into internal control activities at AUL revealing a generally positive perception of how these controls are designed and implemented, with most mean values indicating agreement or strong agreement. Notably, the highest-rated statements

are those related to transaction approvals and accuracy, with the procedure to ensure correct recording of authorized transactions registering a mean of 4.5 and a low standard deviation (0.5), reflecting both strong and consistent agreement among respondents. Similarly, the segregation of duties in transaction approval (mean = 4.4, SD = 0.5) and proper control of cash receipts (mean = 4.4, SD = 0.7) underscore a well-structured financial control environment. Roles of staff being clearly documented (mean = 4.1) and safeguarding of key assets (mean = 4.1) also show strong agreement, though the slightly higher standard deviation (1.1) in asset protection suggests some variability in practice across departments.

“At AUL we have competent and impeccable access controls”. Security guards at the gate/restricted access to factory and offices, use of biometric technology, CCTV cameras, a perimeter wall, insurance of both humans, finances, stock and fleet plus regular stock takes/cash counts. Generally, internal control activities shield us from unnecessary expenditures, guarantees less fraud, control over poor quality products and damages plus limit of intruders (Key Informant 2,3,4,6,7 and 8).

AUL Operational Manual (2011) showed sales responsibility as all sales orders and specifications must be routed through the General Managers office for approval. The General Manager will require written customer acceptance of particular specifications prior to a sales order being finalized for all first time orders and parts. The purpose of the contract review is to verify that the customer’s requirements are adequately defined and documented and have been understood. On all first time orders, customers will be required to fill out Part Information Sheets that details all critical information for that part. These sheets will be kept on file and all orders will be made according to that information. That information will be reviewed with the customer upon acceptance of each order thereafter. Upon acceptance of a sales order, delivery will be based on current backlog and materials availability. The Production Manager shall be consulted regarding unusual customer requests and/or specifications before a delivery date is scheduled. Upon acceptance of the purchase order based on the information above, samples will be provided to the Quality Controller for routine checks before supply to the customer. Copies of the sales order, along with other pertinent information are kept on file in the sales office. Records of all review activities are maintained as evidence.

Similarly for purchases, the Procurement Department prepares all purchasing documents. The documents clearly and completely describe ordered products. They include precise identification of the products, reference applicable standards and state quality requirements.

The General Manager shall review and approve all purchasing documents prior to release. The company defines subcontractors as vendors who deliver their standard products, as vendors who design and/or manufacture products from the company's drawings or specifications, or vendors who perform processing operations. For all raw materials and outside processes only those sources, which have been approved by the Quality Control Department as having an adequate quality assurance program or an alternate program to ensure a quality product, will be used.

However, areas such as the impact of control activities on financial performance yield more moderate responses. The statements regarding control activities' influence on operating costs (mean = 3.5, SD = 1.0) and revenue (mean = 3.3, SD = 1.1) suggest neutral to slight agreement, with greater variation in perception. This indicates that while control activities are in place, their tangible impact on financial performance is not uniformly felt or perceived by staff. Similarly, the mean score for correct documentation of all activities and procedures (3.4) and regular reconciliation of accounts receivables (3.9) implies moderate implementation levels with room for improvement, particularly considering the associated standard deviations around 1.0.

Asked to give their experiences and feelings about transaction authorization and approval at AUL, majority respondents expressed that *"Authorization and approval of transactions is key at AUL. All payments must be authorized/ approved, and this is well appreciated. Company transactions are all done via the company bank accounts. Weigh Bridge (to ascertain tonnage of produce being bought) is in place. Also brings in income when clients want to weigh their stocks as separate service. Recycling machine is in place to recycle all bags brought in by customers. So AUL is keen on environment. All machines have residual collection. Maize cobs are used as source of fire at the oil and soap factory. Safety and health: Helmets, Overhauls, Gumboots are used by factory workers. AUL upgrades machinery from time to time with good technology.*

Furthermore, the minimum and maximum values across the internal control activities at AUL range from 2.0 to 5.0, with the lowest minimum values (2.0) appearing in several areas such as asset safeguarding, adherence to standard operating procedures, reconciliation of accounts receivables, and the perceived impact of control activities on costs and revenue. These low minimums indicate that a subset of respondents either disagreed or strongly disagreed with the effectiveness or presence of these control activities, pointing to inconsistencies in

implementation or awareness among staff. Conversely, the maximum value of 5.0, which appears across almost all items, reflects that some respondents strongly agreed that these internal controls are present and functioning effectively. The narrow range in items like transaction approval (Min = 4.0, Max = 5.0) and recording accuracy (Min = 4.0, Max = 5.0) suggests strong consensus and well-established practices in those specific areas.

For example, Minutes of AUL financial position analysis held on 3rd November 2012 (January 2012-October 2012) showed that: Monthly physical stock taking and snap checks were thought of and adjusting record keeping in production. There was no routine and clear procedure to follow up on debtors plus checking clients on their credit worthiness. It was identified that some transactions would take place without notifying accounts department. There was no update of financials. It was agreed that the Managing directors was to liaise with operations manager and accounts department on some transactions. There were no routine operational reports furnished with management on a monthly basis. Quality was outlined as a major factor that affected their operations. Management opted to identify potential suppliers who would procure quality produce at a premium price above the market price.

Debt collection-Accounts analysis showed an alarming amount of debtors. We opted to use court brokers to recover the monies. 60% of the company debtors were loyal friends to the Managing Director. A policy was put as a requirement that 50% down payment on the produce should always be borne by clients before any business is done with them. A letter of credit/LC was to always be opened by clients to guarantee the money to be paid after services. The Managing Director was to always make use of his office after negotiating the prices, all the other formalities of making contracts and payments were to be done by relevant offices.

Overall, the data reflects that while AUL has strong foundational internal control activities, especially in transactional processes and role clarity, there remains a need to reinforce the consistency of application and strengthen the visibility of their financial impact to enhance confidence across the organization.

“There was confirmation of inflated rates in procurement department”. This shows fraudulent act that needed immediate action. This was marred by collusion and syndicates among the suppliers and AUL staff which causing financial loss (AUL memo to the general manager from the finance department dated 24th October 2016 explains the cause of financial loss to the company by some procurement staff).For example, there were gaps in the approval and

segregation of duties that failed to track errors of omission and commission. There was an over payment of UGX 2,832,306 to some suppliers and no follow up were made to recover the sums. This evidence models negligence of duty that might cause a financial loss to AUL, hence inadequate internal controls (Financial Reports for the period ending FY 2017).

While a majority of respondents agreed that internal controls affected operational costs, some believed that internal controls had actually increased costs. This suggests that while controls activities help improve financial efficiency, they may also impose additional costs. Similarly, the mixed responses on how control activities influenced revenue generation indicate that while controls ensure compliance, they may be limiting flexibility in revenue-generating activities, as rigid procedures can delay decision-making and affect cash flow.

However, documentary evidence showed that AUL experienced a number of challenges during the period ending 30th September 2024 as listed below:

Reduction in working Capital has affected operations in terms of produce buying, procurement of raw materials, spares, payment to suppliers, service providers etc. There was delayed servicing of available contracts take a case of Oasis Trading Company. This was in custody of the Managing Director and Top Management. Staff Turnover in June, July, August & September salaries haven't been paid. This has made 46 staff leave the company hence affecting operations management. Staff Disengagement due to limited work and delayed salaries the remaining staff are disengaged. Their Morale has reduced as well as their team spirit was claimed on Human resource office. All which underscore the internal control activities framework of agribusiness.

This aligns with key informant response on the query to describe their experience with segregation of duties at AUL. “No one person has overall control on the entire transaction or process. Key staff was hired to handle different tasks despite having loopholes here and there”. AUL has also a quality control department to check quality of produce bought, WIP and finished goods (milling). Specialized roles. Many staff had also been trained by AUL (Key Informant Interview, 1,4,6,8 and 9).

The documentary evidence pointing to reduced working capital and its impact on AUL's operations, particularly in produce buying and procurement, highlights a significant challenge for the company. This is in line with the findings of the study, which suggest that poor cash

flow management, along with inconsistencies in debt collection and reconciliation, can negatively affect a company's financial performance.

4.3.2.3 Descriptive Statistics on Internal Control Monitoring and Financial performance at AUL

Internal Control Monitoring at AUL was measured on the questionnaire using ten statements to which the respondents were required to indicate their level of agreement or disagreement, and the findings are presented in Table 4.5. Qualitative findings collected using interview guide and documentary evidence were used to supplement the quantitative findings.

Table 4. 5: Descriptive statistics on Internal Control Monitoring at AUL

Internal Control Monitoring	N	Min	Max	Mean	S.D
The company has a functional internal audit unit/department.	61	2.0	4.0	2.2	0.6
The responses given to audit recommendations are appropriate at AUL	61	1.0	4.0	2.1	0.7
The internal audit recommendations are acted on by Management in a timely manner	61	1.0	5.0	2.4	1.1
External audit is always done and completed on a timely basis	61	2.0	4.0	2.8	1.0
There are enough resources to support external audits	61	2.0	5.0	2.7	1.1
AUL has efficient operations and key performance indicators are being achieved	61	1.0	5.0	2.6	1.2
Staff supervision is frequently done at AUL	61	1.0	5.0	2.5	1.3
Independent checks for stock are regularly done	61	2.0	4.0	2.4	0.8
Internal audits are regularly influencing management decisions	61	2.0	5.0	3.1	1.1
Reconciliations are regularly done on stock, cash and orders	61	2.0	4.0	3.0	1.0

Source: Primary data (2024)

The findings in table 4.5 provide insight on internal control monitoring at AUL presents a generally weak perception of the company's monitoring mechanisms in relation to financial performance. Overall, the mean scores for all statements lie below the mid-point of 3.0, with the exception of only two items "Internal audits are regularly influencing management

decisions" (Mean = 3.1, SD = 1.1) and "Reconciliations are regularly done on stock, cash, and orders" (Mean = 3.0, SD = 1.0). This suggests that most respondents were either neutral or slightly agreed that internal monitoring is partially effective in those areas, indicating some functional practices in terms of reconciliation and influence of internal audits. However, other aspects of monitoring received particularly low ratings, with means as low as 2.1 for the appropriateness of responses to audit recommendations and 2.2 for the existence of a functional internal audit unit. These low scores imply a lack of confidence in or weak execution of audit responses and internal auditing structures.

AUL Financial Manual showed that surprise cash counts/spot checks that are un-announced Spot checks (conducted at least 4 times a year) should be carried out by the supervising officer, and any discrepancies should be explained. The spot checks should verify the Petty cash float less (minus) any petty cash vouchers on hand should be equal to petty cash available. Any discrepancies should be explained. The spot checks should include checking whether the vouchers have proper authorization, proper necessary supporting documents and any reasons for non-compliance or delay in compliance. The Accountant also has the right to carry out these spot checks and should do so at least twice a year (AUL Finance and administration manual, September 2012).

Moreover, indicators such as timely action on internal audit recommendations (Mean = 2.4, SD = 1.1), staff supervision (Mean = 2.5, SD = 1.3), and the efficiency in achieving key performance indicators (Mean = 2.6, SD = 1.2) reflect notable concerns regarding managerial oversight and operational effectiveness. High standard deviations in several items, particularly "Staff supervision is frequently done" (SD = 1.3) and "Internal audit recommendations are acted on timely" (SD = 1.1), indicate varied perceptions among employees, suggesting inconsistency in monitoring practices or communication gaps about these processes. Although there is some positive recognition of the influence of internal audits and reconciliations on performance, the overall results highlight significant weaknesses in the internal control monitoring framework, which may negatively impact the financial performance of AUL. Strengthening internal audit function, ensuring timely responses to audit recommendations, and enhancing staff supervision would likely contribute to improved financial outcomes in Uganda's agri-business.

Furthermore, the minimum and maximum values of the responses on internal control monitoring at AUL range from 1.0 to 5.0, indicating a wide variability in the perceptions of

employees regarding the effectiveness of monitoring practices. The lowest minimum value of 1.0 appears in responses related to audit recommendations, staff supervision, and operational efficiency, suggesting that some respondents strongly disagreed with the existence or effectiveness of these practices. On the other hand, the highest maximum value of 5.0, seen in areas such as the timeliness of acting on audit recommendations, achievement of performance indicators, staff supervision, and the influence of internal audits, implies that a few respondents strongly agreed that these internal control monitoring activities are effective. This wide range in responses reflects inconsistent implementation or communication of monitoring controls within the organization, with some employees observing strong practices and others experiencing significant gaps.

4.3.2.4 Descriptive Statistics on Financial performance at AUL

Financial performance at AUL was measured on the questionnaire using ten statements to which the respondents were required to indicate their level of agreement or disagreement, and the findings are presented in Table 4.6. Qualitative findings collected using interview guide and documentary evidence were used to supplement the quantitative findings.

Table 4. 6: Descriptive statistics on financial performance at AUL

Financial Performance	N	Min	Max	Mean	S.D.
Profitability					
Our gross margin has improved over time	61	2.0	4.0	3.5	0.8
Our Net profit margin is increasing every year	61	2.0	4.0	2.8	1.0
Production returns and damages affect our profitability and financial resilience	61	1.0	2.0	1.8	0.4

The reducing logistical costs are bringing up operational efficiency	61	2.0	5.0	3.1	1.1
Liquidity					
The Liquidity ratio is normal	61	2.0	5.0	3.1	1.1
Product debtors are lowering our working capital	61	2.0	5.0	3.5	1.1
There is a clear credit policy that guides operations	61	2.0	5.0	3.3	1.1
Solvency					
The equity ratio is unsatisfactory	61	1.0	4.0	2.5	1.0
The improved financial reporting system has increased stakeholder confidence in AUL operations for products and services	61	2.0	4.0	2.6	0.9
Poor monitoring has increased risks of fraud and thefts in production	61	2.0	4.0	3.0	1.0

Source: Primary data (2024)

The findings on financial performance in table 4.6 above provides insights into how various dimensions profitability, liquidity, and solvency are perceived by respondents in relation to internal control systems. Under profitability, the mean score of 3.5 for improved gross margin (SD = 0.8) suggests that most respondents agree that gross margin has improved over time. However, the net profit margin has a lower mean of 2.8 (SD = 1.0), indicating a more neutral to slightly disagreeing perception about consistent profit growth, which may reflect instability

in overall profitability. The statement on production returns and damages affecting profitability has a very low mean of 1.8 (SD = 0.4), highlighting strong agreement that these factors negatively impact financial resilience suggesting a significant operational weakness. The mean score of 3.1 (SD = 1.1) for reducing logistical costs shows moderate agreement that operational efficiency is improving.

Asked to specifically give their view on financial resilience and profitability at AUL, majority respondents justified that:

“AUL financial resilience over the last 5 years has been good especially on produce with good growth figures. Now there is competition, poor corporate governance and lack of working capital” (Key Informant Interview, 1, 2, 5, 6 & 8). See attached Appendices 5, 6 and 7.

In terms of liquidity, the liquidity ratio is perceived to be in a normal range with a mean of 3.1 (SD = 1.1), indicating general agreement but with a notable spread in perceptions. Respondents moderately agreed that product debtors are affecting working capital (mean = 3.5, SD = 1.1), suggesting a concern over receivables’ management. Similarly, the presence of a clear credit policy guiding operations is reflected with a mean of 3.3 (SD = 1.1), indicating moderate confidence in the firm’s liquidity management policies.

Giving their opinion on the status of liquidity at AUL, some respondents agreed that:

“Yes, there is good liquidity at AUL. Products are consumed by everyone in the market (mass market). There is also good relationship with the banks amidst high debt levels (not well serviced currently)” (Key Informant Interviews, 5,7 and 9). See attached Appendices 5, 6 and 7.

With regard to solvency, the equity ratio is perceived as unsatisfactory (mean = 2.5, SD = 1.0), reflecting general concern over the company’s long-term financial structure. The improved financial reporting system’s impact on stakeholder confidence yields a mean of 2.6 (SD = 0.9), suggesting limited agreement on its effectiveness in enhancing stakeholder trust. Lastly, the perception that poor monitoring has increased the risk of fraud and thefts is moderately agreed upon, with a mean of 3.0 (SD = 1.0), pointing to internal control gaps that could threaten both solvency and overall financial integrity.

Financial records showed that “Trade receivables for produce increased from UGX 27,903,331,925 that was recorded in 2019 to UGX 29,692,629,100 in 2020. This evidenced relaxation in collection of AUL cash proceeds. There are a number of days taken by debtors to clear for goods supplied by the firm. This stifles operations and retards the financial performance in return” (AUL annual report and financial statements for the year ended 31st December 2020).

The minimum and maximum values in the data on financial performance at AUL reveal a range of perceptions among respondents regarding key financial indicators. The minimum values span from as low as 1.0 (strongly disagree), particularly on issues such as the impact of production returns and damages on profitability and the equity ratio, suggesting that some respondents firmly disagree or are dissatisfied with performance in these areas.

Conversely, the maximum values reach up to 5.0 (strongly agree), especially for statements related to reduced logistical costs, liquidity ratio, and the presence of a credit policy indicating that other respondents perceive strong performance or improvements in these areas. This wide range between minimum and maximum values points to varied experiences or levels of awareness among staff, possibly due to differences in departmental roles, access to financial data, or exposure to internal control mechanisms, highlighting inconsistencies in the internal control environment and its perceived effectiveness in driving financial performance.

Narrating their experience with solvency at AUL, majority respondents viewed that “Currently AUL has high debt levels/gearing” (Key Informant Interviews, 1,3,4,7 and 9). Many comment on the current trend of market share and growth of AUL agro-processing that “by diversifying and expanding into new markets and offering new products like instant posho” (Key Informant Interviews, 2,5,6 and 8).

Further, documentary evidence showed that;

This shows irregularities in the internal control system arising from examination of stock taking, verification of audited financial statements for the year ended 2015, checking the bank statements, cash payments, stock books, creditors’ ledgers, security books, sales books and other records. During stock taking, some stocks of finished products were not on the stock list yet the stocks were available in the store. This made it tricky for management to know the value of stock in stores.

Audited financial statements for 2015 and the source documents had variances with the operations of the company in financial terms. There were no bank reconciliations done and cash counts as revealed. The reported figures in the financials were different from the bank statements drawn. There were different figures recorded in the cash and bank balances of UGX 322,726,570 reported in the financials for 2015 that were different from those recorded in the tally system (Non conforming automated system values with manual records).

The cash that was in office by the end of year was not reported in the audited accounts for FY 2015 of UGX 5,267,150. There was overcast and lifting of the trade debtor's figure. Yet bank accounts had different figures from the reported figures. This confirms management use of window dressing accounting. There were no cheque payments written in accounts which put the company at risk of not tracking its expenses. Sales were not well recorded with the source documents; there were no invoices raised for non-officials sales making it hectic to track and difficult to capture incomes rightly. This meant that incomes might have not been realized for failure to have proper system to capture the sales which gap expose workers to fraud and embezzlement (AUL Audit Report, 13th August, 2016).

AUL's high cost of capital that requires sourcing for low cost of funding including equity. Still work in progress. There was a management proposal to effect payment of casual labours through a third party and is operational with valid bank accounts and mobile money accounts created. Incomplete recording of stock had been fixed by setting up a weigh bridge (Key Informant Interview, 5 and 8).

Overall, the data indicates that while AUL has made some progress in areas like gross margin and operational cost control, challenges remain in strengthening net profitability, managing working capital, ensuring long-term solvency, and preventing risks linked to inadequate monitoring systems. These insights highlight the need for enhanced internal controls and better implementation of financial and operational oversight mechanisms.

4.4 Correlations analyses for internal control on financial performance

The study aimed to examine the effect of internal control on financial performance in Uganda's agri-business industry, using AUL as a case study. Internal control was measured in terms of internal control environment, internal control activities, and internal control monitoring. The results from Pearson correlation analysis are presented in the table 4.7 below.

Table 4. 7: Correlation results for internal controls and financial performance of AUL

Internal Controls		Financial Performance
Internal Control Environment	Pearson Correlation	.645*
	Sig. (2-tailed)	.000
	N	61
Internal Control Activities	Pearson Correlation	.623*
	Sig. (2-tailed)	.000
	N	61
Internal Control Monitoring	Pearson Correlation	.272*
	Sig. (2-tailed)	.034
	N	61
*. Correlation is significant at the 0.05 level (2-tailed).		

Source: Primary data (2024)

The results of the Pearson correlation analysis in table 4.7 above revealed that the effect of internal control environment on financial performance at AUL is moderately positive, with a correlation coefficient of 0.645. This effect is statistically significant at $p = 0.000 < 0.05$, indicating that a well-established internal control environment is associated with improved financial outcomes. These findings suggest that elements such as management philosophy, organizational structure, and human resource policies and procedures significantly contribute to the financial stability and operational efficiency of the organization.

This outcome is consistent with the findings of Gal and Akisik (2020), who argue that a sound internal control environment fosters ethical behavior, reduces operational inefficiencies, and supports financial performance. Similarly, Hazzaa et al. (2022) found that when management establishes a robust ethical and control culture, financial indicators such as profitability and liquidity are positively influenced. Furthermore, Vu and Nga (2022) observed that internal environments grounded in accountability and ethical leadership contribute to enhanced financial performance in emerging economies. Conversely, Peterson (2018) and Chiu and Wang (2019) acknowledge that while the internal control environment is important, its impact may be limited if not complemented by other elements such as monitoring and effective control

activities. In this regard, the control environment alone may not guarantee strong financial outcomes without a holistic internal control framework.

Regarding internal control activities, the correlation with financial performance was also found to be moderately positive ($r = 0.623$), and the effect was statistically significant ($p = 0.000 < 0.05$). This finding implies that structured control activities such as authorization and approval processes, segregation of duties, and physical control mechanisms are key drivers of financial performance at AUL. These results are supported by Adegboyegun et al. (2020), who argue that effective control activities significantly reduce fraud risk and enhance financial management practices. Chalmers et al. (2019) similarly highlight the role of control procedures in promoting transparency and reducing operational inefficiencies. In the context of Uganda, Kalemeera (2018) affirmed that effective internal controls contribute to financial health by mitigating losses and promoting accurate financial reporting.

However, some scholars present a more cautious view. Otoo et al. (2021) found that while control activities are critical, their influence on financial performance varies depending on organizational size and sector, suggesting that in larger or more diversified firms, these controls must be integrated with comprehensive risk management strategies to yield maximum financial benefits.

For internal control monitoring, the study revealed a weak but statistically significant correlation with financial performance ($r = 0.272$, $p = 0.034 < 0.05$). This indicates that although monitoring contributes to compliance and helps identify weaknesses in control systems, its direct effect on financial performance is less substantial compared to the control environment and control activities.

This finding aligns with Kinyua (2015) and Asiligwa (2017), who argue that the effectiveness of monitoring depends heavily on the commitment of top management and the availability of competent internal audit functions. Wali and Masmoudi (2020) similarly note that internal control monitoring is most effective when integrated with performance feedback mechanisms and risk-based audits. In contrast, Zhou et al. (2016) suggest that regular and systematic monitoring can significantly improve financial outcomes, particularly in high-risk sectors, implying that AUL's weak correlation could be due to implementation challenges or limited monitoring capacity.

In summary, the study concludes that while all three components of internal control environment, activities, and monitoring have a statistically significant relationship with financial performance, the internal control environment and control activities exert a more substantial influence. This underscores the importance of cultivating a strong ethical and operational foundation, as well as implementing robust control procedures, to achieve sustainable financial performance in agribusinesses like AUL.

4.5 Regression analyses for internal control on financial performance at AUL

The findings from the regression analysis provide key insights into the relationship between internal controls and financial performance at Aponye Uganda Limited (AUL).

Table 4. 8: Model summary for internal control on financial performance at AUL

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.772 ^a	.595	.574	.38232
a. Predictors: (Constant), Internal Control Monitoring, Internal Control Activities, Internal Control Environment				

Source: Primary data (2024)

The model summary in table 4.8 above shows that there is a strong positive correlation ($R = 0.772$) between internal controls and financial performance. The R^2 value of 0.595 indicates that internal control environment, internal control activities, and internal control monitoring collectively explain 59.5% of the variation in financial performance at AUL. The adjusted R^2 of 0.574 further confirms that the model remains robust even after accounting for additional factors.

Table 4. 9: ANOVA results for internal control on financial performance at AUL

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.259	3	4.086	27.957	.000 ^b
	Residual	8.332	57	.146		
	Total	20.591	60			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant): Internal Control Monitoring, Internal Control Activities, Internal Control Environment.						

The ANOVA results ($F = 27.957$, $p = 0.000$) demonstrate that the overall regression model is statistically significant. This implies that internal controls, as a combined factor, have a significant effect on financial performance, reinforcing the importance of strong financial governance in agri-businesses. However, to understand data viability of the individual contributions of each internal control component, the coefficient estimates were examined and analyzed for effective decisions.

Table 4. 10: Coefficient estimates for internal control on financial performance at AUL

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.303	.560		-2.326	.024
	Internal Control Environment	.387	.078	.468	4.978	.000
	Internal Control Activities	.687	.139	.447	4.952	.000
	Internal Control Monitoring	.075	.121	.055	.622	.536
a. Dependent Variable: Financial Performance						

The internal control activities variable in table 4.10 above shows the strongest impact on financial performance, with a coefficient (B) of 0.687 and a highly significant p-value ($p = 0.000$). This suggests that effective control system, greatly enhance financial performance at AUL. Similarly, the internal control environment also has a significant positive effect ($B = 0.387$, $p = 0.000$), indicating that a well-established internal control environment contributes to financial stability and improved performance.

Conversely, internal control monitoring does not exhibit a statistically significant effect on financial performance ($B = 0.075$, $p = 0.536$). This suggests that while monitoring is essential, it may not independently drive financial performance unless supported by a strong control environment and well-implemented control activities. In other words, monitoring alone is insufficient to improve financial outcomes unless complemented by robust policies and operational oversight.

Overall, the findings reveal that internal control plays a critical role in enhancing financial performance at AUL. Given that it explains 59.5% of financial performance variations, therefore, strengthening internal can significantly improve financial stability and efficiency. The components of internal control that influence financial performance include internal control activities and environment.

This is consistent with the literature discussed, which emphasizes the critical role of the control environment in shaping business outcomes. Authors like Chen et al. (2020) and Gao and Zhang (2019) suggest that a robust internal control environment, characterized by clear organizational structures, ethical standards, and effective management philosophies, fosters a culture of accountability and integrity within organizations. These elements, in turn, contribute to better financial performance. The study's findings support these assertions, indicating that the control environment is not just a procedural mechanism but also a foundational element that influences the overall operational effectiveness and profitability of the organization.

Furthermore, the correlation with past studies such as those by Zhou et al. (2016) and Eniola and Akinselure (2016), which highlighted mixed results on the link between internal control practices and financial performance, underscores the complexity of measuring this relationship. However, the present study's focus on specific components of the internal control environment (management philosophy, organizational structure, and human resource policies) provides a more nuanced understanding of how these factors collectively drive financial performance, particularly in the agribusiness sector in Uganda.

The study findings also align with the literature on the importance of robust internal control systems in ensuring organizational success. According to authors such as Al-Tamimi & Al-Mazrooei (2019), well-established internal control mechanisms, including authorization, approvals, and segregation of duties, are integral to minimizing financial risks and improving financial performance. For instance, Cohen & Sayag (2010) found that internal control systems

are vital in achieving operational efficiency and effective financial performance by reducing errors, fraud, and financial mismanagement.

Furthermore, findings on Internal Control Monitoring do not align with existing literature emphasizing the role of monitoring in evaluating the effectiveness of internal controls (Wali & Masmoudi, 2020). Monitoring ensures the efficiency of systems and processes, but its impact on financial performance depends on how well internal audits, management responsiveness, and compliance mechanisms function (Masa'deh et al., 2015).

The positive but relatively weak regression coefficient ($B = 0.272$, $p = 0.034$) suggests that while improvements in internal control monitoring leads to better financial performance, they do not have as substantial an impact as other internal control components, such as internal control activities and the control environment. This supports studies that argue internal control monitoring is most effective when combined with strong governance structures, ethical leadership, and accountability measures (Crosman, 2018; Dowdell, Klamm, & Andersen, 2020).

4.6 Discussion of findings

The study established a moderately strong positive relationship between the internal control environment and financial performance, with a Pearson correlation coefficient of 0.645 ($p = 0.000$). This indicates that improvements in the control environment significantly contribute to financial performance at AUL. A well-structured internal control environment defined by effective management philosophy, sound organizational structure, and strong human resource policies promotes financial stability and operational efficiency. These results are consistent with Chen et al. (2020) and Gao and Zhang (2019), who contend that a robust control environment fosters accountability and enhances financial outcomes. Similarly, Chalmers et al. (2019) and Vu and Nga (2022) support the assertion that internal control structures provide discipline, thus improving profitability and operational quality.

The findings provide critical insights into how internal control monitoring at AUL influences financial performance. The results reveal significant weaknesses in internal audit function, management responsiveness, external audit execution, and stock reconciliation processes. These deficiencies align with the literature, which emphasizes that effective internal control monitoring ensures the efficiency and effectiveness of an organization's operations (Masa'deh et al., 2015; Wali & Masmoudi, 2020).

Just like qualitative data, literature underscores that top management must establish a culture of control through communication, adherence to diligence, and commitment to ethical values (Chen et al., 2020). However, the absence of timely action on audit findings suggests gaps in AUL's governance structure, ultimately impairing financial performance. This is concerning, as literature affirms that external audits set the tone for an organization's financial discipline, provide transparency to shareholders, and ensure compliance with industry regulations (Bett & Memba, 2017). Without timely and well-supported external audits, AUL risks inaccurate financial reporting and regulatory non-compliance, further undermining investor confidence. Moreover, this emphasizes that stock monitoring is crucial in preventing financial losses due to theft, stock shortages, or inaccurate financial statements (Dowdell, Klamm, & Andersen, 2020). Strengthening stock reconciliation and conducting independent audits could mitigate these risks and enhance financial stability.

This aligns with previous studies highlighting the role of supervision, reconciliations, and performance evaluations in ensuring the effective functioning of internal control systems (Mpora et al., 2023). Without adequate supervision, AUL faces the risk of procedural non-compliance, inefficiencies, and increased operational risks. The literature supports this, emphasizing that internal auditors play a key role in assessing the effectiveness of an organization's internal control system, ensuring compliance with governance and financial regulations (Rehman, 2021; COSO, 2013). And suggested that effective control environments are crucial for ensuring discipline, integrity, and competence in financial management (Asiligwa, 2017), however, AUL's inefficiencies indicate gaps in internal oversight, leading to resource wastage and diminished profitability.

Regression analysis confirms this influence, with the internal control environment showing a significant positive impact on financial performance ($B = 0.387$, $p = 0.000$). These findings reaffirm the crucial role of governance tone, ethical leadership, and structural integrity in shaping financial outcomes.

Regarding internal control activities, the study found a moderate positive correlation with financial performance ($r = 0.623$, $p = 0.000$), demonstrating that effective implementation of control activities such as segregation of duties, authorization protocols, approvals, and physical security measures directly enhances financial performance. Regression results further affirm this, revealing that control activities are the strongest predictor of financial performance ($B =$

0.687, $p = 0.000$). This indicates that well-executed control mechanisms not only mitigate financial risks but also drive profitability and operational efficiency.

These findings align with COSO (2013) and Peterson (2018), who emphasize the role of control activities in reducing errors and fraud while enhancing transparency. Likewise, Chiu and Wang (2019) found that control activities significantly contribute to profitability across various sectors, including agribusiness. In the case of AUL, systems of authorization and segregation of duties were perceived positively by respondents, supporting the literature by D'Aquila (2013) and Chang et al. (2019), which stress the importance of these measures in promoting financial integrity.

However, some weaknesses in the implementation of internal control activities were noted—particularly in procurement, where documentary evidence highlighted cases of fraud and supplier collusion. This aligns with concerns raised by Kalemeera (2018) and Gamage Low& Keving (2018) about the adverse effects of poor documentation and weak procedural adherence on financial performance.

In contrast, the findings reveal that internal control monitoring had a weaker positive correlation with financial performance ($r = 0.272$, $p = 0.000$), and regression results showed that its direct impact was statistically insignificant ($B = 0.075$, $p = 0.536$). This suggests that although monitoring plays a role in enhancing control effectiveness, it does not significantly influence financial outcomes unless supported by effective governance structures, prompt audit responses, and operational accountability. This contrasts with the assertions of Wali and Masmoudi (2020) and Masa'deh et al. (2015), who argue that effective monitoring is vital for ensuring the reliability of internal controls and operational compliance. Nevertheless, the study supports Crosman (2018) and Dowdell et al. (2020), who contend that monitoring has the greatest impact when integrated with strong ethical leadership, transparency, and accountability.

At AUL, deficiencies in internal and external audit responsiveness, poor follow-up on audit recommendations, and weaknesses in stock reconciliation processes were observed. These governance lapses have the potential to impair financial performance by allowing inefficiencies and mismanagement to persist unaddressed. The findings echo Rehman (2021) and COSO (2013), who emphasize the importance of internal auditors in assessing and strengthening control effectiveness. Furthermore, the lack of a robust asset management system such as a

proper fixed asset register (FAR) compromises tracking and compliance with standards like IAS 16, risking asset misuse and financial misstatements, as pointed out by Hoai et al. (2022).

The combined regression analysis confirms the cumulative effect of internal control components on financial performance, with a strong model correlation ($R = 0.772$) and an R^2 of 0.595, indicating that internal controls collectively explain 59.5% of the variation in financial performance. The model's statistical significance ($F = 27.957$, $p = 0.000$) further affirms the importance of robust internal control systems in promoting financial health.

4.7 Conclusion

This section presented the findings, their interpretation and discussion about the effect of internal control on the financial performance of agribusiness. It mainly showed conflicting and mixed reactions about the connection between the variables and the degree to which they relate. This manifested from statistically significant moderate and weak effect. Next chapter presents the summary of findings, conclusions, recommendations and suggestions for further research

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

In this chapter is a presentation of the summary findings, conclusions and recommendations and suggestions for further research. The chapter is arranged under the following sections; Introduction, Summary of findings, Conclusion, Recommendations, and suggestions for further research.

5.1 Summary of Findings

The summary of findings that comprises of descriptive, inferential and qualitative findings and is based on the study objectives as laid in chapter one of this report.

5.1.1 The effect of internal control environment on financial performance at AUL

AUL's internal control environment presented both strengths and weaknesses that significantly impact its financial performance. The company had a well-structured accounting and financial management system, with unanimous agreement among respondents that such a framework exists. This system supported accurate financial reporting and informed decision-making. Additionally, management demonstrates a strong commitment to compliance with financial policies, reinforcing accountability and efficiency. However, concerns existed regarding the level of oversight in monitoring internal control systems, with nearly a third of respondents feeling that management's vigilance could be improved to prevent inefficiencies and mismanagement.

Operational challenges had also affected AUL's financial stability. The suspension of its maize grain supply contract with the World Food Programme and the closure of the Kyazanga shop outlet indicate financial strain. To address outstanding debts, management explored various legal and strategic options, including debt collection services. AUL also took steps to enhance internal controls over fleet management by implementing a fuel and route monitoring system, as well as revising debtor lists for targeted collection efforts. However, gaps in asset management persisted, as seen in the absence of a complete Fixed Assets Register, which was still undergoing final review and amendment. The establishment of a proper fixed asset

management framework was expected to improve financial tracking and compliance with international accounting standards.

The company had instituted corrective measures for financial discrepancies, with a majority of respondents acknowledging that errors were addressed when they arose. Nonetheless, a considerable number of employees believed there was room for improvement in ensuring efficiency. Supervision was recognized as a key factor in enhancing operational effectiveness, particularly in factory activities and inventory management. AUL financial manual mandated surprise cash counts and spot checks to verify petty cash handling and ensured compliance with authorization procedures. Despite these measures, concerns remained with the independence of AUL's audit committee and board of directors. A significant proportion of respondents believed that internal audits lacked objectivity, potentially compromising financial oversight and risk management.

Ethical leadership played a crucial role in maintaining internal controls, with most respondents agreeing that management upheld ethical values. However, scepticism persisted among a notable percentage of employees, raising concerns about transparency and fairness in decision-making. Instances of fraud, cases like unauthorized fuel orders reported by external auditors, highlighted weaknesses in financial oversight and adherence to standard operating procedures. The fraudulent activities involving fuel procurement underscored the need for stricter controls and more effective enforcement of company policies.

Strategic planning efforts by AUL Management reflected a proactive approach to mitigating financial challenges. Initiatives such as workforce optimization, procurement timing to reduce costs, and enhanced debt collection strategies demonstrated a commitment to financial sustainability. The company also prioritized the purchase of quality assurance equipment to maintain compliance standards. However, leadership support for internal controls remained inconsistent, with nearly 30% of respondents perceiving weak enforcement or selective application of policies. This inconsistency undermined the effectiveness of internal control mechanisms.

Corporate governance at AUL faced challenges related to family influence in decision-making, which slowed processes and weakens adherence to internal controls. While human resource policies and procedures were generally well-implemented, interference in authority and decision-making remained a great concern. To strengthen governance, respondents recommend

the establishment of robust corporate structures that ensured strict adherence to policies and mitigated conflicts and conflicting interest. Additionally, compliance with norms and ethical standards appeared to be inconsistent, with divided opinions on the company's adherence to established rules and values. This lack of uniformity in compliance would expose AUL to regulatory risks and inefficiencies, ultimately affecting financial performance.

Furthermore, the findings showed the correlation coefficient (R) between the internal control environment and financial performance was 0.645, suggesting a moderate positive relationship. The standardized beta coefficient (0.645) revealed the relative contribution of internal control environment, further confirming its moderate effect on financial performance. The t-statistic (6.483, $p = 0.000$) suggests that internal control environment is a statistically significant predictor of financial performance.

5.1.2 The effect of internal control activities on financial performance at AUL

The findings revealed that internal control activities at AUL had a significant influence on financial performance, although challenges remained in areas such as cost management, revenue impact, and procedural documentation.

AUL had a well-established framework for defining staff roles, which enhanced operational clarity and minimized risks related to errors, fraud, and financial mismanagement. The company's Operational Manual outlined a structured approval process for sales and purchases, ensuring that transactions adhered to customer requirements and quality standards. The procurement process mandated precise documentation and approval from the General Manager, reinforcing accountability and quality assurance.

Access control measures for financial resources and key assets were generally robust, incorporating biometric technology, CCTV surveillance, security guards, and regular audits. However, some employees perceived weaknesses in financial resource security, highlighting areas that required further strengthening. Similarly, transaction approval and authorization procedures were highly effective, with a clear segregation of duties to minimize the risks of fraud and unauthorized transactions. AUL also ensured that all payments were authorized, conducted through company bank accounts, and reinforced by additional verification mechanisms such as weighbridges and quality control checks.

The company followed a standard operating procedure (SOPs) in compliance with internal policies, but some inconsistencies in adherence were noted, potentially leading to financial discrepancies. For instance, a review of financial records revealed gaps in debt collection and financial updates, with some transactions occurring without proper notification to the accounts department. The absence of routine operational reports and inadequate procedures for checking client creditworthiness were identified as areas needing improvement. Additionally, a policy was introduced requiring a 50% down payment before any business transactions, and the use of court brokers was implemented to recover outstanding debts.

AUL placed a strong emphasis on transaction accuracy, with most respondents affirming that all authorized transactions were correctly recorded, and cash receipts are well-controlled. However, financial reports indicated issues such as inflated procurement rates due to collusion among suppliers and AUL staff, resulting in financial losses. Accounts receivables reconciliation also showed inconsistencies, which could negatively impact cash flow and overall financial performance. Overpayments to suppliers, lack of follow-up on recoveries, and negligence in financial oversight further underscored the need for tighter internal controls.

While internal controls had a noticeable impact on operating costs, responses were mixed regarding their overall financial efficiency. Some employees believed that controls increased costs rather than reducing them. The company maintains a system of segregation of duties, ensuring that no single individual had overarching control over a transaction. Additionally, a dedicated quality control department monitored the standards of raw materials, work-in-progress, and finished goods.

Revenue generation presented another concern, as there was a division in responses regarding the effectiveness of internal controls in enhancing revenue. While some employees agreed that controls had positively influenced revenue over the past five years, others believed that rigid procedures limited operational flexibility and slowed down decision-making. Inconsistent documentation of transactions was another challenge, with a segment of employees indicating that record-keeping practices required improvement.

The financial challenges faced by AUL further illustrated gaps in internal control efficiency. Reduced working capital had affected key operational aspects such as raw material procurement, supplier payments, and contract servicing. Delayed salary payments had led to significant staff turnover and disengagement, further impacting productivity. These factors

collectively highlighted the broader framework within which internal control activities operated within the agribusiness sector.

Furthermore, the findings showed the correlation coefficient (R) between the internal control activities and financial performance is 0.623, suggesting a moderate positive relationship. The standardized beta coefficient (0.623) revealed the relative contribution of internal control activities, further confirming its moderate effect on financial performance. The t-statistic (6.113, $p = 0.000$) suggests that internal control activities are statistically significant predictors of financial performance.

5.1.3 The effect of internal control monitoring on financial performance at AUL

The findings highlighted significant weaknesses in internal control monitoring at AUL, which directly affect its financial performance. The internal audit function was notably deficient, with most respondents indicating that AUL lacks a functional audit unit. This absence of a strong internal audit framework raised concerns about financial misreporting, fraud, and inefficiencies in resource utilization. Without a well-established audit function, financial controls remained weak, increasing the risk of financial irregularities.

Management's responsiveness to audit recommendations was also inadequate. A large majority of respondents believed that audit recommendations were not properly addressed, and management did not take timely corrective action. Delays in implementing audit findings weakened financial oversight exposed the organization to financial mismanagement and operational inefficiencies. The lack of prompt responses to audit recommendations limited AUL's ability to correct financial discrepancies and improve its financial health.

External audit execution was another area of concern. Many respondents reported delays in completing external audits, and there were insufficient resources to support these audits effectively. These challenges resulted into inaccurate financial reporting, non-compliance with regulatory requirements, and reduced transparency in financial management. Timely and well-resourced audits were essential for ensuring the accuracy and reliability of financial statements, but AUL struggles in this aspect.

Operational efficiency and the achievement of key performance indicators (KPIs) were also negatively affected by weak internal control monitoring. Many respondents believed that AUL did not operate efficiently, and Key Performance Indicators were not consistently met. This

suggested a failure in monitoring key financial and operational metrics, leading to resource wastage and reduced profitability. Limited supervision of staff further exacerbated inefficiencies, increasing the likelihood of errors and non-compliance with financial procedures.

Stock monitoring and reconciliation processes also revealed gaps in internal control monitoring. Many respondents expressed concerns about the lack of independent stock checks, which further weakened AUL's financial oversight. Without timely audits, financial misstatements would go undetected, leading to regulatory penalties and loss of stakeholder confidence.

The weaknesses in internal control monitoring also extended to AUL's operational efficiency and achievement of key performance indicators (KPIs). A majority of respondents believed that the company did not operate efficiently and failed to meet its performance targets. This featured gaps in financial oversight and monitoring of key financial and operational metrics. Inefficient operations often lead to resource wastage, declining profitability, and difficulties in sustaining financial stability.

Supervision of staff was another critical area where internal control weaknesses were evident. Many respondents indicated that supervision was infrequent, which resulted in errors, inefficiencies, and non-compliance with financial procedures. Limited oversight increased the risk of financial mismanagement, as employees would not adhere to established financial controls and reporting standards. Strengthening staff supervision would enhance accountability and adherence to financial best practices.

Stock monitoring was inadequate, with many respondents stating that independent stock checks were not conducted regularly. Poor stock monitoring resulted into inventory mismanagement, caused financial losses due to theft or shortages, and inaccuracies in financial statements. Without proper stock reconciliation, AUL risks financial discrepancies that would affect profitability and operational efficiency. Strengthening stock monitoring processes would improve financial accuracy and reduce the risk of inventory-related losses.

Although internal audits had some influence on management decisions, there was still a significant gap in how management integrated audit findings into strategic planning. Many respondents indicated that internal audits did not significantly shape decision-making, suggesting that audit insights were not fully utilized to guide financial and operational

improvements. This continuous lack of integration limited the effectiveness of audits as a sight opening tool for financial oversight and risk management.

Despite these weaknesses, stock, cash, and order reconciliations appeared to be conducted more consistently. A slight majority of respondents agreed that reconciliations were performed regularly, although there was still a significant proportion that believed otherwise. Strengthening reconciliation processes would enhance financial accuracy, prevent discrepancies, and reduce the likelihood of fraud. Ensuring that reconciliation procedures were consistently followed would improve financial reporting and overall financial performance at AUL.

Furthermore, the findings showed the correlation coefficient (R) between the internal control monitoring and financial performance is 0.272, suggested a weak positive relationship. The standardized beta coefficient (0.272) revealed the relative contribution of internal control monitoring, further confirming its weak impact on financial performance. The t-statistic (2.174, $p = 0.034$) suggests that internal control monitoring is a statistically significant predictors of financial performance.

5.2 Conclusion

Based on the study findings, the researcher made the following conclusions.

5.2.1 The effect of internal control environment on financial performance at AUL

The study concludes that AUL's internal control environment had both strengths and weaknesses that significantly influenced its financial performance. A well-structured accounting and financial management system provided a foundation for accurate financial reporting and decision-making, while management's commitment to financial policies enhanced accountability. However, oversight in monitoring internal control systems required improvement to prevent inefficiencies and financial mismanagement. Strengthening management vigilance would ensure that financial controls remained effective and adaptable to operational demands.

Operational challenges had negatively affected AUL's financial stability, as evidenced by the suspension of its maize grain supply contract with the World Food Programme and the closure of the Kyazanga shop outlet. The company had attempted to address outstanding debts through

legal and strategic means, including targeted debt collection efforts. Additionally, measures such as fleet monitoring and debtor list revisions indicated progress in enhancing financial controls. However, gaps in asset management, particularly the incomplete Fixed Assets Register, highlighted weaknesses in financial tracking. Establishing a comprehensive asset management framework was essential for ensuring compliance with international accounting standards and improving financial oversight.

AUL had instituted corrective measures to address financial discrepancies, with many employees acknowledging improvements. Nonetheless, there remained a significant room for enhancing operational efficiency, particularly in factory supervision and inventory management. The financial manual mandated surprise cash counts and spot checks, which reinforced compliance with authorization procedures. However, concerns about the independence of the audit committee and board of directors persist, raising doubts about the objectivity of financial oversight and risk management. Strengthening the independence of internal audits would enhance transparency and financial accountability.

Ethical leadership was paramount in maintaining internal control integrity, and while most respondents agreed that AUL management upheld ethical values, scepticism remained among a notable portion of employees. Instances of fraud, such as unauthorized fuel orders, highlighted weaknesses in financial oversight and the enforcement of standard operating procedures. These fraudulent activities emphasized the urgent need for stricter financial controls and more rigorous enforcement of company policies. Ensuring that ethical leadership was consistently upheld across all levels of management would strengthen trust and financial governance.

Strategic planning efforts demonstrate AUL's proactive approach to addressing financial challenges, with initiatives such as workforce optimization, procurement timing, and debt collection strategies aimed at sustaining financial stability. The company's investment in quality assurance equipment further reflected its commitment to maintaining compliance standards. However, inconsistent leadership support for internal controls remained a challenge, with nearly a third of respondents perceiving selective enforcement of policies. This inconsistency could weaken the effectiveness of internal control mechanisms, hence limiting their ability to safeguard financial resources.

Corporate governance challenges, particularly the influence of family dynamics in decision-making, had slowed operational processes and weakened adherence to internal controls. While human resource policies were generally well-implemented, interference in authority and decision-making remained a concern. Strengthening corporate governance structures would enhance policy enforcement and reduce conflicts of interest. Furthermore, inconsistent compliance with ethical and regulatory norms exposed AUL to potential financial risks and inefficiencies, necessitating stronger governance frameworks to uphold financial integrity.

The statistical analysis confirmed that the internal control environment had a moderate positive effect on financial performance, with a correlation coefficient of 0.645. The standardized beta coefficient further indicated a moderate impact, while the t-statistic confirmed the internal control environment as a statistically significant predictor of financial performance. These findings reinforce the importance of strong internal controls in ensuring financial sustainability. Addressing the identified weaknesses such as improving audit independence, enhancing oversight, reducing fraud risks, and strengthening governance would significantly enhance AUL's financial performance and long-term viability.

5.2.2 The effect of internal control activities on financial performance at AUL

The study concluded that the company has established a structured framework for defining staff roles and responsibilities, which enhances operational clarity and minimizes risks related to fraud, errors, and financial mismanagement. The existence of an Operational Manual ensured a standardized approval process for transactions, contributing to accountability and quality assurance. Additionally, robust access control measures such as biometric technology, CCTV surveillance, and security audits played a crucial role in safeguarding financial resources and key assets. However, some employees perceive weaknesses in financial resource security, indicating that further enhancements were wanting and necessary.

Despite having clear approval and authorization procedures, inconsistencies in the adherence to standard operating procedures (SOPs) posed challenges. Weaknesses in debt collection, financial updates, and client creditworthiness assessments had led to gaps in financial reporting and control. The introduction of a policy requiring a 50% down payment before transactions and the engagement of court brokers for debt recovery reflected efforts to address these challenges. However, issues such as collusion between suppliers and staff, inflated procurement rates, and overpayments to suppliers continued to expose the company to financial

inefficiencies. Additionally, accounts receivable reconciliation inconsistencies further highlighted the need for strengthened financial oversight.

While internal control activities had contributed to cost management, employee responses suggested mixed perceptions of their overall effectiveness. Some viewed internal controls as increasing operational costs rather than reducing them, suggesting that inefficiencies in implementation would offset the intended benefits. The system of segregation of duties remained effective in preventing unauthorized transactions, and a dedicated quality control department ensured adherence to standards in raw material procurement and production. However, inconsistent documentation of transactions continued to hinder financial transparency and efficiency.

The impact of internal control activities on revenue generation remained a contested issue, with employees expressing divergent views. While some believe that internal controls had strengthened revenue growth, others argued that rigid procedures limit operational flexibility and slow decision-making. Additionally, financial constraints, including reduced working capital, had affected key aspects such as raw material procurement, supplier payments, and contract servicing. Delayed salary payments had led to high staff turnover and reduced productivity, further illustrating inefficiencies in financial management.

Statistical analysis confirmed that internal control activities had a moderate but significant impact on financial performance. The correlation coefficient ($R = 0.623$) and standardized beta coefficient (0.623) highlighted the role of internal controls in shaping financial outcomes, while the t-statistic (6.113, $p = 0.000$) established their statistical significance. Overall, while internal control activities at AUL contributed to financial stability, their effectiveness was limited by procedural inconsistencies, weak financial oversight, and operational inefficiencies. Addressing these gaps was critical in improving AUL's financial sustainability and long-term success.

5.2.3 The effect of internal control monitoring on financial performance at AUL

The study concluded that absence of a dedicated internal audit function exposed AUL to financial misreporting, fraud, and inefficient resource utilization. Without structured internal audits, financial irregularities remained undetected and increased operational risks. Furthermore, management's slow response to audit recommendations undermined financial

oversight, limiting the organization's ability to address discrepancies and improve its financial health.

External audit processes at AUL were ineffective due to delays scheduling and inadequate funding. These inefficiencies hindered compliance with financial regulations, reduced transparency and accuracy in financial reporting. The inability to complete timely audits weakened the company's ability to detect and correct financial misstatements, potentially leading to regulatory penalties and loss of stakeholder and public trust.

The findings also highlighted the negative impact of weak internal control monitoring on operational efficiency. AUL struggles to achieve its key performance indicators, suggesting a lack of robust oversight in tracking financial and operational metrics claimed on a weak sole proprietorship control structure. Infrequent staff supervision further exacerbated inefficiencies, increased the risk of errors, non-compliance, and financial mismanagement. Strengthened monitoring mechanisms would enhance accountability and operational effectiveness.

Stock monitoring and reconciliation processes exhibited critical gaps, with many respondents indicated that inadequate independence in stock checks amounted to laxity in oversight. Poor inventory management increased the risk of theft, shortages, and financial losses. While reconciliations for stock, cash, and orders were conducted more regularly, inconsistencies remained, reducing financial accuracy and increased the likelihood of fraud. Strengthening reconciliation processes was necessary for improving financial oversight and control.

Despite these challenges, internal audits had some influence on management decisions. However, the limited integration of audit findings into strategic planning reduced their effectiveness as tools for financial oversight and risk management enhanced my managerial structures and ownership control. Enhancing the role of audits in decision-making could improve financial discipline and operational efficiency.

Statistical analysis confirmed that internal control monitoring had a weak but significant positive relationship with financial performance. The correlation coefficient ($R = 0.272$) and standardized beta coefficient (0.272) indicated a limited contribution, suggesting that while internal control monitoring influences financial performance, its effectiveness was constrained by systemic weaknesses.

5.3 Recommendations

Based on the study findings and conclusions, the researcher made the following recommendations.

Establish a Functional and Independent Internal Audit Unit: AUL should create a dedicated internal audit function with autonomy from management to ensure unbiased financial oversight, timely audits, and accountability as a custodian of internal control pillars to bring efficiency and support management service. This will safeguard organizational assets for improved profit margins.

Improve Corporate Governance Structures: Agribusiness firms should separate family ownership from management roles and establish clear governance frameworks to enhance professionalism and accountability. This tightening of their oversight will curb inefficiencies and mismanagement for better cash flow management.

Increase Leadership Commitment to Internal Controls: The board and senior management must lead by example and enforce internal control policies consistently across all departments. This will curtail operational gaps, cause proper regulation like a debt management policy and break all the syndicate in fuel fraud through routine monitoring.

Implement Stricter Fraud Prevention Measures: AUL and other agribusinesses should adopt automated approval systems, conduct forensic audits, and enforce strict penalties to deter fraud and misuse of resources. This will curb conflict of interest, rent-seeking and create proper code of ethics in agribusiness for high liquidity and profitability margins.

Improve Asset Management: Finalize and maintain a comprehensive Fixed Assets Register to track and manage company property efficiently. This together with adequate stock monitoring and reconciliation through independent checks, electronic management systems, and inventory management policies will reduce wastage, loss, enhance net profit and mitigate solvency and liquidity risks.

Optimize receivable reconciliations and set clear debt recovery strategies: Improve collection processes through legal avenues, agency engagement, and credit risk assessments. Or recruit professional staff as a credit manager, change management perception and commitment to efficiency, transaction precision, deploy electronic systems to follow up recoveries promptly,

document revenue to gear a transparent and accountable system to create supportive solvency ratios.

Strengthen Internal Control Oversight and management: The board should enhance oversight by forming a monitoring team responsible for routine evaluations and enforcing accountability mechanisms across the organization. By creating a positive will, ensuring adequate budgeting, staffing and training custodians of finances other than management solely relying on audit requirements will deter financial losses and build more shareholders' confidence and trust in their agents.

Strengthen Operational efficiency through Supervision and Compliance: Introduce spot checks, surprise audits, and compliance reviews to improve accountability in operations and inventory by executing of external audits in time, well funded and complying with laws and policies. Having clear goals, targets, and results as a road map with well communicated standard operating procedure and clear performance indicators will create reliable financial reports for financial resilience and leveraged growth of agribusiness.

Enhance strategic staff performance and Accountability: Conduct frequent staff evaluations to ensure adherence to internal control procedures and minimize inefficiencies. Offer competitive salary, disbursed in time; motivate staff based on performance and clear contracts. Re-engineering staff by clearly defining the structure, roles and responsibilities, segregating tasks, modeling clear reporting lines and strategic planning will build a more accountable, and improve the image of the agro-processing unit for better results.

5.4 Suggestions for Further Research

1. The study found gaps in the level of oversight in monitoring internal controls, with nearly a third of respondents indicating that management's vigilance could be improved. The study suggests that research should be done on the strategies to enhance management vigilance in monitoring internal controls to reduce inefficiencies and financial mismanagement.
2. Ethical leadership was recognized as crucial for maintaining internal controls but concerns about transparency and fairness in decision-making persisted. The study suggests research on how stronger ethical leadership and greater transparency can improve compliance and financial sustainability.

3. The study found issues with inflated procurement rates due to collusion among suppliers and AUL staff, leading to financial losses. The study suggests research to assess how stricter procurement oversight and cost control measures could reduce such losses.
4. Respondents expressed mixed opinions on whether internal controls enhanced revenue or slowed decision-making due to rigid procedures. Therefore, exploring ways to refine internal controls to balance risk mitigation with operational flexibility, ultimately increasing revenue, is an important area for further research.
5. A major weakness identified was the lack of a functional internal audit unit, which contributed to financial mismanagement and inefficiencies. The study recommends research to evaluate how establishing a fully functional internal audit unit could improve financial oversight and reduce fraud.
6. The study revealed that management was often slow to act on audit recommendations, weakening financial oversight and exposing the organization to financial mismanagement. The study suggests the need for further investigation into the impact of timely implementation of audit findings on financial stability and efficiency.

REFERENCES

- Adaan, C, (2019), Internal control systems and performance of municipal urban councils in Northern Uganda: A case study of Kitgum Municipal Urban Council. Kampala: Kampala International University.
- Adegboyegun, A. E., Ben-Caleb, E., Ademola, A. O., Oladutire, E. O., & Sodeinde, G.M, (2020), Internal control systems and operating performance: Evidence from small and medium enterprises (SMEs) in Ondo state. *Asian Economic and Financial Review*, 10(4), 469–479.
- Akinleye, G. T., & Kolawole, A. D, (2020), Internal Controls and Performance of Selected Tertiary Institutions in Ekiti State: A Committee of Sponsoring Organisations (COSO) Framework Approach. 11(1), 405–416.
- Al Farooque O., Buachoom W. & Sun L, (2019), Board, audit committee, ownership and financial performance emerging trends from Thailand. *Pacific Accounting Review*. 2019; 32(1): 54–81.
- Alabdullah, T. T. Y., Ahmed, E. R., & Nor, M. I, (2019), Do board characteristics provide more enhancement for firm financial performance? A corporate governance perspective. *New challenges in corporate governance: Theory and practice* (pp. 89-91).
- Alabdullah, T. T. Y., Al-Fakhri, I., Ahmed, E. R., & Kanaan-Jebna, A, (2021), Corporate Governance System and Firm Financial Performance. *Acta Scientific Computer Sciences*, 4 (6), 97-103.
- Alabdullah, T.T.Y, (2018), The relationship between ownership structure and firm financial performance: Evidence from Jordan. *Benchmarking: An International Journal*, 25(1), 319-333
- Alawaqleh, Q. A, (2021), The Effect of Internal Control on Employee Performance of Small and Medium-Sized Enterprises in Jordan: The Role of Accounting Information System. 8(3), 855–863. <https://doi.org/10.13106/jafeb.2021.vol8.no3.0855>
- Alcazar, R, (2020), Management Accounting Systems for Small Business's Competitive Advantage. Walden University.

- Alex, I., & Kazaara, A. G. (2023), Internal Controls and Financial Performance of SACCOS in Wakiso District. 7(3), 47-56
- Alfartoosi, A., & Jusoh, M. A, (2021), A conceptual model of e-accounting: Mediating effect of internal control system on the relationship between e-accounting and the performance in the small and medium enterprises. *International Journal of Economics and Management Systems*, 6, 228–252.
- Alhassan I. & Mamuda A. U, (2020), Ownership structure and financial performance of quoted financial firms in Nigeria. *International journal of accounting research*. 2020; 5(4): 116–124.
- Al-Najja, D, (2015), Institutional ownership and firm performance: Evidence from Jordan Listed Firms. *International Journal of Economics and Finance*, 7(12), 97-105.
- Al-Zwyalif, I. M, (2015), The role of internal control in enhancing corporate governance: Evidence from Jordan. *International Journal of Business and Management*, 10(7), 57–66.
- Amin, M. E, (2005), *Social science research: Conception, methodology and analysis*. Kampala: Makerere University Printery.
- Andrew, J., Vincent Ng & Lovis, T, (2019), A review of Likert Scale Dent Advances.
- Anita Ceric, (2014), *Communication, risk and trust in construction projects: A framework for interdisciplinary research*, Portsmouth.
- Anshari, M., Syafrudin, M., Fitriyani, N. L., & Razzaq, A, (2022), Ethical Responsibility and Sustainability (ERS) Development in a Metaverse Business Model. *Sustainability*, 14(23), 15805.
- Asiligwa, G. R, (2017), The effect of internal controls on the financial performance of commercial banks in Kenya. *Journal of Economics and Finance*, 8(3), 92–105.
- AUC (African Union Commission), (2014), *Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods*. Addis Ababa.

- Badiane, O., and J. Ulimwengu, (2017), “Business Pathways to the Future of Smallholder Farming in the Context of Transforming Value Chains.” In *Africa Agriculture Status Report: The Business of Smallholder Agriculture in Sub-Saharan Africa* (Issue 5), 24–44. Nairobi, Kenya: Alliance for a Green Revolution in Africa (AGRA).
- Bamigboye O.A & Akinadewo I.S, (2020), Impact of ownership structure on dividend policy of selected bank in Nigeria. *International Journal of Management Studies and Social Science Research*, 2(5), 151-158.
- Batchimeg, B, (2017), Performance determinants of organizations: The case of Mongolian Companies.
- Berg, B. L., & Lune, H, (2017), *Qualitative research methods for social sciences* (9th ed.). Boston, MA: Pearsons Education Ltd.
- Bernaardita, C, (2022), *Your Modern Business Guide to data Analysis Method & Techniques*.
- Bett, J. C., & Memba, F. S, (2017), Effects of internal control on financial performance of processing firms in Kenya: A case of Menengai Company. *International Journal of Recent Research in Commerce Economics and Management*, 4(1), 105–115.
- Bhaskar, L. S., Schroeder, J. H., & Shepardson, M. L, (2019), Integration of internal control and financial statement audits: Are two audits better than one. *Accounting Review*, 94(2), 53–81.
- Bhutta, N., & Hizmo, A, (2021), Do minorities pay more for mortgages? The Review of Financial studies, 34 (2), 763-789.
- Bruwer, J. P., Coetzee, P., & Meiring, J, (2018), Can internal control activities and managerial conduct influence business sustainability? A South African SMME perspective. *Journal of Small Business and Enterprise Development*, 25(5), 710–729.
- Bugembe, N, (2018), Internal control systems and financial performance in local government in Uganda. A case of Kyankwanzi district local government. Kampala: Nkumba University.
- Bukhari, S. A. R, (2020), “A Graduate's Handbook for Writing High-Quality Thesis”. Research.

- Carter N, Bryant-Lukosius D, DiCenso A, Blythe J, Neville AJ, (2014), The use of triangulation in qualitative research. *Oncol Nurs Forum*. 2014 Sep;41(5):545-7.
- Chalmers, K., Hay, D., & Khlif, H, (2019), Internal control in accounting research: A review. *Journal of Accounting Literature*, 42, 80–103.
- Chang, Y. T., Chen, H., Cheng, R. K., & Chi, W, (2019), The impact of internal audit attributes on the effectiveness of internal control over operations and compliance. *Journal of Contemporary Accounting & Economics*, 15(1), 1–19.
- Chen, H., Yang, D., Zhang, X., & Zhou, N, (2020), The moderating role of internal control in tax avoidance: Evidence from a COSO-based Internal Control Index in China. *The Journal of the American Taxation Association*, 42(1), 23–55.
- Cheung et al. (2015), Identification and analyses of hidden transaction costs in project dispute resolutions, *International Journal of Project Management*, Australia.
- Chiu, T., & Wang, T, (2019), The COSO framework in emerging technology environments: An effective in-class exercise on internal control. *Journal of Emerging Technologies in Accounting Teaching Notes*, 16(2), 1–10.
- Christiansen, L, (2020), “Africa Imports Billions in Food a Year. It Could Be Creating Local Jobs Instead.” *World Bank Blogs*, November 9.
- Committee of Sponsoring Organization of the Treadway Commission, (2013), The updated COSO internal control framework. New York: AICPA.
- Creswell, J. W., & Clark, V. L. (2018), *Designing and Conducting Mixed Methods Research*. (3rd Ed). SAGE.
- Creswell, J.W, (2013), *Qualitative Inquiry & Research Design: Choosing among Five Approaches* (3rd ed.). Thousand Oaks, CA: SAGE.
- Crosman, P, (2018), Could blockchain tech help prevent bank fraud? *American Banker*, 183(55).
- D’Aquila, J, (2013), COSO’s internal control integrated framework. *CPA Journal*, 83(10), 22–29.

- Damilola F.F., Wisdom O., Adegbola O.O & John N.O, (2020), Impact of Institutional Investor ownership on the financial performance of deposit money banks in Nigeria. *Journal of Research World Economy* 11(6), 177-184.
- David W. Walker, (2018), Agency theory perspective on public-private partnerships, *International Journal of Productivity and Performance Management*, Vol. 67 pp 239-259, Emerald Publishing Ltd, U.K.
- David. W. Parker, (2016), Agency Theory Perspective on Public Private Partnerships, *International Journal of Productivity and Performance Management*, Emerald Publishing Co. Ltd.
- Davis, J. H., Schoorman, F. D., & Donaldson, L, (1997), Toward a Stewardship Theory of Management. *The Academy of Management Review*, 22(1), 20–47.
- Demmler, K.M., & M. Qaim, (2020), “Africa’s Changing Food Environments and Nutritional Effects on Adults and Children.” In *Hidden Hunger and the Transformation of Food Systems: How to Combat the Double Burden of Malnutrition?* *World Review of Nutrition and Dietetics*, ed. H.K. Biesalski, vo. 12, 31–41.
- Dogan, M, (2020), Institutional ownership and firm value: A study on the Best manufacturing index. *Ekonomika*, 99(2), 59–75.
- Domnişoru, S, Ogarcă, R & Dragomir, I, (2017), ‘Organizational culture and internal control’, *Audit Financiar*, Vol. 15, No. 148, pp. 628-643.
- Dowdell, T. D., Klamm, B. K., & Andersen, M. L., (2020), Internal controls and financial statement analysis. *Journal of Theoretical Accounting Research*, 15(2), 34–37.
- Economic Policy Research Centre, (2018), *Fostering a sustainable agro-industrialization agenda in Uganda*. Kampala.
- Edmans, A., & Holderness, C. G, (2017), Block holders: A Survey of theory and evidence. European Corporate Governance Institute (ECGI) e Finance. Working Paper 475/2016.
- El Beshlawy, H., & Ardroumli, S, (2021), Ownership control intensity, corporate financial performance and revenue growth since the Global Financial crisis [Special issue]. *Corporate Ownership & Control*, 10(3), 275–295.

- Endri, E., Sari, A.K., Budiasih, Y., Yuliantini, T., & Kasmir, K., (2020), Determinants of profit growth in food and beverage companies in Indonesia. *Journal of Asian Finance, Economics and Business*, 7(12), 739-748.
- Eniola, OJ & Akinselure, O, P, (2016), 'Effect of Internal Control on Financial Performance of Firms in Nigeria (A Study of Selected Manufacturing Firms)', *IOSR Journal of Business and Management*, Vol. 18, No. 10, pp. 80-85.
- Etengu, R & Amony, M, (2016), 'Internal control system and financial performance in nongovernmental organizations in Uganda: A case study of international union for conservation of nature', *International Journal of Contemporary Applied Sciences*, Vol. 3, No. 2, pp. 328 -347.
- Falade, A. O. O., Nejo, F. M., & Gbemigun, C., (2021), Managerial ownership and firm value of selected Nigeria listed manufacturing companies: Does dividend payment policy mediate? *Noble International Journal of Economics and Financial Research*, 6(4), 78-90.
- Fitri, Lamhot Leonard, & Dwi Asih Surjandari, (2022), The Influence of Good Corporate Governance, Corporate Social Responsibility, and Diversity on Board of Directors on Firm Value (Empirical Study on Property and Real Estate Companies Listed on the Indonesia Stock Exchange from 2017 to 2020). *Saudi Journal of Business and Management Studies* 7: 229–37.
- Frazer, L, (2020), Does internal control improve the attestation function and by extension assurance services? A practical approach. *Journal of Accounting and Finance*, 20(1).
- Gal, G., & Akisik, O, (2020), The impact of internal control, external assurance, and integrated reports on market value. *Corporate Social Responsibility and Environmental Management*, 27(3), 1227–1240.
- Galego A., Mira N., & Silva J. V, (2019), Ownership, productivity, and firms' life cycle. *European Journal of Family Business*. 2019; 8(2): 139–150.
- GamageLow, C. T., & Keving, L. T., (2018), Impact of internal control components and effectiveness of internal control system with the moderating effect of corporate

- governance of peoples' bank in Sri Lanka. *International Journal of Accounting and Taxation*, 6(2), 64–71.
- Gao, P., & Zhang, G., (2019), Accounting manipulation, peer pressure, and internal control. *Accounting Review*, 94(1), 127–151.
- Goundan, A., and G. Tadesse, (2021), “Intra-African Agricultural Trade.” In *Africa Agriculture Trade Monitor* (2021), eds. A. Bouët, G. Tadesse, and C. Zaki, 51–83. Kigali: AKADEMIYA2063; Washington, DC: IFPRI.
- Goundan, A., L.M. Sall, J. Collins, & J.W. Glauber, (2022), “Intra-African Agricultural Trade.” In *Africa Agricultural Trade Monitor 2022*, eds. A. Bouët, S.P. Odjo, and C. Zaki, 45–86. Kigali: Akademiya2063; Washington, DC: IFPRI.
- Haddad, A., El Ammari, A., & Bouri, A., (2020), Impacts of ownership structure on the financial performance of conventional and Islamic banks in the agency theory context. *Corporate Ownership & Control*, 17(3), 46-70.
- Halvorson, K., (2017), “Food Processing as the Missing Link in Africa’s Value Chains.” *Business Fights Poverty*. October 13, 2017. Accessed December 19, 2021.
- Hamdan, K. H., (2019), Applying COSO internal control framework to disaster management: Evaluation according to hyogo framework for action (HFA) in Iraq. *Muthanna Journal of Administrative and Economic Sciences*, 9(2), 125–152.
- Hazzaa, O. T., Abdullah, D. F., & Dhahebi, A. M., (2022), Review on the role of corporate governance and internal control system on firms’ financial performance. *Asian Journal of Accounting Perspectives*, 15(1), 1–28.
- Heywood, C., & Kenley, R., (2017), A model of clients and users: A corporate real estate view. In K. Haugbolle & D. Boyd (Eds.), *Clients and Users in Construction: Agency, Governance and Innovation*. Abingdon, UK: Routledge
- Hoai, T. T., Hung, B. Q., & Nguyen, N. P., (2022), The impact of internal control systems on the intensity of innovation and organizational performance of public sector organizations in Vietnam: The moderating role of transformational leadership. *Heliyon*, 8(2), e08954.

- Hollinger, F., & J. Staatz. (2015). *Agricultural Growth in West Africa: Market and Policy Drivers*. Rome: FAO, African Development Bank, and ECOWAS.
- Ibrahim, S, Diibuzie, G & Abubakari, M, (2017), *The Impact of Internal Control Systems on Financial Performance: The Case of Health Institutions in Upper West Region of Ghana*, *International Journal of Academic Research in Business and Social Sciences*, Vol. 7, No. 4, pp. 684-696
- Ikart, E. M, (2019), *Survey questionnaire survey pretesting method: An evaluation of survey questionnaire via expert reviews technique*. *Asian Journal of Social Science Studies*, 4(2), 1.
- Jacob, E. O., & Philip, A. O, (2016), *Effect of internal control on the financial performance of firms in Nigeria (A study of selected manufacturing firms)*. *IOSR Journal of Business and Management*, 18(10), 80–85.
- Jensen, M. C., & Meckling, W. H, (1976), *Theory of the firm: Managerial Behavior, agency costs, and ownership structure*. *Journal of Financial Economics*, 3, 305-60.
- Joel A.O., Oluwaseun A.M., & Grace O.A., (2020), *The effect of ownership structure on the financial performance of quoted food and beverage firms in Nigeria*. *KIU Journal of Social Science* 2(3), 263-273.
- Johnson, Walter, (2019), ‘Stewards Theory of Corporate Governance’. *Bizfluent*, 11 February. 2019.
- Johnston, J. H., & Zhang, J. H, (2018), *Information technology investment and the timeliness of financial reports*. *Journal of Emerging Technologies in Accounting*, 15(1), 77–101.
- Joseph I.O, (2018), *Effect of ownership structure on return on asset of deposit money banks*. *Journal of American Finance and Banking*, 2(2), 20-33.
- Kakooza, P., (2016), *Internal controls and public financial management performance in second Northern Uganda Social Action Fund*. Kampala: Uganda Management Institute.
- Kalemeera, J. M, (2018), *Internal controls and financial performance of public higher institutions of learning in Uganda. A case of Uganda Management Institute*. Kampala: Uganda Management Institute.

- Kao, M., Hodgkinson, L., & Jaafar, A., (2019), Ownership structure, board of directors and firm performance: Evidence from Taiwan, *Corporate Governance*, 19(1),189-216.
- Keay, A., (2017), Stewardship Theory: Is board accountability necessary? *International Journal of Law and Management*.
- Khakhonova. N, (2021), Internal control as an effective tool of the small business management system: *The Scientific Heritage*60(3):41-42.
- Khan, I., & Zahid, S.N, (2020), The impact of shariah and corporate governance on Islamic banks performance: Evidence from Asia. *International Journal of Islamic and Middle Eastern Finance and Management*, 13(3),483-501
- Khoruzhy, L.I, (2013), *Management accounting in agriculture: textbook for students of higher agricultural education*. Moscow: INFRA-M.
- King, A. J, (2021), *An Existential Phenomenological Study of Firms Survival in Economically Depressed Areas: A Dynamic Capabilities Perspective*. Columbia International University.
- Kinyua, J. K., Gakure, K., Gekara, R., &Orwa, M, (2015), Effect of internal control environment on the financial performance of companies quoted in the Nairobi securities exchange. *International Journal of Innovative Finance and Economics Research*, 3(4), 29–48.
- KirimiPN,Kariuki, SN&Ochoro KN, (2022), Ownership Structure and Financial performance: Evidence from Kenya Commercial banks.*PLOS ONE* 17(5):e0268301
- Knobloch, C, (2020), *Die Arbeitsbeziehungen in Einzel- und Filialapotheken – Empirische Untersuchungen vor dem Hintergrund der Agenturtheorie und der Behavioral Agency Theory*. Wiesbaden, Germany: Springer Fachmedien.
- Kopp, Carol, (2019), ‘‘Understanding Agency Theory’’. *Investopedia*, Investopedia, 18 April 2019.
- Krejcie,R.V., & Morgan,D.W, (1970), Determining sample size for research activities. *Educational and Psychological Measurement*, 30(3), 607–610.

- Kumar, J, (2021), Importance and Legal Framework of Corporate Governance. Issue 1 Int'l JL Mgmt. & Human., 4, 1305.
- Kuo, K., Lu,W., & Dinh,T, (2020), Firm performance and ownership structure: dynamic network data envelopment analysis approach. Managerial and Decision Economics, 41(4),608-623.
- Lauren, T, (2020), Simple Random Sampling, definition, steps, and examples.
- Lawson, B. P., Muriel, L., & Sanders, P. R, (2017), A survey on firms' implementation of COSO's 2013 internal control–integrated framework. Research in Accounting Regulation, 29(1), 30–43.
- Le, N. T., Vu, L. T., & Nguyen, T. V, (2020), The use of internal control systems and codes of conduct as anti-corruption practices: Evidence from Vietnamese firms. Baltic Journal of Management, 16(2), 173–189.
- Li, Y., Li, X., Xiang, E., & Djajadikerta, H. G., (2020), Financial distress, internal control, and earnings management: Evidence from China. Journal of Contemporary Accounting & Economics, 16(3), 100210.
- Lin, Y.R., & Fu, X., (2017), Does Institutional ownership influence firm performance? Evidence from China. International Review of Economics and Finance, 49(1),17-57.
- Liu,T., Zhang, Y., & Liang, D, (2019), Can Ownership Structure Improve environmental performance in Chinese Manufacturing firms? The moderating effect of financial performance. Journal of cleaner production, 225(1), 58-71.
- Lou, Kuo-Ren, Yang-Kai Lu, & Cheng-Yi Shiu, (2020), Monitoring role of institutional investors and acquisition performance: Evidence from East Asian markets. Pacific-Basin Finance Journal 59: 101244.
- Malabo Montpellier Panel, (2021), Connecting the Dots: Policy Innovations for Food Systems Transformation in Africa. Dakar: AKADEMIYA2063.
- Mardnly,Z., Mouselli,S., & Abdulraouf, R., (2018), Corporate governance and firm performance: Empirical evidence from Syria. International Journal of Islamic and Middle East Finance and Management, 11(4),591-607.

- Masa'deh, R., Al-Dmour, R. H., & Obeidat, B. Y, (2015), Strategic IT-business alignment as managers' explorative and exploitative strategies. *European Scientific Journal*, 11(7), 437–457.
- Ministry of Finance, Planning and Economic Development, (2019), Budget speech financial year 2019/20. Delivered at the 4th session of the 10th Parliament of Uganda by Hon. Matia Kasaija. June. Kampala.
- Ministry of Trade, Industry & Co-operatives, (2019), National Industrial Development Policy. Final draft for national validation. August. Kampala.
- Mitnick, (2013), *Origin of the Theory of Agency: An account by one of the theory's originators*, University of Pittsburgh.
- Mpora, E. B., Frank, H. & Enock, O. N, (2023), "The Internal Control System and the Performance of Financial Institutions in Uganda" *International Journal of Finance and Accounting*, 2(1), pp. 1-8.
- Muhunyo, B, M, (2018), *Effect of Internal Control Systems on Financial Performance of Public Institutions of Higher Learning in Nairobi City, Kenya'*. Dissertation for Master of Business Administration (Finance Option) of Kenyatta University.
- Mukaria, H. K., Mwangi, M. Ochieng, D. E. & Okiro, K, (2020), Ownership structure and firm value. *African Development Finance Journal*, 4(2), 36-49.
- Munu, M., (2019), Financing Uganda's integration in the global value chains; a case of cotton and textile industry, in EPRC. 2019. *Agricultural Finance Yearbook 2019*. Kampala: Economic Policy Research Centre.
- Muthusi, D, M., (2017), *Internal Controls and Financial Performance of Commercial Banks in Kenya*.
- Nanzala, L. I., & Ingabo, O. W, (2021), The effect of internal control on financial performance. *International Journal of Finance and Accounting*, 2(2), 9–12.
- National Planning Authority, (2019), *Strengthening Agro-industrialization for increased household incomes, food security, and improved quality of life. NDPIII strategic direction for the agricultural sector*. PPT presentation. May 22. Kampala.

- Ngari, G, M, (2017), The effect of internal controls on the financial performance of microfinance institutions in Kenya, *International Academic Journal of Economics and Finance*, Vol. 2, No. 3, pp. 112-140.
- Nguyen,T.N.L., & Nguyen,V.C, (2020), The determinants of profitability in listed enterprises: A case study from Vietnamese Stock Exchange. *Journal of Asian Finance, Economics and Business*, 7 (1), 47-58.
- Njiru, DK & Bunyasi, G, (2016), Effect of Internal Controls on Financial Performance of Water Companies in Kenya (A Case of Water Companies in Tana Water Services Board), *American Journal of Finance*, Vol. 1, No. 1, pp. 11 - 28.
- Nowell, L. S. Norris¹, J. M., White D. E., & Moules, N. J, (2017), Thematic analysis: Striving to meet the trustworthiness criteria. *International Journal of Qualitative Methods*, 16, 1–13.
- Nyakundi, D. O., Nyamita, M. O. & Tinega, T. M, (2014), Effect of internal control systems on the financial performance of small and medium scale business enterprises in Kisumu City, Kenya. *International Journal of Social Sciences and Entrepreneurship*, 1 (11), 719-734.
- Ochoa, C, (2017), Random sampling: cluster sampling. <https://www.netquest.com/blog/en/cluster-sampling>.
- Odek, R., & Okoth, E, (2019), Effect of internal control systems on the financial performance of distribution companies in Kenya. *Research Journal of Finance and Accounting*, 10(20), 11–32.
- Odunko, S. N, (2022), Internal control and firm performance from selected firms in Nigeria (2015- 2020). *International Journal of Innovative Finance and Economics Research*, 10(1), 68–80.
- Omar, F. S., &Yussuf, S, (2021), Effect of control environment on the financial performance of higher learning public institutions in Zanzibar. *International Journal of Scientific and Technical Research Engineering*, 6(3), 18–25.

- Otoo, F.N.K., Kaur, M. and Rather, N.A., (2023), "Evaluating the impact of internal control systems on organizational effectiveness", *LBS Journal of Management & Research*, Vol. 21 No. 1, pp. 135-154.
- Oyedokun, G. E., Isah, S., & Awotomilusi, N. S, (2020), Ownership structure and firm value of quoted consumers' goods firms in Nigeria. *Journal of Accounting and Strategic Finance*, 3(2), 214-228.
- Palm, R., &Sieczko, M, (2021), Transitioning Towards the Regenerative Business Phase: An exploratory study of SMEs from the perspective of sustainability Consultants.
- Peterson, A. N, (2018), Differences in internal control weaknesses among varying municipal election policies. *Journal of Accounting and Public Policy*, 37(3), 191–206.
- Poth, C., &Munce, S. E. P, (2020), Commentary Preparing today's researchers for a yet unknown tomorrow: Promising practices for a synergistic and sustainable mentoring approach to mixed methods research learning. *International Journal of Multiple Research Approaches*, 12(1), 56-64.
- Quasim, A. A, (2021), The effect of internal control on employee performance of small and medium-sized enterprises in Jordan: The role of accounting information system. *Journal of Asian Finance, Economics and Business*, 8(3), 855–863.
- Rashid, Md Mamunur,(2020), Ownership structure and firm performance: The mediating role of board characteristics. *Corporate Governance: The International Journal of Business in Society* 20: 719–37
- Rehman, A, (2021), Can Sustainable Corporate Governance Enhance Internal Audit Function? Evidence from Omani Public Listed Companies. *Journal of Risk and Financial Management*, 14(11), 537.
- Roach, C.M.L, (2016), An Application of Principal Agent Theory to Contractual Hiring Arrangements within Public Sector Organizations. *Theoretical Economics Letters*, 6, 28-33.
- Robinson, T., Henry, E., Pirie, W., Broihahn, M, (2015), *International Financial Statement Analysis*. 3rd ed. New Jersey: John Wiley & Sons, Inc.

- Ronet, C., Micheal, T., Kazaara, A. G., Nelson, K., & Ismail, L. (2023), Assessing of the Impact of Stock Controls on Management of Costs in Organizations; a Case Study of Mukwano Group of Companies. 7(2), 160–178.
- Saha, P. K., Akhter, S., & Hassan, A, (2021), Framing corporate social responsibility to achieve sustainability in urban industrialization: a case of Bangladesh ready-made garments (RMG). Sustainability, 13(13), 6988.
- Sakawa, Hideaki, and Naoki Watanabel, (2020), Institutional ownership and firm performance under stakeholder-oriented corporate governance. Sustainability 12: 1021.
- Seleshi, L, (2021), “What’s Behind Africa’s Skyrocketing Imports Yet Increased Production Growth?” The Africa Report, September 2.
- Stake. R. E, (2011), Quantitative Research: Studying how things Work. New York, NY: Guilford Press.
- Suleiman M.H., & Nasamu. G, (2021), Effect ownership structure on the financial performance of listed oil and gas companies in Nigeria. Journal of International Money, Banking and Finance 2(11), 109-134
- Supardi, H., Suratno, & Suyanto, (2016), Pengaruh current ratio, debt to assets ratio, total assets turnover dan inflasi terhadap return on assets. Jurnalilmiah Akuntansi Fakultas Ekonomi, 2(2), 16-27.
- Syed Muhammad Sajjid, (2016), Basic Guidelines for research: An introductory Approach For all Disciplines.
- Tadesse, G., and O. Badiane, (2020), “Policy Responses to Rapidly Transforming Midstream Value Chain Segments in Africa: The Case of the Millet Sector in Senegal.” In 2020 ReSAKSS Annual Trends and Outlook Report: Sustaining Africa’s Agrifood System Transformation: The Role of Public Policies, eds. by D. Resnick, X. Diao, and G. Tadesse, 71–86.
- Tagliaro, C, (2018), A Place for the Workplace to Work. A System of Performance Indicators for Strategic Design, Management and Use of the Workplace (Doctoral dissertation). Politecnico Di Milano, Mailand.

- Tight, M, (2019), *Documentary research in the social sciences*. SAGE Publications Limited.
- Tsouknidis, Dimitris A, (2019), The effect of institutional ownership on firm performance: The case of US-listed shipping companies. *Maritime Policy & Management* 46: 509–28.
- Vitolla, F., Raimo, N., Rubino, M., & Garzoni, A., (2020), The determinants of integrated reporting quality in financial institutions. *Corporate Governance: The International Journal of Business in Society*.
- Vu, Q., & Nga, N. T. T, (2022), Does the implementation of internal controls promote firm profitability? Evidence from private Vietnamese small and medium-sized enterprises (SMEs). *Finance Research Letters*, 45, 102–178.
- Vulley, D., (2022), Factors influencing the effectiveness of internal control systems: A case study of commercial banks in Ghana. *European Journal of Accounting, Auditing and Finance Research*, 10(4), 63–75.
- Waldkirch, M., Nordqvist, M, (2016), Finding benevolence in family firms: The case of stewardship theory. In: Franz Kellermanns, Frank Hoy (ed.), *The Routledge companion to family business* (pp. 401-414). New York: Routledge.
- Wali, S., & Masmoudi, S. M, (2020), Internal control and real earnings management in the French context. *Journal of Financial Reporting and Accounting*, 18(2), 363–387.
- Yeh, Chien Mu, (2019), Ownership structure and firm performance of listed tourism firms. *International Journal of Tourism Research* 21: 165–79.
- Zygmunt, J, (2013), Does Liquidity Impact on Profitability? *Conference of Informatics and Management Sciences*, March, 38-49.

APPENDICES

Appendix 1: KREJCIE AND MORGAN TABLE (1970)

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	269	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

N=Population

S=Sample

**Appendix 2: Questionnaire for Lower and Middle-Level Management at Aponye
Uganda Limited (AUL)**

Dear Participant, I am John Bosco Turyaheebwa a Masters' student of Business Administration and Management at Uganda Martyrs University. I am undertaking research to generate data on *“the relationship between internal control and financial performance of agribusiness a case of AUL”*. Your participation is vital in the completion of this task. Please spare some time and answer these questions by ticking the actual response that represents your view on the respective item tested. The information you provide will be treated with utmost confidentiality. I thank you for your cooperation.

PART ONE: Background Data

Please tick your appropriate response

1. Age group of respondents

- (1) 20-20 (2) 30-39 (3) 40-49 (4) 50 and above

2. Marital status

- (1) Single (2) Married (3) Divorced (4) Widow (5) Widower

3. Highest level of education?

- (1) PLE (2) UCE (3) UACE (4) Diploma
(5) Degree (6) Masters (7) PHD (8) Others

4. Duration worked with AUL

- (1) Less than 1 Year (2) 1-5years (3) 6-10years (4) 10 years &
above

5. Level of Management

- (1) Top management (3) Middle-level management
(4) Lower-level management

PART A: Internal Control

Internal Control Environment refers to the tone of an organization and the way it operates. It concerns the establishment of an environment in which people can conduct their activities and carry out their control responsibilities effectively to achieve organizational objectives.

Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale: “Strongly Disagree (1)”; “Disagree (2)”; “Neutral (3)”; “Agree (4)”; and “Strongly Agree (5)”.

		SD	D	N	A	SA
A	Internal Control Environment	1	2	3	4	5
A1	The organization has an accounting and financial management system					
A2	Management is committed to the adherence of the accounting system					
A3	Management closely monitors implementation of Internal control systems					
A4	Appropriate measures are taken to correct errors in the accounting and financial management system					
A5	Management decisions uphold ethical values					
A6	The organization has an objective, independent and active audit committee					

A7	The board of directors and its committees are independent of Management					
A8	Top Management has a Supporting Attitude towards internal controls					
A9	There is adherence to established norms, values and rules and this has created an ethical environment at AUL					
A10	Management provides constant feedback to lower staff					

Internal control activities refer to the policies and procedures implemented by an organization to ensure that management's directives are carried out in a manner that enhances the achievement of the organization's objectives relating to operations performance, financial reporting, and compliance. Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale: "Strongly Disagree (1)"; "Disagree (2)"; "Neutral (3)"; "Agree (4)"; and "Strongly Agree (5)".

		SD	D	N	A	SA
A1	Internal Control Activities	1	2	3	4	5
A11	Roles of different staff are explicitly documented.					
A12	The cash office, key assets are under key and lock with minimal physical access					
A13	Transactions' approval and authorizations are done by different people					

A14	The company has a standard operations procedure that comply with set company policies and documented plans					
A15	There is a procedure to ensure that all authorized transactions are recorded correctly and accurately					
A16	Cash receipts are properly controlled at AUL					
A17	Accounts receivables reconciliation is often done at AUL					
A18	Control activities has affected the organization's operating costs for the last five years					
A19	Control activities has affected the organization's revenue for the last five years					
A20	All activities and procedures are recorded correctly					

Internal Control Monitoring refers to the process of assessing the quality of the organization's internal control system's performance over time in a struggle to meet the organization's performance objectives. Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale: "Strongly Disagree (1)"; "Disagree (2)"; "Neutral (3)"; "Agree (4)"; and "Strongly Agree (5)".

		SD	D	N	A	SA
A2	Internal Control Monitoring	1	2	3	4	5
A21	The company has a functional internal audit unit/department					
A22	The responses given to audit recommendations are appropriate at AUL					
A23	The internal audit recommendations are acted on by Management in a timely manner.					
A24	External audit is always done and completed on a timely basis					
A25	AUL has efficient operations and key performance indicators are being achieved					
A26	Staff supervision is frequently done at AUL					
A27	Independent checks for stock are regularly done					
A28	There are enough resources to support external audits					
A29	Internal audits are regularly influencing management decisions					
A30	Reconciliations are regularly done on stock, cash and orders					

SECTION B: FINANCIAL PERFORMANCE

Financial performance refers to the ability to operate efficiently, profitably, survive, grow and react to environmental opportunities and threats. In the current study it will be measured using profitability, liquidity and solvency.

Please rate how much you agree/ disagree with each statement below, by ticking in an appropriate box using this scale: “Strongly Disagree (1)”; “Disagree (2)”; “Neutral (3)”; “Agree (4)”; and “Strongly Agree (5)”.

		SD	D	N	A	SA
B	Financial Performance	1	2	3	4	5
	Profitability					
B1	Our gross margin has improved over time					
B2	Our Net profit margin is increasing every year					
B3	Production returns and damages affect our profitability and financial resilience					
B4	The reducing logistical costs are bringing up operational efficiency					
	Liquidity					
B5	The Liquidity ratio is normal					
B6	Product debtors are lowering our working capital					
B7	There is a clear credit policy that guides operations					

	Solvency					
B8	The equity ratio is unsatisfactory					
B9	The improved financial reporting system has increased stakeholder confidence in AUL operations for products and services					
B10	Poor monitoring has increased risks of fraud and thefts in production					

END

Appendices 3: Interview Guide for Top Management and Auditors of Aponye Uganda Limited (AUL)

Sectional A: Personal Information

Date: ____/____/2024 Time of interview:
Start.....End.....Duration:.....Venue:.....Interviewee:...Pseudonym:...Fem
ale/Male...Highest level of Education attained:.....Position

Sectional B: Interview Questions

Part one: Internal Control Atmosphere

- 1). What are your experiences with management philosophy at AUL?
- 2). What is your opinion on the organizational structure of agro-processing business like AUL?
- 3). From your experience, can you explain the nature of human resource policies and procedures visible at AUL?

Part Two: Internal Control Activities

- 4). What are your feelings about transactions authorization and approval for agro-processing business at AUL?
- 5). How would you describe your experiences with segregation of duties at AUL?
- 6). Describe the process and nature of physical controls in agro-processing business like AUL?

Part Three: Internal Control Monitoring

- 7). What are your feelings about supervision and financial performance of AUL?
- 8). From your experience, do you think, and how do internal audits fit the needs of agro-processing business?
- 9). How do you relate external audit and continuity of AUL?

Part Four: Ownership Structure and Control

10). What are your experiences with management structure/ sole proprietorship control at AUL?

11). What is your opinion on institutional/company ownership structure and control for agro-processing business?

12). In your opinion, how does partnership ownership and control structure influence financial performance of AUL?

Part Five: Financial performance

13). Specifically, what is your view on the financial resilience and profitability of AUL?

14). In your opinion, would you say that there is good liquidity in AUL agro-processing? Explain?

15). What's your experience of solvency at AUL?

Appendices 4: Document Review Checklist

The following documents will be reviewed to examine the effect of internal control on financial performance in agri-businesses industry in Uganda a case of Aponye Uganda Limited (AUL).

- i. Stock management records
- ii. Company Policies and procedures/manuals
- iii. Departmental Manuals and reports
- iv. Quarterly Reports
- v. Minutes of Management Meetings
- vi. Management reports
- vii. Annual financial performance reports from 2020 to 2023
- viii. External/Internal Audit reports 2020 to 2023

END

Appendices 5: AUL produce business line performance for FY 2020-FY 2023

	2020	2021	2022	2023
Revenue	81,308,587,299	40,826,627,935	57,391,145,615	86,337,121,116
Gross Margin	3,252,379,868	3,922,541,356	(422,709,588)	12,555,613,877
Net Profit	1,492,378,977	(1,236,813,865)	(1,264,278,086)	2,805,197,213
Inventory	6,016,277,520	471,125,742	7,168,795,087	5,260,581,443
Debtors	29,692,629,100	22,228,094,838	13,029,560,500	20,524,113,905
Others	-	-	-	-
	35,708,906,620	22,699,220,580	20,198,355,587	25,784,695,348
Creditors	1,548,178,350	215,271,408	734,711,969	2,554,931,082
Others				
	1,548,178,350	215,271,408	734,711,969	2,554,931,082
Debt	27,141,118,844	25,881,272,304	28,882,028,172	24,469,143,695
Equity	55,316,222,628	51,770,289,985	42,297,661,563	45,102,858,776
Returns and damages	64,987,500	33,895,476	42,687,500	175,236,940

Source: AUL produce business line performance for FY 2020-FY 2023

Appendices 6: AUL produce Trading, Profit/Loss Statement as at 30th September 2024
(3rd Quarter)

TURNOVER	BUDGET 2024	ACTUAL 2024	Variances	
	<i>SHS</i>	<i>SHS</i>	<i>SHS</i>	
Sales Produce	53,996,937,501	5,613,171,783	(48,383,765,718)	10.40%
Sales-essentials	46,600,000	41,651,339	(4,948,661)	89.38%
<i>Sales -Rice</i>	260,000,000	641,674,000	381,674,000	246.80%
<i>Sales -PP bags</i>	13,500,000	3,480,000	(10,020,000)	25.78%
	<i>54,317,037,501</i>	<i>6,299,977,122</i>	<i>(48,017,060,379)</i>	
Direct Incomes				
Rental Income	<i>125,206,776</i>	<i>165,884,745</i>	40,677,969	132.49%
TOTAL INCOME	<i>54,442,244,277</i>	<i>6,465,861,867</i>	<i>(47,976,382,410)</i>	
Cost of Sales :				
Opening Stock	<i>4,384,107,076</i>	<i>4,384,107,076</i>	-	
Add: Purchase	<i>42,280,800,001</i>	<i>6,728,085,480</i>	(35,552,714,521)	15.91%
Less: Closing Stock	<i>4,384,107,076</i>	<i>4,293,358,508</i>	(90,748,568)	
	<i>42,280,800,001</i>	<i>6,818,834,048</i>	<i>(35,461,965,953)</i>	
Direct costs				
Manufacturing costs	<i>1,619,585,680</i>	<i>409,116,079</i>	(1,210,469,601)	25.26%
TOTAL COST	<i>43,900,385,681</i>	<i>7,227,950,127</i>	<i>(36,672,435,554)</i>	
GROSS PROFIT	<i>10,541,858,596</i>	<i>(762,088,260)</i>	<i>(11,303,946,856)</i>	-7.23%
Other operating income	<i>22,545,000</i>	<i>448,027,188</i>	425,482,188	1987.26%
	<i>10,564,403,596</i>	<i>(314,061,072)</i>	<i>(10,878,464,668)</i>	
Indirect Expenses				
Operating Expenses	<i>4,620,473,165</i>	<i>895,268,226</i>	(3,725,204,939)	19.38%
Administration Expenses	<i>1,165,796,000</i>	<i>511,169,713</i>	(654,626,287)	43.85%
Financial Costs	<i>3,624,878,277</i>	<i>2,097,027,945</i>	(1,527,850,332)	57.85%
TOTAL	<i>9,411,147,442</i>	<i>3,503,465,884</i>	<i>(5,907,681,558)</i>	37.23%
PROFIT / LOSS	<i>1,153,256,154</i>	<i>(3,817,526,956)</i>	<i>(4,970,783,110)</i>	-331.02%

Source: Primary data (2024)

**Appendices 7: Financial Analysis for AUL agro-processing unit for the period FY
2020/23**

Index	2020	2021	2022	2023
Profitability				
Gross Margin	4%	10%	-1%	15%
Net Profit Margin	2%	-3%	-2%	3%
Liquidity Ratio				
Current Ratio	23	105	27	10
Solvency Ratio				
D/E Ratio	49%	50%	68%	54%

Source: Primary data (2024)