EFFECT OF INTERNAL CONTROLS ON ORGANIZATIONAL PERFORMANCE IN MANUFACTURING FIRMS IN UGANDA

CASE STUDY ROOFINGS UGANDA LIMITED

BY

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DEDICATION

This work is dedicated to my brothers and sisters for their tireless efforts, inspiration and encouragement throughout my life and to all my friends for all their love, moral and financial support.

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I thank the Almighty God for keeping me alive and healthy throughout my study period and for giving me all the required grace to fulfill all study requirements while undertaking this Degree program. In a special way, I would like to extend my sincere gratitude to my supervisor, Edward Segawa for having unconditionally accepted and exercised utmost patience to guide me in all activities that have led to completion of my dissertation. Without your guidance and commitment, this dissertation would not have been realized. May the Almighty reward you abundantly, keep you healthy and strong. I also thank all the lecturers and classmates from Uganda MartyrsUniversity for their useful academic contributions since this study required a multidisciplinary approach.

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ABSTRACT

The research study investigates the effect of internal controls on organizational performance in manufacturing firms in Uganda. The primary purpose of the study is toexamine effect of internal controls on organizational performance in Roofings Uganda Limited. The hypothesis of this study was to find out the whether there is a relationship between internal controls and organizational performance. The case study research design was adopted to assess the effect of internal controls on organizational performance in Roofings Uganda Limited. The population of the study was selected entirely from Roofings Uganda Limited. Questionnaires and interview guides were used as instrumentsof primary data collection. Purposive sampling technique was used to select the experts, managers and supervisors' as well simple random technique in picking out respondents in various departments, correlation analysis was employed. 48 questionnaires were administered and all 45 useable questionnaires were returned and 3 were unrecoverable giving 93.7% response rate. Tables and figures with the simple percentages were used in background information presentation. The finding of the study reveals that there is a positive and significant relationship between risk assessment and organizational performance, information and communication and organizational performance, and control activities and organizational and organizational performance.

The study recommended that the organization should develop and organize constant seminars and workshops to train and educate employees on mechanisms for mitigation of critical risks, also suggests that both external and internal auditors should updated and grounded in international financial reporting standards and as well audit committee sensitizing employees in various departments about internal controls periodically.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

A good internal control system is premised on the overriding principle of empowerment of the manufacturing sector through ensuring risk assessments, monitoring, and control activities. Internal controls are systematic measures(such as reviews, checks and balances, methods and procedures) instituted by an organization to: conduct its business in an orderly and efficient manner, safeguard its assets and resources. Deter and detect errors and fraud plus theft, ensure accuracy and completeness of its accounting data, produce reliable and timely financial and management information, and lastly to ensure adherence to its policies and plans. This chapter deals with Background of the study , statement of the problem , research objectives, research questions, research hypothesis, scope of the study, justification of the study, significance of the study, definitions of terms and concepts about the effectof internal controls and organizational performance, a case study of RoofingsUganda Limited.

1.1 Background to the study

Internal controls refer to the measures instituted by an organization so as to ensure attainment of the entity's objectives, goals and missions (Brennan & Soloman, 2008). They are systems of policies and procedures that protect the assets of an organization, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations. These systems are not only related to accounting and reporting but also relate to the organizations communication processes, internally and externally, and include procedures for:- handling funds received and expended by the organization, preparing appropriate and timely financial reporting to board members and officers, conducting the annual audit of the organization's financial statements, maintaining inventory records of real and other properties and their whereabouts.

Internal Controls are processes designed and affected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of the financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations (David,2001). Increasingly, reliability of financial reporting in accounting context is very important for the investors who use the information for decision management (Jenning et al., 2008).

The reliability of financial reporting is effective to internal control efficiency to ensure that the transactions and bookkeeping are appropriate and properly authorized, valid, correctly recorded, complete, and on time. Moreover, it is very important that organizations have fairly summarized accounting information data disclosure (Sebbowa, 2009). However, in general, a quality reporting is affected by internal control mechanism. There is a general perception that institution and enforcement of proper internal control systems will always lead to improved financial performance. It is also a general belief that properly instituted systems of internal control improve the reporting process and also give rise to reliable reports which enhances the accountability function of management of an entity. According to Dixon et al (1990), appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives.

Dixon et al (1990) found out that appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives.Stoner (2003) refers to performance as the ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats. In recent years the aspect of internal control system has achieved great importance since it is designed to safeguard the company's assets against misuse, ensure compliance with the company's laid policies, ensure the company's personnel are efficiently utilized and the company runs in an orderly and efficient manner.

Despite the fact that internal control system is expensive to install and maintain, it gradually evolved over the years with the greatest development occurring at the beginning of 1940's. Not only have the complexities of the business techniques contributed to this development but also the increased size of business units which have encouraged the adoption of methods which while increasing efficiency of business, acts as a safeguard against errors and frauds (Kamau, 2013)

Mawanda (2008), states that 'there is a general perception that institution and enforcement of proper internal control systemswill always lead to improved financial performance". It is also a general belief that properly instituted systems of internal control improve the reporting process and also give rise to reliable reports which enhances the accountability function of management of an entity. Preparing reliable financial information is a key responsibility of the management of every public company. The ability to effectively manage the firm's business requires access to timely and accurate information.

Moreover, investors must be able to place confidence in a firm's financial reports if the firm wants to raise capital in the public securities markets. Management's ability to fulfill its financial reporting responsibilities depends in part on the design and effectiveness of the processes and safeguards it has put in place over accounting and financial reporting. Without such controls, it would be extremely difficult for most business organizations especially those with numerous locations, operations, and processes to prepare timely and reliable financial reports for management, investors, lenders, and other users. While no practical control system can absolutely assure that financial reports will never contain material errors or misstatements, an effective system of internal control over financial reporting can substantially reduce the risk of such misstatements and inaccuracies in a company's financial statements (Kaplan, 2008; Cunningham, 2004; INTOSAI, 2004).

Internal control systems are applicable to each organization in relation to key risks and are embedded within the operations and not treated as a separate exercise. ICS should be able to respond to changing risks within and outside the company and they are a means to an end, not an end itself.Cunningham (2004) further states that Internal controls are effected by people not merely policy manuals and forms, but people functioning at every level of the institution. Internal control only provides reasonable assurance to the firm's leaders regarding achievement of operational, financial reporting and compliance objectives; promoting orderly, economical, efficient and efficient operations; safeguarding resources against loss due to waste, abuse, mismanagement, errors and fraud. Internal controls lead to the promotion of adherence to laws, regulations, contracts and management directives and the development and maintenance of reliable financial and management data, and accurately present that data in timely reports (Kaplan, 2008; Cunningham, 2004; INTOSAI, 2004).

According to Kamau (2013) as cited in Treba (2003) explained that weaknesses in internal control systems (control over the payroll, over expenditure commitments and over procurement processes) lead to failure to ensure that resources are allocated to defined priorities and to guarantee that there is value for money will be attained in public spending.The findings of the Treadway Commission Report of 1987 in the United States (USA) confirmed that the absence of internal controls or the presence of weak internal controls is the primary cause of many cases of fraudulent company financial reporting. The widespread global corporate accounting scandals in recent years inform this study.

On the other hand Sebbowa (2009) refers to performance as the ability to operate efficiently, profitability, survive, grow and react to the environmental opportunities and threats. For purposes of the study I will adopt Ray and Kurt's definition of internal control systems. In as much as Internal control Systems are wide and numerous, for the sake of this study, Internal control systems will be limited to; the risk assessment, monitoring activities and Control activities whereas Financial performance will be looked at basically from the three perspectives of profitability, shareholders' return and market share.

In Uganda, the manufacturing sector has since 2000`s to date gained a commendable 6 percent growth per annum contributing 51 percent to Uganda`s GDP and to its growth by 37 percent (MoFPED, 2012). The study focused on Roofings Uganda limited as one of major steel firms in the country. The company has installed capacity of 120,000 metric tonnes of steel per year and in 2008 was producing about 100,000 metric tonnesannually (UIA). In February 2011, Roofings secured funding from the International Finance Corporation[IFC] an arm of the World Bank, totaling US$25 million for expansion of production facilities. The company`s products are exported to Rwanda, Burundi, Democratic Republic of Congo, Southern Sudan, Kenya and Tanzania. Roofings limited is the largest manufacturer of steel construction materials in Uganda.

1.2 Problem statement

Despite the internal controls that Roofings(U) Ltd undertakes to improve its performance through risk assessment where risks are identified and analyzed to form a basis of managing them, monitoring where there is assessment of the quality of the systems performance overtime, control activities which are policies and procedures that help to ensure that management directives are carried out; first of all, the organization still encounters financial performance problems with low profits, poor return on investment for example Roofings (U) ltd still encounters high import bills of the raw materials used in steel manufacturing due to lack of a license to enable the organization venture into iron ore mining (Monitor publication. Friday, October 4th 2013). Secondly, the organization still encounters financial inefficiency through inadequate sales , poor market share for example there is lack of adequate knowledge on the capacity of some of Uganda`s leading local industries hence poor market share due to stiff competition (Honourable speaker of parliament Kadaga's speech on , 25th May 2014); and lastly, the organization faces a problem of low liquidity where by the total shareholder return is low as well as the economic value added.Therefore this study intends to examine whether the internal controls used by this organization have any effect on the way the organization performs at the end of the year.

1.3 Objectives of the study

1.3.1 Major objectives

To examine the effect of internal controls on organizational performance in Roofings(U) Ltd

1.3.2 Specific objectives

- To establish the effect of risk assessment on organizational performance
- To find out how Information and communication monitoring affects the organizational performance
- To evaluate the effect of control activities on organizational performance

1.4 Research questions

- What is the effect of risk assessment on organizational performance?
- How does Information and Communication monitoring affect organizational performance?
- What is the effect of control activities on organizational performance?

1.5 Research hypothesis

There is a relationship between internal controls and organizational performance.

1.6 Scope of the study

1.6.1 Content scope

The researcher mainly focused on the effect of internal controls on organizational performance.Internal controls is the independent variable to be measured through risk assessment, information and communication monitoring and control activities while organizational performance is the dependent variable to be measured using return on investment/profitability, financial efficiency and liquidity.

1.6.2 Time scope

The study was confined to the period between the years 2011-2013 considering the much rapid developments in the industry that could have effected much change in the service industry. This time scope was selected because it was long enough for the researcher to establish the effect of internal controls on organisational perfomance.

1.6.3 Geographical scope

The study was confined to Roofings (U) Ltd, located in Lubowa on Entebbe Rooad in Wakiso district. The institution was selected owing to the fact that it is one of the best manufacturing firms in the country and the institution was was chosen because it was suitable for the study.

1.7 significance of the study

This study is of interest to academicians and future researchers who will be undertaking other researches related to this. This is because it increases their knowledge on internal control and provides the necessary information to be incorporated into their work.

The study also helps them come up with better proposals on internal control systems and their effects on organization performance of manufacturing firms.The recommendations of the study are of interest to the management of manufacturing firms because they point out the areas ignored in the internal control systems as well as the ways of improving the quality of the internal control system.

1.8 Justification of the study

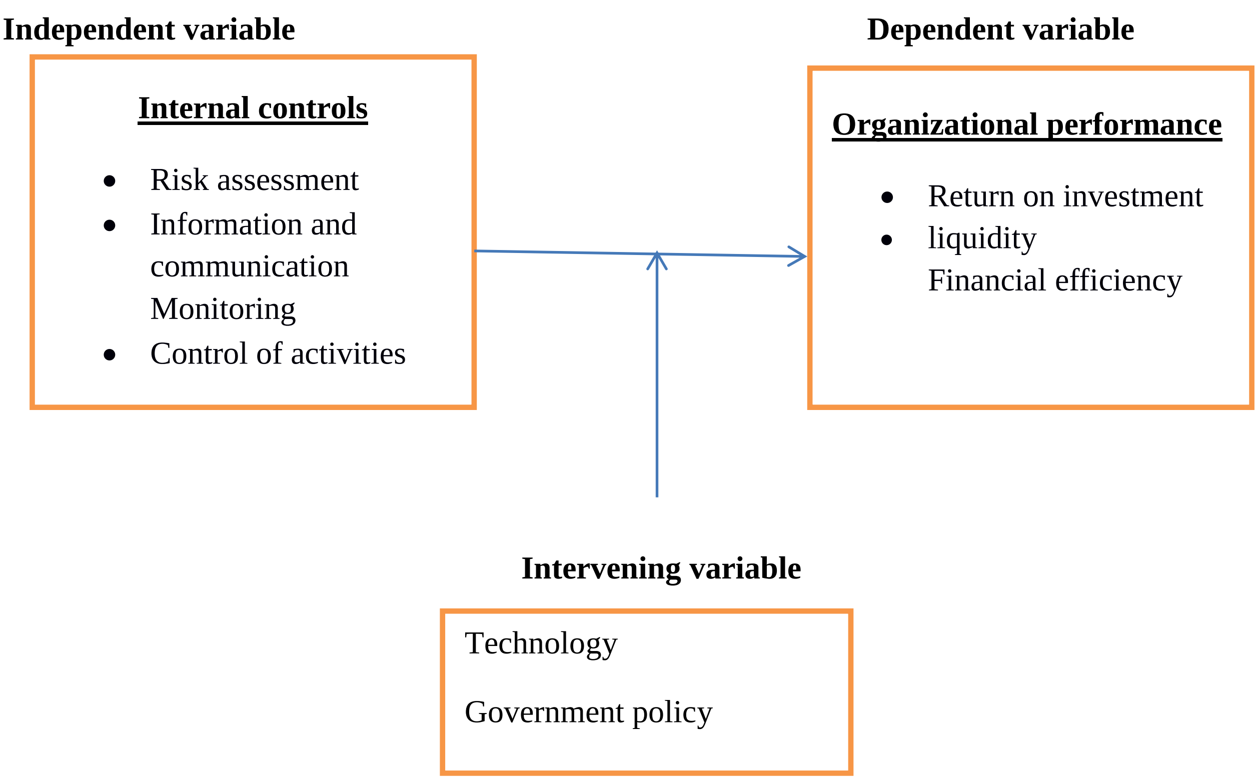
Internal controls in any organization help to improve organizational performance. The study was premised around the overriding principle of decline in performance of the manufacturing sector yet organizations still took into account performance reviews. Roofings (U) Ltd can ably but slowly delete inconsistencies in performance of the company through internal controls and majorly in the manufacturing department.

Figure 1: Conceptual framework

The model explains the relationship amongst the variables under study; it explains the internal controls as the independent variable and organizational performance as the dependent variable. Government policies now promote effective control particularly in the management of resources while stressing organizational performance (Sanderson, 2001). Effective; control activities, risk assessment, information and communication monitoring are a necessity to achieve organization objectives (INTOSAI, 2004)

Internal controls were studied under the constructs of control activities, risk assessment and monitoring while organizational performance was studied under the constructs of return on investment/profitability, financial efficiency and liquidity.

Conceptual framework



Source: Sanderson (2001) and INTOSAI (2004) modified by the researcher.

1.10 Definition of the terms

Internal Control;this is a process in a system that provides reasonable but not absolute assurance about the attainment of an entity's objectives.

Organizational performance; this comprises the actual output or results of an organization as measured against its intended output, goals and objectives.

Risk assessment; this is the identification and analysis of relevant risks to the achievement of objectives forming a basis of determining how the risks should managed

Control activities; these are policies and procedures that help to ensure that management directives are carried out.

Monitoring;this is the process that assesses the quality of the system performance over time.

1.11 Conclusion

Therefore the chapter dealt with background of the study, statement of the problem, research objectives, research questions, research hypothesis, scope of the study, justification of the study, significance of the study, definitions of terms and concepts about the effect of internal controls and organizational performance, a case study of Roofings Uganda Limited.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The chapter presented the review of the relevant literature related to the current study. The purpose of the review is to present what is known about the problem from the theoretical perspective prior to the study in order to give a foundation to the current study. It provided the background, existing gaps and the need for the current study. The literature is arranged according to the conceptual framework illustrated in chapter one of this study.

2.1 Internal controls

Aldridge & Colbert (1994), defined internal controls as processes affected by an entity's board of directors, a reasonable assurance regarding the achievement of objectives in the following categories; organizational, financial and accounts and management internal efficiency of operations, reliability of financial reporting compliance with applicable laws and regulations. Fundamentally, internal control deals with the safeguarding of assets, both physical and monetary defined internal control as a system consisting of specific policies and procedures assurance that the goals and objectives it believes important to the entity will be met.

Conor, Errol & Divesh (2006) stated that internal control is critical in the overall audit process, mandated by auditing standards worldwide .These standards divide internal control structures into a number of elements, information systems and control procedures . Significant research exists as to auditors' evaluation of internal control .Internal control is a process of ensuring that the organization activities conform to its plan and its objectives are being achieved .

Drury (1995)defined as an internal control involves control systems and procedures adopted by management to ensure organizational goals.According to Ramaswany (1994), internal control is a critical component of the overall audit process, mandated by auditing standards worldwide, these standards divide internal control structures into a number of elements, summarized as control environment, information systems and control procedures (Conor and Errol, 2006).We rely on Sarbanes-Oxley internal control reports to measure the level of financial management , we examine that when a firm experiences a material internal control weakness, lenders decrease their use of financial covenants and financial information based performance pricing provision and substitute them with alternative, such as price and security protection and credit rating based performance pricing provisions (Costella, et al., 2011).

Internal controls refer to the measures instituted by an organization so as to ensure attainment of the entity's objectives, goals and missions (Brennan & Soloman, 2008). They are systems of policies and procedures that protect the assets of an organization, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations. These systems are not only related to accounting and reporting but also relate to the organizations communication processes, internally and externally, and include procedures for:-handling funds received and expended by the organization, preparing appropriate and timely financial reporting to board members and officers, conducting the annual audit of the organization's financial statements, maintaining inventory records of real and other properties and their whereabouts.

Internal Controls are processes designed and affected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of the financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations (David, 2001). Increasingly, reliability of financial reporting in accounting context is very important for the investors who use the information for decision management (Jenning et al., 2008).

Effective internal control system operates when some specific procedures are adopted by the management. International Accounting Standards (IAS) categorizes internal control types as a plan of organization, segregation of duties, control of documents, safeguarding of assets, competence of staff, arithmetic and accounting controls, recording and record keeping , supervision, authorization and approvals, vocation and rotation of duties, cost feasibility , routine and automatic checks (Kamau, 2008)

Saleemi (1989) refers to plan of organization as an organization chart showing the organization structure of a company. The purpose of this chart is to show how the company has been divided into departments and departments into sections and most important to show what responsibilities and duties are assigned to each officer. Authority and responsibilities are clearly defined. Employees perform their duties according to the organization plan. This plan allocates and defines responsibilities and identifies lines of reporting for all aspects of business operations. The plan of organization is needed for effective internal control.

Internal controls consist of five components namely: i) Control environment- This is the foundation for all the other components of internal control. It comprises of factors like integrity and ethical values of personnel tasked with creating, administering and monitoring the controls, commitment and competence of persons performing assigned duties, board of directors or audit committees, management philosophy and operating style and organizational structure, Risk assessment process, this refers to the careful assessment of factors that affect the possibility of objectives of the organization not being achieved. It refers to the identification and analysis of relevant risks associated with achieving the objectives of the organization.

Risk assessment is the process of identifying and analyzing management relevant risks to the preparation of financial statements that would be presented fairly in conformity with general accepted accounting principle, information and communication systems Internal controls require that all pertinent information be identified, captured and communicated in a form and time frame that enable people to carry out their financial reporting responsibilities.

Firms should adopt internal control and information systems that produce operational, financial and compliance-related information reports to make it possible to run and controls the business. Effective communications should occur in a broad sense with information flowing down, across, and up within all the sections of the organization (Millichamp, 1999)

Control activities refer to policies, procedures, and mechanisms put in place to ensure directives of the management are properly carried out. Appropriate and accurate documentation of policies and procedural guidelines helps to determine how the control activities are to be executed. Monitoring of controls is the process of assessing the quality of the internal control structure over time. Since internal controls are processes, it is usually accepted that they need to be adequately monitored in order to assess the quality and the effectiveness of the system's performance over time.

According to Millichamp (1999) stated that the term segregation of duties is used these days for internal duties. One of the prime means of control is the separation of those duties which would if combined would enable one individual to record and process a complete transaction. This practice reduces risk of intentional manipulation of accounts and increases element of checking. This makes fraud more difficult to be committed because one transaction is completed by different employees.

Besides, Hevesi (2005) also defined internal control as 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 mission.

All the above definitions of internal control systems have identified the main objectives of internal controls to be the assurance that organizational resources will be put to economic, efficient and effective use in order to achieve the objectives for which the organization was set up.

The term internal control encompasses all the methods, procedures and arrangements adopted within an organization to ensure as far as possible the safeguarding of assets, the completeness, accuracy and liability of the accounting records and the promotion of operational efficiency and adherence to management policies (Okai, 1996).

2.1.1 Risk assessment

Risk assessment refers to the careful assessment of factors that affect the possibility of objectives of the organization not being achieved. It refers to the identification and analysis of relevant risks associated with achieving the objectives of the organization (Karagiorgos et al., 2009).

They add that risk assessment is the process of identifying and analyzing management relevant risks to the preparation of financial statements that would be presented fairly in conformity with general accepted accounting principle.In organizations, management must determine the level of risk carefully to be accepted, and try to maintain such risk within determined levels. It is therefore the management's responsibility to design internal controls to ensure efficiency and effectiveness, reliability of financial reporting as well as compliance with laws and regulations.

This is the identification and analysis of relevant risks to the achievement of objectives forming a basis of determining how the risks should be managed. Because economic, industry regulatory and operating conditions will continue to change, methods are needed to identify and deal with the special risks associated with change (Americans Institute of Certified Public Accountants, 1994)

This is the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed. According to Lannoye (1999) this component of internal control highlights the importance of management carefully identifying and evaluating factors that can preclude it from achieving its mission. Risk assessment is a systematic process for integrating professional judgment about probable adverse conditions and events, and assessing the likelihood of possible losses (financial and non-financial) resulting from their occurrence. The second internal control standard addresses risk assessment. A precondition to risk assessment is the establishment of clear, consistent agency goals and objectives have been set, the agency needs to identify the risks that could impede the efficient and effective achievement of those objectives at the entity level and the activity level. Internal control should provide for an assessment of the risks the agency faces from both internal and external sources. Once risks have been identified, they should be analyzed for their possible effect. Management then has to formulate an approach for risk management and decide upon the internal control activities required to mitigate those risks and achieve the internal control objectives of efficient and effective operations, reliable financial reporting, and compliance with laws and regulations.

2.1.2Information and Communication Monitoring

According toDouglas (2011) the information and communication monitoring is internal control standard, for an agency to run and control its operations, it must have relevant, reliable information, both financial and non-financial, relating to external as well as internal events. That information should be recorded and communicated to management and others within the agency who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities (Steihoff, 2001) Hevesi (@0050 information and communication are essential to effective control. Information about an organization's plans, control environment, risks, control activities, and performance must be communicated up, down, and across an organization. Reliable and relevant information from both internal and external sources must be identified, captured, processed, and communicated to the people who need it in a form and timeframe that are useful.

According to the comptroller's Handbook (2001), accounting, information, and communication systems capture and impart pertinent and timely information in a form that enables the board, management, and employees to carry out their responsibilities. Accounting systems are the methods and records that identify, assemble, analyze, classify, record, and report on transaction. Information and communication systems enable all personnel to understand their roles in the control system, how their roles relate to others, and their accountability. The entity must be able to prepare accurate and timely financial report including interim reports. The board of directors and management must ensure that they receive accurate and timely information to allow them to fulfill their responsibilities. Management must also provide written job descriptions and reference manuals that describe the duties of personnel (Douglas, 2011)

2.1.3 Control activities

Ray & Pany (2001) also mention Control activities as another component of internal controls. They note that control activities are policies and procedures that help ensure that management directives are carried out. Controls activities in an organization basically comprise; performance reviews (comparing actual performance with budgets, forecasts and prior period performance), information processing (necessary to check accuracy, completeness and authorization of transactions), physical controls (necessary to provide security over both records and other assets), and segregation of duties (where no one person should handle all aspects of a transaction from the beginning to the end).

Internal control should be effective when examining design can extremely beneficial and is usually for organization management and widely to financial statements (Ogneva, Subramanyam & Raghunandan, 2007) at present, all kinds of business firms have used internal controls through the formation of policies to ensure a safeguarding assets and profitable business environment especially accounting policy, management policy, and operational policy. Hence, internal control should be on a regular basis review in all aspects of their company and insert internal controls that will strengthen the company and increase profitability (Skaife et al., 2007).

Ray and Pany (2001) also mention control activities as another component of internal controls. They define control activities as policies and procedures that help to ensure that management directives are carried out. They help to ensure that the necessary actions are taken to address the risks so as to achieve the entity's objectives .Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, verifications, reconciliations, review of operating performance, security of assets and segregation of duties (COSO, 2010).

The policies and procedures that help ensure management directives are carried out.

According to the Administrator of National Banks (2001), control activities are the policies, procedures, and practices established to help ensure that an organization's personnel carry out board and management directives at every business level through the organization. These activities help ensure that the board and management act to control risks that could prevent an organization from attaining its objectives.

The New York State controller (1999) defined control activities as tools – both manual and automated – that help identify, prevent or reduce the risks that can impede accomplishment of the organization's objectives. Management should establish control activities that are effective and efficient.

According to Walker (1999) control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of these activities as well as appropriate documentation. He provided the following as example of control activities

1. Top level reviews of actual performance,
2. Reviews by management at the functional or activity level,
3. Management of human capital,
4. Controls over information processing,
5. Physical control over vulnerable assets,
6. Establishment and review of performance measures and indicators,
7. Segregation of duties,
8. Proper executions of transaction and events,

9. Accurate and timely recording of transactions and events,

10. Access restrictions to and accountability for resources and records, and

11. Appropriate documentation of transactions

2.2 Organizational performance

According to Sebbowa (2009), performance is referred to asthe ability to operate efficiently, profitability, survives, grow and react to the environmental opportunities and threats. For purposes of the study I will adopt Ray and Kurt's definition of internal control systems. In as much as Internal control Systems are wide and numerous, for the sake of this study, Internal control systems will be limited to; the Control Environment, Internal Audit, and Control activities whereas Financial performance will be looked at basically from the three perspectives of Liquidity, Accountability and Reporting (Donald & Delno 2009).

Non-financial organizational performance measures include; opportunities to maximizing returns on investment at minimal costs, promote stakeholder relations between customers, suppliers, investors, and competitors, increase profits, volume of sales, market share, development of new products, and communication within and outside the organization. But the foundation of long-term performance is lifetime customer value; the revenue customers generate over their lives, less the cost of acquiring, converting, and retaining them (David, 2001).

2.2.1 Liquidity

Ferreira and Vilela (2004) established that the existence of growth opportunities in firms is animportant factor that positively affects cash levels. Particularly firms with more growth opportunities may also incur greater costs of financial distress because their value depends on their growth opportunities rather than on tangible assets or specific cash flows. Thus, this type of firm will keep higher cash levels to avoid costs of financial distress. It is therefore important that firms with good growth opportunities tend to keep higher cash holdings.

This means that firms with more investment opportunities keep higher liquidity levels in order not to limit or cancel their profitable investment projects. The value of these firms depends on carrying out these projects, so that the cost of not having sufficient cash to make the investments is higher.

Klapper and Udell, (2001) argue that firm Size is significant in determining its liquidity levels. The traditional models to determine the optimal liquidity demonstrate that there are economies of scale associated with the cash levels required to confront the normal transactions of the firm, so that larger firms can keep lower cash holdings. It's therefore important to consider that firm size is related to another set of factors that may influence liquidity levels such as the level of fixed costs and these costs are proportionately greater for firms

2.2.2 Return on Investment

According to Baker (2000), return on investment is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.

It is the profit generated by the money a business owner puts into the business. Return on investments is usually expressed as a percentage return. It can also be defined as the benefit to the investor resulting from an investmentof some resource during a specific time or period. A high return on investment means the investment gains compare favorably to investment cost. As a performance measure, return on investment is used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments In purely economic terms, it is one way of considering profits in relation to capital invested.(Return on investment = investment's benefit or investment's cost)

2.2.3 Financial efficiency

Financial efficiency measures the intensity with which a business uses its assets to generate gross revenues andthe effectiveness of production, purchasing, product pricing, financing decisions (Dobbins *et al*, 2000). Themanagement of assets and liabilities is particularly important in the case of medium-sized and large companies.Most of these companies' assets are in the form of current assets. Also, current liabilities are one of their mainsources of external finance in view of their difficulties in obtaining funding in the long-term capital markets(Petersen and Rajan, 1997) and the financing constraints that they face (Whited, 1992; Fazzari and Petersen,1993). In this respect, Elliehausen and Woken (1993), Petersen and Rajan (1997) and Danielson and Scott (2000)show that small and medium-sized firms use vendor financing when they have run out of debt. The assets aremeasured by stock turns, debtors' turns and sales to assets and efficiency with which managers use assets togenerate profits. The financial strength of the company is the good asset management and accumulation andguarantees the company future ability of meeting business risk in term of good return on assets (Pedro et al, 2004). Effectiveness is assessed by relating net profit to the asset utilized in the generation of profits. From the owner's point of view, profitability means the returns achieved, through efforts of management, on the funds invested by the owners (helfer, 1991)

2.3 Actual review

2.3.1Risk management on organizational performance

An organization's system of internal control has a key role in the management of risks that are significant to the fulfillment of its business objectives. A sound system of internalcontrol contributes to safeguarding the shareholders' investment and the company's assets.

Internal control facilitates the effectiveness and efficiency of operations, helps ensure the reliability of internal and external reporting and assists compliance with laws and regulations (Whittington & Pany, 200). A company's objectives, its internal organization and the environment in which it operates are continually evolving and, as a result, the risks it faces are continually changing. A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which the company is exposed. Since profits are, in part, the reward for successful risk-taking in business, the purpose of internal control is to help manage and control risk appropriately rather than to eliminate it (John, 2011).

Enterprise Risk Management (ERM) is supposed to reduce the probability of financial distress and allow firms to continue their investment strategies expecting smoother, steadier earnings. Beasely and Rclune (2004) asserted that Enterprise Risk Management (ERM) has emerged as a new paradigm for managing the portfolio of risks that face organizations and policy makers continue to focus on mechanisms to improve corporate governance and risk management.

Kakucha (2009) evaluated the level of effectiveness of internal controls of enterprises operating in Nairobi. The study was quantitative and was conducted between September 2007 and June 2009 using a sample of 30 small businesses as listed in the National Social Security Fund (NSSF) Register of Kenya. Primary data was collected from the managers of the small business using interviews and examination of documents pertaining to internal controls. The study established that there are deficiencies in the systems of internal controls, with the degree of deficiencies varying from one enterprise to another. The components of internal control that were missing in most businesses surveyed were: firstly, risk analysis, and secondly lack of proper flow of information.

2.3.2Information and communication monitoring on organizational performance

Many scholars and professionals in America and Europe have carried out studies on internal control systems for the larger corporations, the findings of which can be applied to SMEs. Companies with ICSs are observed to be significantly larger, more highly regulated, more competitive, more profitable, more liquid, more conservative in their accounting policies, more competent in their management and accounting, and subject to better management controls (Wallace & Kreutzfeldt, 1991). A study by GoodwinStewart & Kent (2006), using a sample of Australian listed companies, shows that the existence of an Internal Control System is positively associated with firm size and commitment to risk management.

The risk and control awareness have an influence on the scope of the ICS (Sarens and De Beelde, 2006). These results suggest that when management is aware of risks and control activities, they are more likely to understand the role of the ICS in monitoring risk and control activities, thus it is more likely that they will support a relatively larger ICS (Sarens and De Beelde, 2006; Selim and McNamee, 1999). According to Kotler (1992), strong performing firms are those that can stay in business for a good number of years. Dwivedi (2002) also found out that, the ability of a firm to survive in business in an indicator of good financial performance. 38 active British businesses went into liquidation in the third quarter of 1992 and in 1991 a total of 21,827 businesses failed compared to 15,051 in 1990, majorly because of weak ICS (Richardson, Sonny and Suzan, 1994).

Moraa Ondieki (2013) conducted a study and stated that internal controls can have features built into them to ensure that fraudulent truncations are flagged or made difficult, if not impossible, to transact. Internal control audits provide assurance that controls are working, but they do not necessarily detect fraud or corruption. The objectives of internal controls audit relate to management's plans, methods, and procedures used to meet the organization's mission, goals, and objectives.

Wanjohi (2013) stated that measurement and evaluation of performance is central to control, and addresses three questions namely; what happened, why it happened and what to do about it. Financial performance provides short term feedback to the control systems as they monitor the implementation of strategic objectives by checking the organization's position, communicating the position, confirming priorities and compelling progress. It can therefore be construed that internal controls are the means while financial performance is the end. Wanjohi (2013) stated that measurement and evaluation of performance is central to control, and addresses three questions namely; what happened, why it happened and what to do about it. Financial performance provides short term feedback to the control systems as they monitor the implementation of strategic objectives by checking the organization's position, communicating the position, confirming priorities and compelling progress. It can therefore be construed that internal controls are the means while financial performance is the end.

PROCASUR Africa Report (2012) stated that poor control systems in has led to huge investments lost through fraud and misuse of assets that are used to generate revenues while members and institutions have suffered big losses. Inadequate controls have also led to corruption and collusion of management and external auditors leading to organizations failing to achieve their set objectives. Technological changes have also brought with them challenges in control systems and this has necessitated the development of new ways of controlling organizations.

Using the analytical approach and focusing on control activities and monitoring, Barra (2010) investigated the effect of penalties and other internal controls on employees' propensity to be fraudulent. Data was collected from both managerial and non-managerial employees. The results showed that the presence of the control activities, separation of duties, increases the cost of committing fraud. Thus, the benefit from committing fraud has to outweigh the cost in an environment of segregated duties for an employee to commit fraud. Further, it was established that segregation of duties is a "least-cost" fraud deterrent for non-managerial employees, but for managerial employees, maximum penalties are the "least-cost" fraud disincentives. The results suggest the effectiveness of preventive controls control activities such as segregation of duties is dependent on detective controls.

Ewa and Udoayang (2012) carried out a study to establish the impact of internal control design on banks‟ ability to investigate staff fraud and staff life style and fraud detection in Nigeria. Data were collected from 13 Nigerian banks using a four point likert Scale questionnaire and analyzed using percentages and ratios. The study found that Internal control design influences staff attitude towards fraud such that a strong internal control mechanism is deterrence to staff fraud while a weak one exposes the system to fraud and creates opportunity for staff to commit fraud.

Wee Goh (2009) studied 208 firms on audit committees, boards of directors, and remediation of material weaknesses in internal control. He measured the effectiveness of the audit committee by its independence, financial expertise, size, and meeting frequency, and the effectiveness of the board by its independence, size, and meeting frequency, and by the duality of the chief executive officer (CEO) and chair positions (CEO duality). He also examined other factors that can affect firms' timeliness in the remediation of material weaknesses, such as the severity of material weaknesses, firms' profitability, the complexity of firms' operations, and so on. He found out that the proportion of audit committee members with financial expertise is positively associated with firms' timeliness in the remediation of material weaknesses. Second, firms with larger audit committees are more likely to remediate material weaknesses in a timely manner. Third, that a more independent board is less susceptible to the undue influence of management and more likely to exert pressure on management to remediate material weaknesses.

Jones (2008) compared internal control, accountability and corporate governance in medieval and modern Britain. He used a modern referential framework (control environment, risk assessment, information and communication, monitoring and control activities) as a lens to investigate medieval internal controls used in the twelfth century royal exchequer and other medieval institutions. He demonstrated that most of the internal controls found today were present in medieval England. Stewardship and personal accountability were found to be the core elements of medieval internal control. The recent recognition of the need for the enhanced personal accountability of individuals is reminiscent of medieval thinking.

2.3.1 Control activities on organizational performance

Millichamp (1999) stated that the term segregation of duties is used these days for internal duties. One of the prime means of control is the separation of those duties which would if combined would enable one individual to record and process a complete transaction. This practice reduces risk of intentional manipulation of accounts and increases element of checking. This makes fraud more difficult to be committed because one transaction is completed by different employees.

Batra el al (1992) said that control of documents involves control of company's sensitive documents for example receipts, cheques, local purchase orders, debit and credit notes. These documents must be handled by a responsible officer and should be pre numbered to ensure control and minimize misuse. They must be kept and controlled from a central point like headquarters or any other reliable control point.

De Paula et al (1990) also noted that internal controls require that business assets like plant and machinery, equipment, motor vehicle, stock and cash should be kept safely and access should be limited to authorised personnel only. The procedures designed and security measures taken to safeguard assets are known as Physical Controls. The type of physical controls common to most companies include employment of watchmen, alarm system, strong electrified fence, strong room, safes and security lights.

Spicer & Pegler (1978) stated that the proper functioning of any system depends on the competence and integrity of those operating it. The staff employed in an organization should be competent and experienced. The company should employ qualified, experienced, competent, motivated and capable people who will have interest in what they do and the company as well should regard their employees as its assets. These employees should be reliable and responsible in order to ensure efficiency in business operations.

Woolf (1997) also stated that arithmetic and accounting controls should be implemented as they aim at ensuring accuracy of transactions and ensuring proper recording of company transactions according to the Generally Accepted Accounting Principles (GAAPs). When examining the internal control system, the auditor should consider the possibility of collusion between close relatives working in related parts of the firm, this may conceal irregularities. The recording of business transactions should be accurate and arithmetically correct hence some controls are introduced e.g. checking of totals, reconciliations, control accounts and trial balances.An effective control system therefore requires implementation of arithmetical and accounting controls and its adequacy has to be examined by the internal auditor differently for different firms.

Woolf (1997) indicated that all transactions must be authorized and approved by the right and responsible officer. This is aimed at preventing frauds, safeguarding the company assets, streamlining the flow of authority to avoid bureaucracy and conflicting authorized activities for example purchases invoices should be approved before payment is made to suppliers, and wages payment be approved before cash withdrawal from the bank. Internal control requires proper system of authorization and approval whose main objective is to prevent fraud and safeguard company assets. Vocation and rotation of duties should also be upheld in organization.

Manasseh (1990) said that the company must give its employees leave especially to accounting staff who should not overstay their leave. This is aimed at checking the efficiency of officers and preventing frauds and errors. It also boosts the efficiency of officers concerned through rest and the company's internal check.Routine and automatic checks are put to practice. Saleemi (1989) said that surprise checks should be conducted especially for such items as petty cash, stock count, cash at hand and wages payment. This will prevent errors and frauds and also will promote the morale at work.

Woolf (1997) noted that with rapidly changing technology, there is need to restructure the controls of various firms to support these documents. The auditor works directly with computers and its records as they exist in suitable machine sensible forms. The auditor therefore concentrates on proving the initial inputs and checking their validity and the calculate output manually which is then compared with computer output.

De Paula et al (1990) noted that there are some system developments controls designed to ensure that a satisfactory standard is maintained in designing, testing, implementing and documenting new system and programs. An auditor has to review controls to ensure the installation staff is divided into a number of sections e.g. system analysis, programming, controlling, library and computer. He must also ensure that there is a clear definition of duties and divisions of responsibilities between the sections. Therefore the auditor should ensure that all computer routines have been properly documented, any unauthorized people are not allowed into the computer room, programmers do not have access to the computers except if necessary when testing programs and that computer operators don't access source documents and are not allowed to amend programs.

Romar and Moberg (2003) conducted a case study that showed the following could have contributed to WorldCom scandal in 2002: unrealistic growth targets when expectations were low, management philosophy was aggressive; inadequate assessment of internal and external factors, and objectives before setting aggressive targets; poor segregation of duties; access to data entry and manipulation was not properly segregated and there was a lack of stringent monitoring of the internal control system and therefore quality of the controls around the posting of journal entries to the general ledger was not identified as weak.

2.4 Conclusions

Therefore, there is need to establish the relationship between the internal controls and organizational performance of manufacturing firms in Uganda. It can be concluded from the literature that Control Activities, Risk Assessment, and Monitoring are significant predictors of organizational performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the approaches that helped the researcher when carrying out the study. This section was categorized with the following; the research design, area of study, the study population, sample size, sampling techniques, data collection methods, data collection instruments, quality control, measurement of variables, analysis and presentation, ethical issues and study limitation.

3.1 Research design

The researcher employed a case study design. This is because the case design helps to give a detailed examination of one setting, or a single subject, a single depository of documents or one particular event (Amin, 2005). Thestudy employed both qualitative and quantitative techniques that helped in the data collection process. The qualitative methods focused on collecting in depth information from the experts and respondents from management level especially from those working in the company with experience while the quantitative methods focused on internal statistics with the view of developing tables and graphs.

3.2 Area of study

The study was carried out at Lubowa along Entebbe highway; Wakiso District is located on the Kampala-Jinja Highway, approximately 13 kilometres (8.1 miles), East of Kampala, Uganda's capital and largest city.

3.3 Study population

The populaion at Roofings Uganda Limited was generated from the Human Resource Department. And it was classified as follows by the reseacher from the four departments; technical, marketing, information and technology, accounting and finance departments.

Position	**Population**
Manager	5
Supervisor	15
Employees	30
Total	**55**

Source: Human Resource Deparment

3.4 sampling procedure

3.4.1 Sample size

The study was based on a sample size of 48 that was drawn from a population of 55. And this was drawn from table of Morgan and Krejcie. According Morgan and Krejcie (1970, pp.605-607) who assert that where a total population is 55, a sample size of 48 respondents from Roofing industries.

3.4.2 Sampling technique

The sampling techniques are processes for selecting suitable sample, or representative part of population for the purpose of determining characteristics of the whole population. The selection of sample of respondents was based on non-probability and probability sampling technique because the population is homogenous for staff members in accounts and auditing department. And the researcher used purposive sampling and stratified random sampling to choose specific respondents basing on their familiarity with the subject and their ability to give information readily.

3.5 Data collection sources

Two sources of data were used for purposes of research. These were primary data and secondary data sources.

3.5.1 Primary sources

According to Amin (2003), primary data is that kind of data that has been gathered for the first time, it has never been reported anywhere. The researcher got data from Roofings Uganda Limited by administering the questionnaires to the staff members and interviewing the managers and supervisors and this enabled the researcher to cover a large population quickly and at are reasonable cost

3.5.2 Secondary sources

Amin (2003) defines secondary data as that kind of data that is available, already reported by some other scholars. Secondary data included policy documents and abstracts of the various scholars relating to the topic of discussion in question. Secondary data for this study was gotten from sources like libraries, online information, text books, and newspapers. This was because it was readily available and easier to comprehend, as it comprised of extensively researched work.

3.6Data colllection tools

3.6.1 Questionnaires

A questionnaire is a reformulated written set of questions to which respondents record their answers, usually within rather closely defined alternatives. Questionnaire was used on the basis that the variables under study cannot be observed for instance the views, opinions, perceptions and feelings of the respondents. The questionnaire was equally used because the information had to be collected from a large sample in a short period of time (Sekaran, 2003).The questionnaire was used in collection of data from respondents (management and staff members). The questionnaires consisted of both open and close ended questions administered to respondents of Roofings Uganda Limited.

3.6.2Interview guides

The researcher also administered interviews. An interview is a dialogue between an interviewer and interviewee. It is an organized conversation aimed at gathering data about a particular topic. This is a method where researcher interviewed respondents to obtain information on the issue of interest. In this case, the interviews during this research were structured and were specifically administered to respondents in management positions at roofing industries.This interview was subjected to managers because they had a lot of expertise and valid information useful for the study.

3.7Quality Control Methods

3.7.1 Validity

Validity refers to truthfulness of findings or extent to which the instrument is relevant in measuring what it is supposed to be measured (Amin, 2003). To ensure the content validity of the study instruments used in this study questions were discussed with the help supervisor for scrutiny, clarity and removal of ambiguity. After his comments and discussion with me, the tools were adjusted accordingly.

3.7.2 Reliability

Reliability is dependability or trustworthiness and in the context of a measuring instrument, it is the degree to which the instrument consistently measures whatever is measuring (Amin, 2003).

For qualitative data, reliability of the instruments was ensured through discussing with authorities, colleagues, and participants about the instruments intended to measure and asking them whether the instruments designed would capture the required data.

3.8Measurement of variables

The researcher used previous researches are for purposes of interviews and helping to develop interview guides and questionnaires which were both opened and self-administered where respondents selected a suitable number on the five point Likert scale ranging from strongly disagree as response 1 to strongly agree as response 5. According to Mugenda (1999) and Amin (2003) the Likert scale is able to measure perception, attitudes, values and behaviors of individuals towards a given phenomenon. This assisted the respondents to rate their perceptions accordingly.

3.9Data management and Analysis

The field data was managed, analyzed and presented using both qualitative and quantitative methods.

3.9.1 Quantitative data

The researcher carried out an analysis using descriptive and inferential statistics using SPSS version 16 computer package for social scientists. Spearman correlation coefficients, frequencies, mean and standard deviations were used to determine the degree and predication of organizational performance of Roofings Uganda Limited.

3.9.2 Qualitative data

The researcher used the interview guideandto gain an understanding of underlying reasons, opinions, and motivations. It provides insights into the current phenomenon. The data was analysed using content analysis and theme analysis whereby responses would be grouped into themes, interpreted and rsented together with descriptive statistics of quantitative data.

3.10. Ethical considerations

The researcher got an introductory letter and a valid identification card from Faculty of Business Administration Management, Uganda Martyrs University Nkozi. This introduced the researcher to the respondents in the Roofings industries.

During data collection, the rights were respected where the researcher was able to first seek for permission of all the respondents for their response.

The researcher ensured confidentiality of the information to protect and enable respondents trust him with the information from sensitive questions. Sensitive information or issues were not to be explored unless the researcher requests the respondents to provide the information and used exclusively for achieving a Degree

All the necessary protocols were observed and all the respondents were thanked for their participation in the study.

3.11Limitations of the study

The researcher was faced with time constraint to carry adequate research within required time. Since the research required a lot of collecting of data from the field, analyzing and processing of data was involved this was difficult to compile. But of the short time used by researcher was maximally used when the researcher employed both qualitative and quantitative techniques.

The researcher had a small sample for the study which provided some biased information; some errors presented and were also not representative of the entire population. But aware of the limitation of small sample size which had high level of error in the study this was minimized by using a multi-method of collecting data to reduce error such as questionnaire, interviewing guides to avoid biased information.

Human errors and biasness are other limiting factors of this study. This is because some data's were obtained through discussions and interviews therefore there is the possibility of human error of omitting some vital information. Respondent may have also exaggerated important information in order to give their organization a positive credit for fear of what seem invasions into the organization's privacy.

3.12 Conclusions

Therefore this chapter presented the approaches that helped the researcher when carrying out the study. The section was categorized with the following; research design, area of study, the study population, sample size, sampling techniques, data collection methods, data collection instruments, quality control, measurement of variables, analysis and presentation of, etical issues and study limitation.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents analyses and discusses the study findings. It is comprised of three sections namely; the section that presents the background information, the section that deals with the presentation of the findings of the study objectives using item mean results and correlation results and the section that studies the combined relationship between the independent variable and the dependent variable using correlation analysis.

4.1 Response rate

Out of the 48 questionnaires sent out to the field, 45 usable questionnaires were returned giving a percentage response rate of 93.7%.

4.2 Background information

Respondents were required to state their gender, age group, education level, the duration worked by employees and departments existing at the organization. The following were the results;

4.2.1 Gender

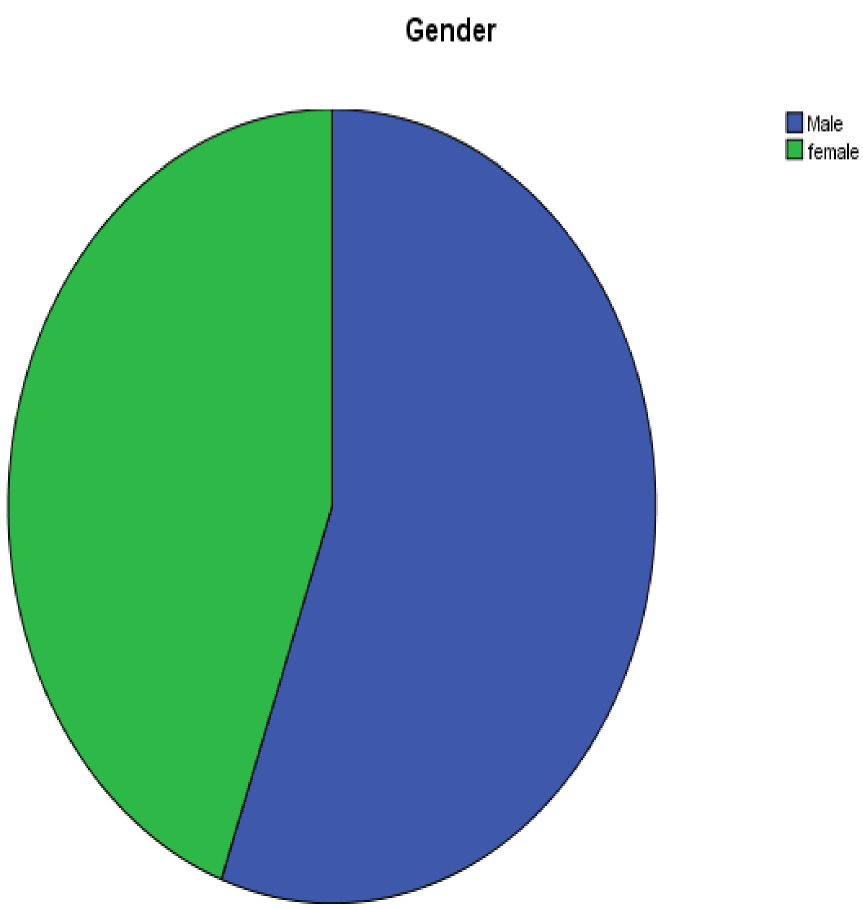
Frequency tabulation was used by the researcher to present the gender distribution of the respondents. This is as shown in the table 4.1 below:

Table 4.1: Gender characteristics of respondents

Gender	**Frequency**	**Percent**
Male	25	56.6
Female	20	44.4
Total	**45**	**100**

Source: *primary data (2015)*

figure 2 showing the gender of respondents



From the table 4.1 above, the results revealed that the majority of the respondents who provided information were male 56.6% whereas 44.4% were female respondents. This implies that there was no gender bias in the study.

4.2.2 Age group

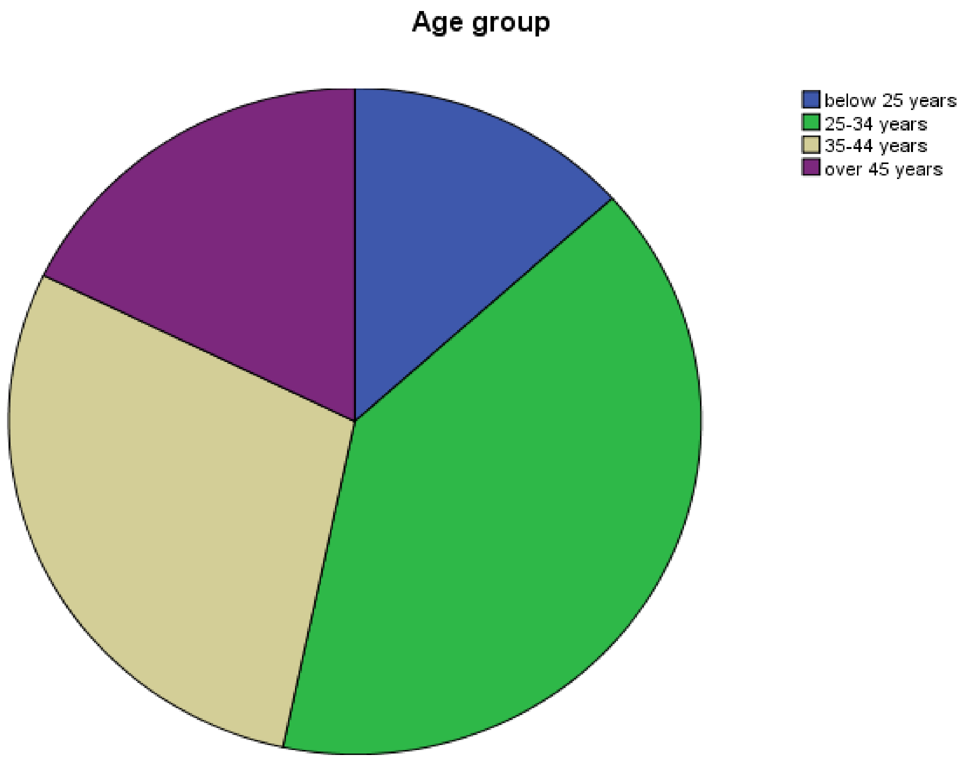
The study captured the different age brackets of respondents in order to establish the most prevalent group, the respondents were asked to state their age. The distribution was as in the table below:

Table 4.2: showing the age group of respondents

Age group	**Frequency**	**Percent**
Below 25years	6	13.3
25-34 years	18	40
35-44 years	13	28.9
Over 45 years	8	17.8
Total	**45**	**100**

Source: *primary data (2015)*

Fig.3: showing the age group of respondents



From Table 4.2, above findings indicated that 13.3% of respondents aged below 25 years, 40% were aged between 25-34 years, 28% were aged between 35-44 years and 17.8 were above 45 years of age. This shows that the respondents were mature enough to answer the questions in the questionnaires.

4.2.3 Education level

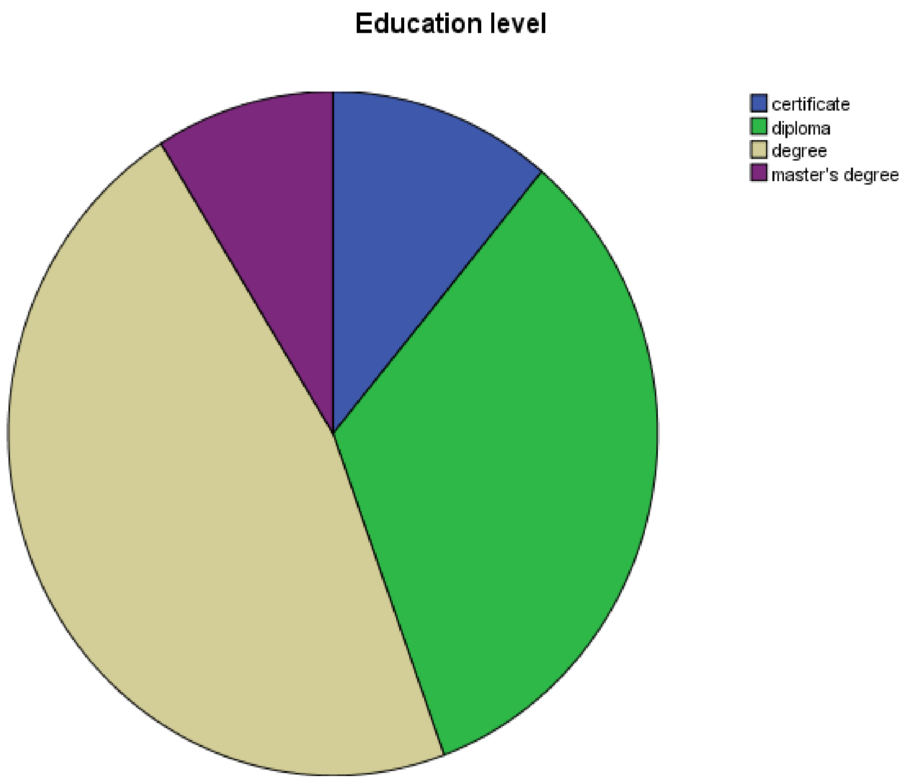
The study also captured data on the level of education of respondents and it is as in the table below:

Table 4.3: showing the education level of respondents

Education level	**Frequency**	**Percent**
Certificate	5	11.1
Diploma	15	33.3
Degree	21	46.7
Master's Degree	4	8.9
Total	**45**	**100**

Source*: Primary data (2015)*

Fig.4: showing the education level of respondents



From the table 4.3 above, the results showed that 11.1% attained certificate level of education, 33% of respondents attained diploma level of education, 46.7% attained degree level of education, and 8.9% of respondents attained master's degree level of education. This implied that the respondents had the knowledge of what study is being investigated.

4.2.4 Duration spent in the organization

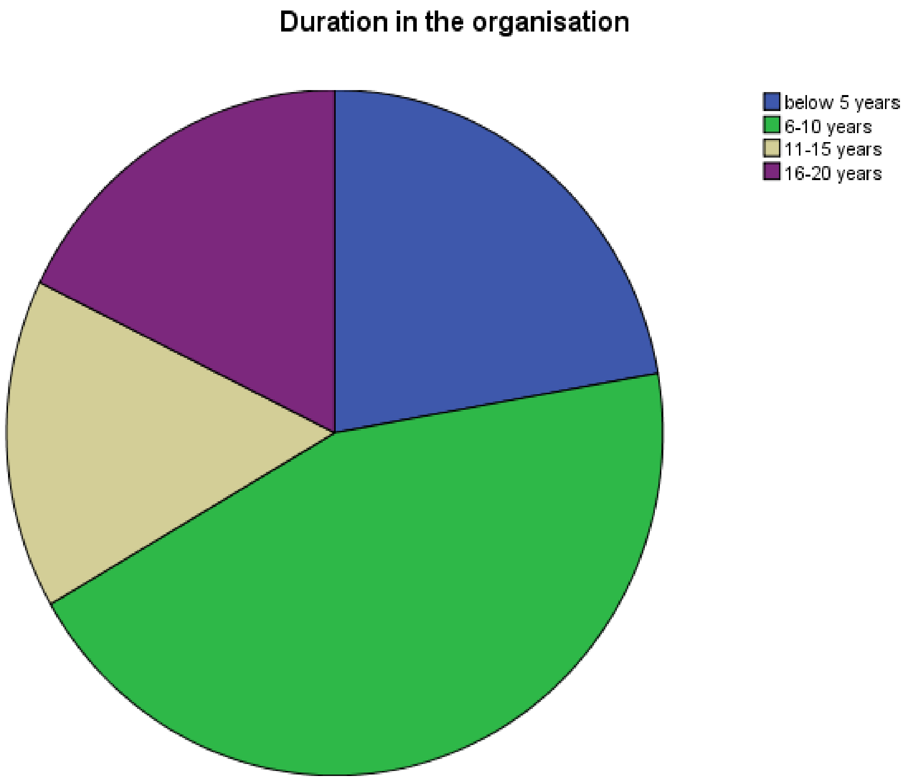
Frequency tabulation was used by the researcher to present the duration spent by respondents in organization. This is as shown in the table 4.4 below:

Table 4.4: showing the duration spent by respondents

Duration	**Frequency**	**Percent**
Below 5 years	10	22.2
6-10 years	20	44.4
11-15 years	7	15.6
16-20 years	8	17.8
Total	**45**	**100**

Source: *primary data (2015)*

Fig.5: showing the duration spent in the organization



From the table 4.4 above, the results revealed that 22.2% of the respondents who provided information had spent less than 5 years, 44.4% of the respondents had spent between 6 and 10 years at the organization, 25.6% of the respondents had spent between 11 and 15 years and17.8% of the respondents had worked in the organization between 16 and 20 years. This implies that most of the respondents in the organization had spent some reasonable time hence they were experienced and in position to provide reliable information for the study.

4.2.5 Department in the organization

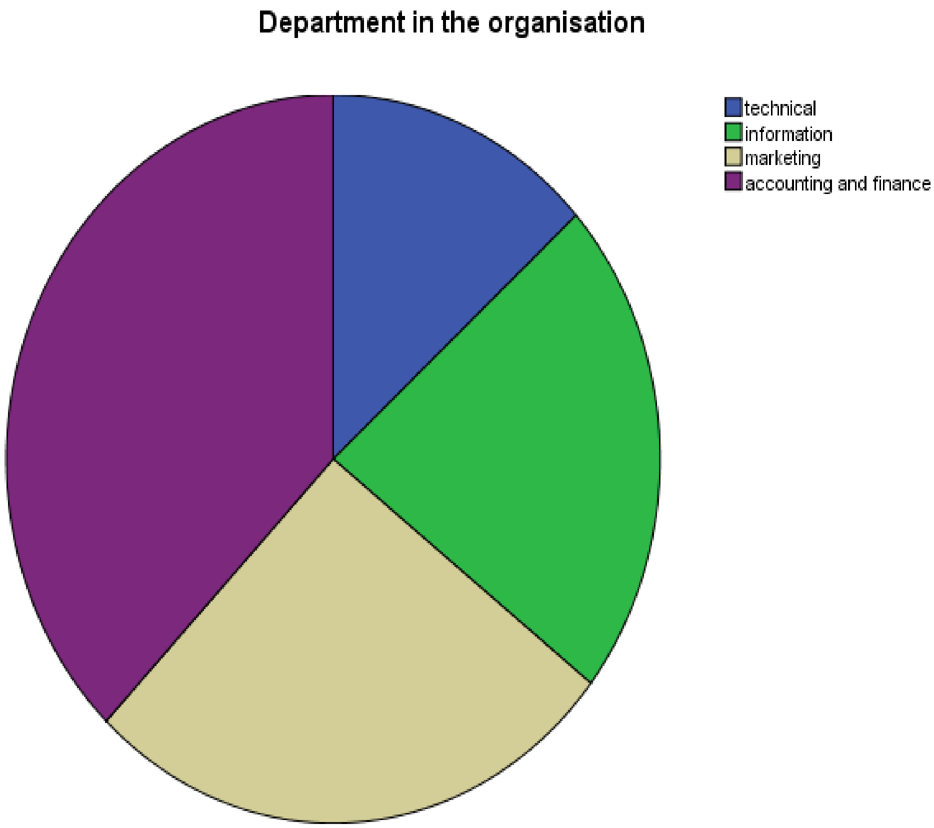
Frequency tabulation showed below the departments in the organization

Table 4.5: showing the departments of the organization

Duration	**Frequency**	**Percent**
Technical	6	13.3
Information	10	22.2
Marketing	12	26.7
Accounting and finance	17	37.8
Total	**45**	**100**

Source: *primary data (2015)*

Fig.5: showing the departments in the organization



From the table 4.5 above, the results revealed that 13.3% of the respondents who provided information worked in technical department, 22.2% of the respondents who provided information worked in information department, 26.7% of the respondents worked in marketing and 37.8% of the respondents worked in accounting and finance department and were the majority. This implies that most of the respondents in the organization had expertise to give reliable information for investigated subject.

4.3 Descriptive statistics

Respondents were asked to respond to a number of statements regarding risk assessment, information and communication monitoring, and control activities. The following were the results;

4.3.1 Descriptive statistics on risk assessment

In order to determine the attitudes that respondents had towards risk assessment, a set of questions were asked and the items were anchored on a five (5) point likert scale ranging from strongly disagree, disagree, neutral, agree and strongly agree. The findings are as shown in table 4.6 below:

Table 4.6 : showing Descriptive Statistics of risk assessment					
Statements	N	Minimum	Maximum	Mean	Std. Deviation
Management has defined appropriate objectives for the organization	45	1	5	3.58	1.177
Management identifies risks that effect achievement of the objectives	45	1	5	3.93	1.232
Management has put in place mechanisms for mitigation of critical risks that may result from fraud	45	1	3	1.84	.796
The organization has a risk management manual that guides the risk assessment process	45	3	5	4.11	.714
Management has put internal controls that provide for assessment of the risks the organization faces from both internal and external sources	45	1	5	4.09	1.145
Management has meetings to identify and evaluate factors that prevent them from achieving their mission through set internal controls	45	3	5	4.33	.826
Valid N (listwise)	45				

Source: primary data (2015)

From the results in table 4.6 above on the respondents' views on risk assessment, revealed that they management defined appropriate objectives for the organization (mean=3.58) which implied that respondents were neutral and (standard deviation=1.177) implied the respondents had high variation in their responses. A company's objectives, its internal organization and the environment in which it operates are continually evolving and, as a result, the risks it faces are continually changing. A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which the company is exposed. Since profits are, in part, the reward for successful risk-taking in business, the purpose of internal control is to help manage and control risk appropriately rather than to eliminate it (John, 2011) and this was consistent.

The respondents revealed that their management identified risks that effected achievement of the objectives (mean=3.93) implied that they neutral and (standard deviation=1.232) which implied that respondent were neutral with wide variation in the responses.

The respondents were required to reveal whether their management had put in place mechanisms for mitigation of critical risks which resulted from fraud(mean=1.84) meant that strongly disagreed and (standard deviation=0.796) with low variation in responses. According to Beasely and Rclune (2004) asserted that Enterprise Risk Management (ERM) has emerged as a new paradigm for managing the portfolio of risks that face organizations and policy makers continue to focus on mechanisms to improve corporate governance and risk management which was inconsistent with finding.

The respondents revealed that the organization had a risk management manual that guides the risk assessment process(mean=4.11) which meant that respondents strongly agree and (standard deviation=0.714) were with wide variations in the answering. This was in line with A sound system of internal control therefore depends on a thorough and regular evaluation of the nature and extent of the risks to which the company is exposed. Since profits are, in part, the reward for successful risk-taking in business, the purpose of internal control is to help manage and control risk appropriately rather than to eliminate it (John, 2011).

The respondents were required to reveal whether the management had put internal controls that provided for assessment of the risks the organization faced from both internal and external sources(mean=4.09) which implied that respondents strongly agreed and (standard deviation=1.145) this showed their wide variation in their responses.

The respondents revealed that their management had meetings to identify and evaluate factors that prevented them from achieving their mission through set internal controls (mean=4.33) which implied that the respondents agree and (standard deviation=0.826) with wide variations in their responses.

4.3.2 Descriptive statistics on information and communication monitoring

In order to determine the attitudes that respondents had towards information and communication monitoring set of questions were asked and the items were anchored on a five (5) point likert scale ranging from strongly disagree, disagree, neutral, agree and strongly agree. The findings are as shown in table 4.7 below:

Table 4.7: showing the Descriptive Statistics of information and communication monitoring

	N	Minimum	Maximum	Mean	Std. Deviation
Management identified individuals who are responsible for coordinating the various activities within the entity	45	3	5	4.33	.522
All employees understand the concept and importance of internal controls including the division of responsibility	45	1	4	2.16	.976
Monitoring has helped in assessing the quality of performance of the organization over time	45	4	5	4.33	.477
Communication help to evaluate how well guidelines and policies of the organization are working and being implemented	45	3	5	4.02	.621
The reporting system on organizational structures spells out all the responsibilities of each section/ unit in the organization	45	2	4	3.67	.603
Management provides written job descriptions and references manuals that describe the duties of the personnel	45	4	5	4.29	.458
Valid N (listwise)	45				

Source: primary data (2015)

From the results in table 4.7 above on the respondents' views on information and communication monitoring, revealed that they their management identified individuals who were responsible for coordinating the various activities within the entity (mean=4.33) implied respondents agreed and (standard deviation=0.522) implied that they had high variation of responses.

All employees understand the concept and importance of internal controls including the division of responsibility (mean=2.16) implied that they disagreed and (standard deviation=0.976) implied that the respondents had low variation in their responses.The board of directors and management must ensure that they receive accurate and timely information to allow them to fulfill their responsibilities. Management must also provide written job descriptions and reference manuals that describe the duties of personnel (Douglas, 2011)

The respondents were required to reveal that monitoring has helped them in assessing the quality of performance of the organization over time (mean=4.33) implied that the respondents agreed and (standard deviation=0.477) implied that respondents had with high variation in the responses.

The respondents were required to reveal that communication helped to evaluate how well guidelines and policies of the organization are working and being implemented (mean=4.02) which implied that they agreed and (standard deviation=0.621) which implied that respondents had high variation in their responses.The board of directors and management must ensure that they receive accurate and timely information to allow them to fulfill their responsibilities. Management must also provide written job descriptions and reference manuals that describe the duties of personnel (Douglas, 2011)

The respondents revealed that the reporting system on organizational structures spelt out all the responsibilities of each section/ unit in the organization (mean=3.67) which implied that they were neutral and (standard deviation=0.603) with high variation in their responses. This finding was consistent in literature where the board of directors and management must ensure that they receive accurate and timely information to allow them to fulfill their responsibilities. Management must also provide written job descriptions and reference manuals that describe the duties of personnel (Douglas, 2011)

The respondents revealed that their management provided written job descriptions and references manuals that describe the duties of the personnel (mean=4.29) and (standard deviation=0.458) with high variations in responses.

4.3.3 Descriptive statistics on control activities

In order to determine the attitudes that respondents had towards control activities, a set of questions were asked and the items were anchored on a five (5) point likert scale ranging from strongly disagree, disagree, neutral, agree and strongly agree. The findings are as shown in table 4.6 below:

Table 4.8: showing the Descriptive Statistics of control activities

Statements	N	Minimum	Maximum	Mean	Std. Deviation
The organization has clear separation of roles	45	4	5	4.33	.477
Management has defined appropriate objectives for the organization	45	2	5	3.67	.739
Our security system identifies and safeguard organizational assets	45	4	5	4.27	.447
Corrective action is taken to address weaknesses	45	4	5	4.24	.435
it is impossible for one to have access to all valuable information without the consent of senior staff	45	2	4	3.27	.688
Departments have budgeted reviews where actual expenditure is compared with budgeted expenditure and explanations for the variances given	45	3	5	4.11	.647
Valid N (listwise)	45				

From the results in table 4.8 above on the respondents' views on control activities, revealed that their organization has clear separation of roles(mean=4.33) which implied that respondents agreed and (standard deviation=0.477) with high variation of responses. According to the interview, one respondent agreed that their company had separate roles in their various departments.Millichamp (1999) stated that the term segregation of duties is used these days for internal duties. One of the prime means of control is the separation of those duties which would if combined would enable one individual to record and process a complete transaction.

The respondents were required to reveal whether their management had defined appropriate objectives for the organization (mean=3.67) implied that the respondents were neutral and (standard deviation=0.739) with high variation in their responses.

The respondents revealed that their security system identified and safeguarded their organizational assets (mean=4.27) implied that respondents agreed and standard (deviation=0.447) with wide variation in their responses. This was consistent withDe Paula et al (1990) also noted that internal controls require that business assets like plant and machinery, equipment, motor vehicle, stock and cash should be kept safely and access should be limited to authorised personnel only. The procedures designed and security measures taken to safeguard assets are known as Physical Controls.

The respondents revealed that corrective actions were taken to address weaknesses (mean=4.24) meant respondents agreed and (standard deviation=0.435) with wide variation

The respondents revealed that it was impossible for one to have access to all valuable information without the consent of senior staff (mean=3.27 and standard deviation=0.688) which implied that respondents were not sure with wide variation in their responses.

The respondents were required to reveal that their departments had budgeted reviews where actual expenditure were compared with budgeted expenditure and explanations for the variances given (mean=4.11) meant respondents agreed and (standard deviation=0.647)with high variations. And Woolf (1997) also stated that arithmetic and accounting controls should be implemented as they aim at ensuring accuracy of transactions and ensuring proper recording of company transactions according to the Generally Accepted Accounting Principles (GAAPs). When examining the internal control system, the auditor should consider the possibility of collusion between close relatives working in related parts of the firm, this may conceal irregularities and this was in line with findings and affirming to it

4.4 Descriptive statistics on organizational performance

Respondents were asked to respond to a number of statements regarding return on investment, liquidity and financial efficiency. The following were the results;

4.4.1 Descriptive statistics on return on investment

In order to determine return on investment, item mean results were generated to show the average response of the respondents on each item. The items were anchored on a five (5) point likert scale ranging from strongly disagree, disagree, neutral, agree and strongly agree. The findings are as shown in table 4.9 below:

Table 4.9: showing the Descriptive Statistics of returns on investment					
	N	Minimum	Maximum	Mean	Std. Deviation
Our company receives high profits on every end of year on their investment	45	3	5	3.91	.793
Our company has recorded high profits in all revenue streams	45	3	5	3.82	.747
Increase in profitability has increased on shareholders' returns	45	3	5	4.24	.570
our comapany has increased on product portofilio which has increased profits	45	3	5	4.33	.640
profit margins are dwindling because of increasing competition	45	1	5	1.82	1.211
Valid N (listwise)	45				

From the results in table 4.9 above on the respondents' views on return on investment, revealed that their company received high profits on every end of year on their investments (mean=3.91) implied that respondents were neutral and (standard deviation=0.793) which implied that respondents were not sure with high variation of responses.

The respondents were required to reveal that their our company had recorded high profits in all revenue streams (mean=3.82) implied that respondents were neutral and (standard deviation=0.747) with high variations in their responses

The respondents revealed that increase in profitability of their organization increased on shareholders' returns(mean=4.24) implied that respondents agreed and (standard deviation=0.570) with wide variations in their responses.

The respondents were required to reveal that their company had increased on product portfolio which had increased profits (mean=4.33) implied that respondents agreed and (standard deviation=0.640) with wide variations in their responses.

The respondents were required to reveal that profit margins were dwindling because of increasing competition (mean=1.82) meant they strongly agreed and (standard deviation=1.211) with low variation of their responses.

4.4.2 Descriptive statistics on liquidity

In order to determine liquidity, item mean results were generated to show the average response of the respondents on each item. The items were anchored on a five (5) point likert scale ranging from strongly disagree, disagree, neutral, agree and strongly agree. The findings are as shown in table 4.10 below:

Table 4.10: showing the Descriptive Statistics of liquidity

	N	Minimum	Maximum	Mean	Std. Deviation
Our business generates sales as expected	45	3	5	4.07	.618
our employees receive their salaries on time	45	2	5	3.91	.848
We have never experienced any stock out	45	4	5	4.60	.495
In our company, there is a minimum cash level which I alaways maintain	45	3	5	3.80	.661
We pay my supplies on time	45	3	5	4.20	.815
Valid N (listwise)	45				

From the results in table 4.10 above on the respondents' views on liquidity, revealed that their business generates sales as expected (mean=4.07) implied that respondents agreed and (standard deviation=0.618)with high variation of responses.

The respondents were required to reveal they received their salaries on time (mean=3.91) implied that respondents were neutral and (standard deviation=0.848) with wide variation of the responses. This was true for the fact that they received their payment in early four days before the end of the month.

The respondents revealed that they have never experienced any stock out (mean=4.60) which implied that respondents strongly agreed and (standard deviation=0.495) with high variation in their responses. This is in line with findings where the respondents agreed that they have never experienced stock out at the company.

The respondents were required to reveal whether that in their company, there was a minimum cash level which they always maintained (mean=3.80) implied that respondents were neutral and (standard deviation=0.661) with high variations in their respondents.

The respondents were required to reveal that they paid their suppliers on time (mean=4.20) implied that respondents agreed and (standard deviation=0.815)with high variations in their responses. According to the interview, the manager agreed that they paid their suppliers in time.

4.4.3 Descriptive statistics on financial efficiency

In order to determine financial efficiency, item mean results were generated to show the average response of the respondents on each item. The items were anchored on a five (5) point likert scale ranging from strongly disagree, disagree, neutral, agree and strongly agree. The findings are as shown in table 4.11 below:

Table 4.11: showing the Descriptive Statistics of financial efficiency

	N	Minimum	Maximum	Mean	Std. Deviation
Our company has a good financial strength	45	3	5	4.16	.673
The company mainly holds current assets	45	1	5	2.38	1.248
Employees are partly involved in decision concerning product pricing	45	1	5	2.56	1.099
The company uses its assets to yield very high profits	45	2	5	3.80	.842
Commissions are given upon set standards of sales	45	4	5	4.62	.490
Valid N (listwise)	45				

From the results in table 4.11 above on the respondents' views on financial efficiency, revealed that whether their company had a good financial strength (mean=4.16) implied that respondents agreed and (standard deviation=0.673)with high variation of responses. This was confirmed by one of the employees in accounting department and said that the organization had a good financial strength.

The respondents were required to reveal whether their company mainly held current assets (mean=2.38) implied that respondents disagreed and (standard deviation=1.248) with low variation in their responses. this was in disagreement with Petersen and Rajan (1997) who pointed out that companies' assets can be inform of current assets.

The respondents revealed that employees are partly involved in decision concerning product pricing (mean=2.56) implied that respondents disagreed and (standard deviation=1.099) with low variations in their responses. This was in agreement with the employees because it was mainly based in management level only and in particular marketing and technical departments.

The respondents revealed that their company used its assets to yield very high profits (mean=3.80) implied that the respondents were neutral and (standard deviation=0.842) with high variations in their responses. Helfer (1991) pointed out that profitability means returns achieved, through efforts of management which was not consistent but can be adopted for the organization.

The respondents revealed that commissions were given upon set standards of sales (mean=4.62) implied that respondents strongly agreed and (standard deviation=0.490) with high variations in their responses. This was true for company as we talked to marketers in marketing departments

4.5 Correlation Analysis

In order to find out the relationship between the independent variable and the dependent variable, correlation analysis using Pearson correlation coefficient was conducted to examine the effect of the different dimensions of the independent variable on the dependent variable and the significance of those effects

4.5.1 Effect of risk assessment and organizational performance

Table 4.12: showing the Correlations of risk assessment and organizational performance

		Risk assessment	Organizational performance
Risk assessment	Pearson Correlation	1	.132
	Sig. (2-tailed)		.388
	N	45	45
Organizational performance	Pearson Correlation	.132	1
	Sig. (2-tailed)	.388	
	N	45	45

Source: primary data (2015)

From the results in table 4.12 above, the results revealed that there is a correlation between risk assessment and organizational performance in Roofings Uganda Limited was positive correlation and there is relationship ($r = 0.388$, $p \leq 0.01$). Romar and Moberg (2003) conducted a case study that showed the following could have contributed to WorldCom scandal in 2002: unrealistic growth targets when expectations were low, management philosophy was aggressive; inadequate assessment of internal and external factors, and objectives before setting aggressive targets; poor segregation of duties; access to data entry and manipulation was not properly segregated and there was a lack of stringent monitoring of the internal control system and therefore quality of the controls around the posting of journal entries to the general ledger was not identified as weak. This in consistent with authors and they described a colloapsing system of company.

4.5.2 Effect of information and communication monitoring and organizational performance

Table 4.13: showing Correlations of information and communication and organizational performance			
		Information and Communication monitoring	Organizational performance
Information and communication monitoring	Pearson Correlation	1	.113
	Sig. (2-tailed)		.459
	N	45	45
Organizational performance	Pearson Correlation	.113	1
	Sig. (2-tailed)	.459	
	N	45	45

Source: primary data (2015)

From the results in table 4.13 above, the results revealed that there is a correlation between information and communication monitoring risk assessment and organizational performance in Roofings Uganda Limited was positive correlation and there is relationship ($r = 0.459$, $p \leq 0.01$). This shows that a favorable conditions in information and communication monitoring increases organizational performance. According toDouglas (2011) the information and communication monitoring is internal control standard, for an agency to run and control its operations, it must have relevant, reliable information, both financial and non-financial, relating to external as well as internal events. That information should be recorded and communicated to management and others within the agency who need it and in a form and within a time frame that enables them to carry out their internal control and operational responsibilities (Steihoff, 2001) Hevesi (@0050 information and communication are essential to effective control.

4.5.3 Effect of control activities and organizational performance

Table 4.14: showing the Correlations of control activities and organizational performance

		Control activities	Organizational performance
Control activities	Pearson Correlation	1	.576**
	Sig. (2-tailed)		.000
	N	45	45
Organizational performance	Pearson Correlation	.576**	1
	Sig. (2-tailed)	.000	
	N	45	45

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

From the results in table 4.14 above, the results revealed that there is a relationship between control activities and organizational performance with a positive and significant relationship ($r = 0.576$, $p \leq 0.01$).These results imply that the more control activities are favorable among the employees the higher will be the organizational performance of the company. and this was in line with what internal control should be effective when examining design can extremely beneficial and is usually for organization management and widely to financial statements (Ogneva, Subramanyam & Raghunandan, 2007) at present, all kinds of business firms have used internal controls through the formation of policies to ensure a safeguarding assets and profitable business environment especially accounting policy, management policy, and operational policy. Hence, internal control should be on a regular basis review in all aspects of their company and insert internal controls that will strengthen the company and increase profitability (Skaife et al., 2007).

4.6 Conclusions

Therefore this chapter presented analyses and discussed the study of findings.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussion, conclusions and recommendations arising out of the research findings in chapter four and suggestions for further research.

5.1 Summary of findings

5.1.1Effect of risk assessment and organizational performance

From the findings, the results revealed that there is a correlation between risk assessment and organizational performance in Roofings Uganda Limited was positive correlation and there is relationship ($r = 0.388$, $p \leq 0.01$).

The respondents revealed that they management defined appropriate objectives for the organization, respondentsagreed that their management identified risks that effected achievement of the objectives, disagreed that their management had put in place mechanisms for mitigation of critical risks which resulted from fraud, agreed that the organization had a risk management manual that guides the risk assessment process, that the management had put internal controls that provided for assessment of the risks the organization faced from both internal and external sources, revealed that their management had meetings to identify and evaluate factors that prevented them from achieving their mission through set internal controls.

5.1.2 Effect of information and communication monitoring and organizational performance

The findings revealed thatthe results revealed that there is a correlation between information and communication monitoring risk assessment and organizational performance in Roofings Uganda Limited was positive correlation and there is relationship ($r = 0.459$, $p \leq 0.01$). This shows that a favorable conditions in information and communication monitoring increases organizational performance.

5.1.3 Effect of control activities and organizational performance

From the findings, the results revealedthat there is a relationship between control activities and organizational performance with a positive and significant relationship ($r = 0.576$, $p \leq 0.01$).These results imply that the more control activities are favorable among the employees the higher will be the organizational performance of the company.

Respondents revealed that their organization has clear separation of roles, the respondents were their management had defined appropriate objectives for the organization, revealed that their security system identified and safeguarded their organizational assets, the respondents revealed that corrective actions were taken to address weaknesses, the respondents revealed that it was impossible for one to have access to all valuable information without the consent of senior staff, revealed that their departments had budgeted reviews where actual expenditure were compared with budgeted expenditure and explanations for the variances given

5.2 Conclusions

The study also revealed that there was statistically significant and positive correlation between internal control and organizational performance of Roofings. This shows that for organizational performance to blossom in the organization then internal controls should be maintained.

This clearly shows that there is a strong and positive relationship between the independent variable and dependent variable; where an indication that an increase or a decrease in internal controls performance directly affects organizational performance

5.3 Recommendations

From the research findings, the following recommendations are made:

The organization should develop and organize constant seminars and workshops to train and educate employees on mechanisms for mitigation of critical risks which have resulted from fraud especially employees from accounting and accounting department where auditors and auditors belong, additionally on matters pertaining proper accounting policies to enhance skills to avoid fraud.

The study recommends that both internal and external auditor should be constantly updated and well-grounded on international financial reporting standards (IFRS) and principles in order to enhance their knowledge and skills in application of accounting practices and to keep them updated on the contemporary issues.

The study recommends that management supported by audit committee should sensitize the employees in various departments about internal controls which help to periodically monitor and evaluate the internal control system which initiates self-discipline among the employees which brings monitoring and assessment of the system hence leads to organizational performance

5.4 Areas for further research

It would be interesting to conduct a study on the determinants of internal control systems and their implications on financial performance; this will shed more light on the appropriate model to choose when implementing better internal control systems that enhance financial performance of firms.

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APPENDIX

RESEARCH QUESTIONNAIRE

Dear respondent,

I **NAKITENDE DORORTHY** pursuing Business Administration and Management in Uganda Martyrs University, Nkozi. As part of my partial fulfillment of the requirements for the award of a Bachelor‘s Degree in Business Administration and Management, I am required to carry out an individual research project entitled **effect of internal controls on organizational performance in manufacturing firms in Uganda.** You have been selected to participate in the data collection of the study, requesting that you spare precious time to respond to the questions to the best of your knowledge and your responses will be highly appreciated. The information obtained in the study will be kept confidentially and used strictly for academic purposes only.

Yours faithfully,

…………………………..

NAKITENDE DOROTHY

Background information

Section A

Please tick the right option in spaces provided

a) Gender

1) Male ☐ 2) female ☐

b) What is your age group?

1) Below 25 years ☐ 2) 25-34 years ☐

3) 35-44 years ☐ 4) Over 45 years ☐

c) Education level

1) Certificate ☐ 2) Diploma ☐

2) Degree ☐ 4) Master's degree ☐

5) Others specify

....

d) How long you have been working for this company?

1) 0-5 years ☐ 2)6-10 years ☐

3)11-15years ☐ 4) 16-20 years ☐

e) Department

1)Technical department ☐ 2)Information department ☐

3)Marketing department ☐ 4) Accounting and finance ☐

INTERNAL CONTROLS

Please answer truthfully. Please select one answer per statement by placing a cross in the appropriate box on the scale of 1 to 5 where:
1=strongly disagree , 2= Disagree, 3= Not sure , 4=Agree , 5=strongly agree

Section B

Risk assessment

	STATEMENTS	**1**	**2**	**3**	**4**	**5**
1	Management has defined appropriate objectives for the organization					
2	Management identifies risks that affect achievement of the objectives					
3	Management has put in place mechanisms for mitigation of critical risks that may result from fraud					
4	The organization has a risk management manual that guides the risk assessment process.					
5						

Information and communication monitoring

	STATEMENTS	**1**	**2**	**3**	**4**	**5**
1	Management has identified individuals who are responsible for coordinating the various activities within the entity					
2	All employees understand the concept and importance of internal controls including the division of responsibility					
3	Monitoring has helped in assessing the quality of performance of the organization over time					

4	Communication helps to evaluate how well guidelines and policies of the organization are working and being implemented					
5	The reporting system on organizational structures spells out all the responsibilities of each section/unit in the organization					

Control activities

	STATEMENTS	**1**	**2**	**3**	**4**	**5**
1	Our organization has clear separation of roles					
2	Staff are trained to implement the accounting and financial management system					
3	Our security system identifies and safeguard organizational Assets					
4	Corrective action is taken to address weaknesses					
5	It is impossible for one staff to have access to all valuable information without the consent of senior staff					

SECTION C

Organization performance

Please answer truthfully. Please select one answer per statement by placing a cross in the appropriate box.

Key 1=strongly disagree (SD), 2= Disagree (D), 3= Not sure (N), 4=Agree (A), 5=strongly agree (SA)

Return on investment (profitability)

	STATEMENTS	**SD**	**D**	**N**	**A**	**SA**
1	Our company receives high profits on every end of year on their investments.					
2	Our company has recorded high profits in all revenue streams.					
3	Increase in profitability has increased on shareholder' returns.					
4	Our company has increased on product portfolio which has increased profits					
5	Profit margins are dwindling because of increasing competition					

Liquidity

	STATEMENTS	**1**	**2**	**3**	**4**	**5**
1	Our business generates sales as expected					
2	Our employees receive their salaries on time					

3	We have never experienced any stock out					
4	In our company, there is a minimum cash level which I always maintain.					
5	We pay my suppliers on time					

Financial efficiency

	STATEMENTS	**1**	**2**	**3**	**4**	**5**
1						
2						
3						
4						
5						

Thank you very much

INTERVIEW GUIDE

Please answer the following open ended questions:

a) Do you have clear documented objectives for all key activities of the organization?

b) If yes, are all employee levels in the organization represented in establishing the objectives?

c) How do you communicate your organization's standards and expectations?

i) employees

ii) investors

iii) clients

d) How often do you normally prepare reports and other returns to management?

e) Who is chiefly responsible for ensuring that internal control measures are adhered to?

f) How do you provide adequate physical security for cash and other assets subject to theft?

TABLE FOR DETERMINING SAMPLE SIZE FROM A GIVEN POPULATION

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" is population size

"S" is sample size.