EFFECT OF INTERNAL CONTROLS ON FINANCIAL ACCOUNTABILITY IN A NON-GOVERNAMENTAL ORGANIZATION IN UGANDA: A CASE STUDY OF WORLD VISION UGANDA

A POST GRADUATE DISSERTATION PRESENTED TO THE FACAULTY OF BUSINESS ADMIISTRATION AND MANAGEMENT IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

UGANDA MARTYRS UNIVERSITY

WANYAMA ROBERT OUMA

2013-M102-20055

JUNE 2016

DEDICATION

This Dissertattion is dedicated to my family and friends who encouraged me during the study period.

ACKNOWLEDGEMENT

I wish to extend my gratitude to my supervisor, Mr. Edward Segawa, for his professional guidance and advise throughout my dissertation.

I also want to sincerely thank World vision staff for the assistance they accorded to me during data collection period.

To the entire academic staff of Uganda Martyrs University Faculty of Business Administration and Management thank you for your great support.

To my family and friends, kindly accept my appreciation in one way or another

Table of Contents

LIST OF TABLES

LIST OF ABBREVIATIONS AND ACRONYMS

AICPA (American Institute of Certified Accountants)

CIMA (Chartered Institute of Management Accountants)

COSO (Committee of Sponsoring Organizations)

ICPAU (Institute of Public Accountants of Uganda)

PEFA (Public Expenditureand Financial Accountability)

NGO (Non Governmental Organizations)

SPSS (Statistical Package for Social Sciences)

ABSTRACT

This study examined the effect of internal controls on financial accountability at World Vision Uganda. This study was guided by the following objectives; to examine effect of the control environment on financial accountability at World Vision Uganda, assess the effect of risk assessment on financial accountability at World Vision Ugandan and determine the effect of control activities on financial accountability at World Vision Uganda

A quantitative and qualitative case design was used to collect data from a sample of 118 respondents at World Vision Uganda. Stratified random sampling and purposive sampling techniques were used in selecting the sample. Questionnaire was the main instrument of data collection and the Statistical Package for Social Sciences (SPSS) was used for analysis.

The findings of the study revealed that there was an effect of Internal Controls on Financial Accountability. Furthermore, the findings showed that control environment, risk assessment and control activities were significant predictors of financial accountability. However, it was indicated that control environment was the most significant predictor of financial accountability as compared to other variables.

The researcher recommends that the Non-Government Organizations management/owners should establish/ strengthen their internal control systems in order to enhance financial accountability and hence ensure efficient, effective, and equitable service delivery. This can be accomplished through; policy implementation, recruiting competent/knowledgeable staff, putting in place systems to monitor/evaluate performance, and providing refresher courses on leadership and management of recourses to /management and staff, among others.

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The study sought to examine the effect of internal control systems on financial accountability in a non-governmental organization in Uganda taking a case study of World Vision Uganda. Internal control system is topical issue following global fraudulent financial reporting and accounting scandal in both developed and developing countries (Mattie & Cassidy (2002). For this study, internal controls system was the independent variable and financial accountability was the dependent variable. According to COSO (2004), Internal control is a process effected by an entity's Board of Directors, Management and other Personnel in providing reasonable assurance in effectiveness and efficiency, reliability of financial reporting, and compliance with applicable laws and regulations. COSO (2004) states the objectives of Internal control structures that include; to safeguard assets, check accuracy and reliability of accounting data, promote operational efficiency and encourage adherence to prescribed management policies. The Financial Markets Authority working group (2007) looked at components of internal control as being; control environment, risk assessment, control activities, information and communication, and monitoring, liable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Whereas internal controls are thought to be the domain of finance staff, it is actually management that has primary responsibility of proper controls. According to Brown (1998), Financial Accountability is the assessment of value for money and acceptance by individuals of personal responsibility for their actions in relation to quality of their outputs and decisions. It also refers to an act of accounting for the resources of an entity needed for legal accountability, for budgetary resources, stewardship over assets, protection of cash resources, and management and control of costs (Komugisa, 2013). Furthermore, it is the obligation of an individual or organization to account for its activities, accept responsibility for them, and disclose the results in a transparent manner. It is important to note that good accountability skills for organizational success include; drive for results, honesty and integrity, trust, clear vision, problem solving and technical expertise, communication, ability to change, and collaboration and resolving conflict. The Cambridge business dictionary online defines financial accountability as the responsibility for the way money is used and managed.

1.1 Background to the Study

Poor accountability is a pervasive problem in both the developed and developing world. In recent years, the problem gained much interest due primarily to a series of high level fraud cases in industrialized countries, an increasing awareness of the cost of corruption throughout the world and the practical and economic changes many countries are undergoing (Lawal, 2007).

A 2007 survey by Price Waterhouse Coopers revealed that fraud remained one of the most problematic issues for businesses worldwide, with no abatement regardless of the organization's country of operation, industry sector, or size. In 2007, over 43 percent of businesses reported suffering one or more significant economic crimes during the previous two years. This was very similar to the results in 2005 and an increase of six percentage points over 2003 as reported by the Price Water Coopers.

Seventy-five percent of businesses surveyed by the KPMG in New Zealand and Australia in 2003 reported that they experienced an instance of fraud which was an increase of 13 percentage points more than in 1998. While employee fraud was the most prevalent type of fraud experienced by organizations, financial reporting fraud and medical or insurance fraud were the most costly. In fact, financial reporting fraud more than doubled its rate of occurrence since 1996. The greatest percentage point increases since 1998 were in theft of assets and expense account abuse (KPMG, 2003).

In Africa, the most common form of fraud was manifested through corruption in both public and private spheres. The Berlin-based group’s 2010 list ranked six African nations among the 10 most corrupt countries of the 173 surveyed. These were Sudan, Chad, Burundi, Angola and Equatorial Guinea, with Somalia heading the list as the most corrupt nation of all those surveyed. These six could have been the worst culprits on the continent, but the majority of African countries surveyed did not fare any better. Transparency International scored countries on a 10-point scale, with zero being the most corrupt. Forty-four of the 47 African nations surveyed scored less than five on the index, indicating serious levels of corruption. The severity of Africa’s corruption problem was further evidenced by the least corrupt African nation, Botswana, only achieving a score of 5.8.

A lack of transparency, integrity and accountability related to economic under-performance and fetters progress toward poverty eradication in many developing nations (Transparency International, 2010). As the world’s most under-developed region, the barriers to development and poverty eradication that corruption imposes are costs sub-Saharan Africa can ill afford.

In Uganda despite interventions to fight corruption, corruption remained widespread at all levels of society and remained a challenge to combat (Transparency International 2008; 2009; 2010). Most governance indicators showed that corruption was perceived as wide spread in the country. The Afro Barometer survey of 2005 showed that corruption was perceived to be rampant with 36% of the respondents believing that most of the government officials at both local and central government were corrupt. The Global integrity report (2006) showed that more than half of the government annual budget was lost to corruption each year. The 2008 corruption index ranked Uganda at 126^{th} place out of 180 countries with a score of 2.6. Previous indicators of the index showed that despite slight improvements in corruption, corruption was still systematic and rampart implying that poor accountability remained a very pervasive issues that needed to be addressed if organizations were to potentially realize their respective objectives.

There was a general perception that institution and enforcement of proper internal control systems would always lead to improved financial accountability and improved reporting processes would give rise to reliable reports and enhance the accountability function of management of an entity (Ssuuna, 2010). Nevertheless, available Literature pointed out that in spite of elaborate system of controls in organizations, proper accountability had been elusive in most of these organizations (OAG, 2010).

World Vision Uganda like any other organization was grappling with the challenge of poor accountability. The organization's staffs had in a number of cases been given the organization's resources and had either failed to account for the resources entrusted to them or had not made the necessary accountabilities in time. Therefore, the study sought to examine the functionality of the current internal control systems in ensuring proper accountability.

1.2 Statement of the Problem

Management at World Vision Uganda put in place internal control measures to improve financial accountability. Those internal controls were in five dimensions of control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment established the tone of World Vision Uganda and influenced control awareness of employees. Factors included within control environment were; the ethical values and integrity, management's operating style and philosophy, competence of staff, assignment of authority and responsibility and the attention and direction by Board of Directors. Such factors mentioned in the control environment were being implemented but in spite of their existance poor financial accountability still persisted.

Risk assessment established by World Vision Uganda included; The consideration of risk factor, recognition that World Vision faced risks to its success, recognition that the resources were internal and external, and identification, analysis and action to achieve the organization's goals but in spite of such risk assessment factors in place in World Vision the issue of poor financial accountability remained a major problem.

Control activities that were put in place by world Vision management were policies and procedures that ensured that; management directives were carried out, protection of assets of the organization including a combination of manual controls and automated controls. Management categorized control activities as approvals, authorizations, verifications, reconciliations, reviews of operating performance and segregation of duties. However in spite their establishment and being implemented the issue of poor financial accountability persisted.

Information and communication controls established helped personnel to understand their roles and responsibilities to internal controls and over financial reporting and in spite of their establishment poor financial accountability in World Vision Uganda persisted persisted.

World vision established monitoring dimension as the process of assessing quality of internal control performance over time, involving evaluation of the design and operation of controls over time and initiative correction action when specific controls were not functioning properly but despite that dimension of monitoring poor financial accountability persisted.

In general despite the internal control measures that were put in place by management at World Vision Uganda to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations, financial irregularities like fraud and poor accountability still persisted. The situation made one wonder if the internal controls put in place in World Vision were effective. Thus there was need to examine the effect of internal controls on financial accountability in a not-for-profit organization like World Vision.

1.3 General Objective of the Study

The general objective of this study was to examine the effect of internal controls on financial accountability at World Vision Uganda.

1.3.1 Specific Objectives of the Study

1.3.2 To examine effect of the control environment on financial accountability at World Vision Uganda;

1.3.3 To assess the effect of risk assessment on financial accountability at World Vision Uganda;

1.3.4 To determine the effect of control activities on financial accountability at World Vision Uganda.

1.4 Research Questions

1. What was the effect of the control environment on financial accountability at World Vision Uganda?
2. What was the effect of risk assessment on financial accountability at World Vision Uganda?
3. How did control activities affect financial accountability at World Vision Uganda?

1.5 Scope of the Study

1.5.1 Content Scope

In terms of content, the study focused on the effect of internal controls on accountability. Specifically, the study sought to determine the influence of the control environment, risk assessment, and control activities on financial accountability. Control environment activities included; the ethical values and integrity, management's operating style and philosophy, competence, morale, supportive attitude, mission, and structure. Control activities included; top level reviews of actual performance, control over information processing, physical control over vulnerable assets, segregation of duties, and proper execution of transactions and appropriate documentation of transactions. Risk assessment activities included; mitigation of the likely risks like fraud and embezzlement of donor funds and monitoring and evaluation of programs. On the other hand the content scope on financial accountability which was the dependent variable included; transparency meaning direct access of accounting information in specific mechanism, methods of recording transaction, keeping financial records, performing internal audits and reporting and analyzing financial information to management. Further it included quality of financial reports which implied accuracy of the reports, timely reporting to donors and stakeholders and consistency of the reporting format over a reasonable period of time.

1.5.2 Geographical Scope

The study focused on the World Vision National Office on plot 15B Nakasero next to South African High Commission in Kampala. The National office provided an optimal location for the study because this was where all the key internal control systems were initiated and financial accountability decisions were made.

1.5.3 Time scope

The key data for the study was from the period between 2010 and 2014, this being the period in which the organization had been facing challenges of financial accountability.

1.6 Significance of the Study

The findings of the study were expected to expand knowledge to World vision key policy makers, donors, World Vision communities where various programs were implemented, Schools and students that were being sponsored by World Vision, Government of the Republic of Uganda, other sister Non Governmental Organizations, general public, future researchers, academicians and entire world vision Uganda staff on the on effect of internal control system and financial accountability in the following ways;

World vision key policy makers would benefit from the study in that they would be able see the loopholes that were still persisting while implementing internal control variables of control environment, risk assessment and control activities and eventually be able to come up with measures best suitable for ensuring efficiency and effectiveness in realizing proper financial accountability.

World Vision donors would benefit from the study in that they would only be able to commit their funds (donations) for the specific implementations in selected communities after being sure that policies established in place would not allow the money committed to be misused or embezzled.

The local communities where World Vision was established would benefit in that they would be rest assured the policies put in place would ensure that right and targeted beneficiaries are reached and their respective lives touched and eventually positively changed.

Schools and students sponsored by World Vision would benefit from the study that the funds allocated to them with the aim of educating children for the future generation would be not be embezzled.

Government of the Republic of Uganda would indirectly benefit in that World Visions activities would be working towards supporting the Government programs with the motive of improving household and community livelihoods. This would be possible with the effective and efficient internal control measures in place that minimizes poor financial accountability.

Other Non Governmental Organizations would benefit from the study in that they would be able to adopt the efficient and effective internal control dimensions being implemented by World Vision in ensuring proper financial accountability was realized since by nature all NGOS were stewards.

World Vision staff would benefit from the study in that they would adopt the better techniques of internal control dimensions including control environment, risk assessment, control activities, communication and information, and monitoring in ensuring that proper financial accountability was achieved.

Equally, general public would benefit from the study in that it would appreciate that transparency in terms of documentation, reporting, communication and monitoring was paramount if proper accountability was to be realized.

1.7 Justification of the Study

While a number of studies indicated that internal control systems lead to improved financial management outcomes like fraud mitigation and financial management (Bosa, 2011; Ahmad and Norhashim, 2008; Sarens & De Beelde, 2006; Ssuna, 2009; Naigaga, 2012) , previous studies had a number of gaps. First they were based on anecdotal observations rather than empirical research findings. Secondly the focus was not on financial accountability but on other outcomes like fraud detection and financial reporting. Thirdly, most studies were conducted in manufacturing firms in the developed world and not in a not-for-profit organization, thus providing a contextual gap for this study to fill.

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

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

1.8 Definition of Key Terms

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

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

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

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

Financial Accountability refers to more transparent use of the organization’s resources

1.9 Conceptual Framework

The conceptual framework on the effect of Internal controls system and Financial accountability as defined by Committee of Sponsoring Organizations of the Treadway commission (COSO 1992) and the Public Expenditure and Financial Accountability (PEFA) Framework (2012) discussed five dimensions of internal controls namely; control environment, control activities, risk assessment, information and communication and monitoring respectively.

The control environment as suggested by COSO (1992) and PEFA (2012) was concerned with the actions, policies, and procedures that reflected the overall attitude of the top management, directors about internal control and its importance for instance; Commitment to competence, Board of directors and audit committee, Management's philosophy and operating style, Organizational structure, Assignment of authority and responsibility, Human resource policies and practices

The risk assessment as suggested by COSO (1992) and PEFA (2012) was concerned with management's identification and analysis of risks relevant to the preparation of the financial statements in accordance with GAAP. Management assesses risk as part of designing and operating internal controls to minimize errors and fraud. Three steps involved were Identification of factors that increased risk, determined significance of risk and likelihood of occurrences, developed specific actions to reduce risk to an acceptable level.

The control activities as suggested by COSO (1992) and PEFA (2012) were concerned with Policies and procedures that management established to meet its objectives for financial reporting; For instance Adequate segregation of duties. Proper authorization of transactions and activities, adequate documents and records, Physical control over assets and records, Independent checks on performance.

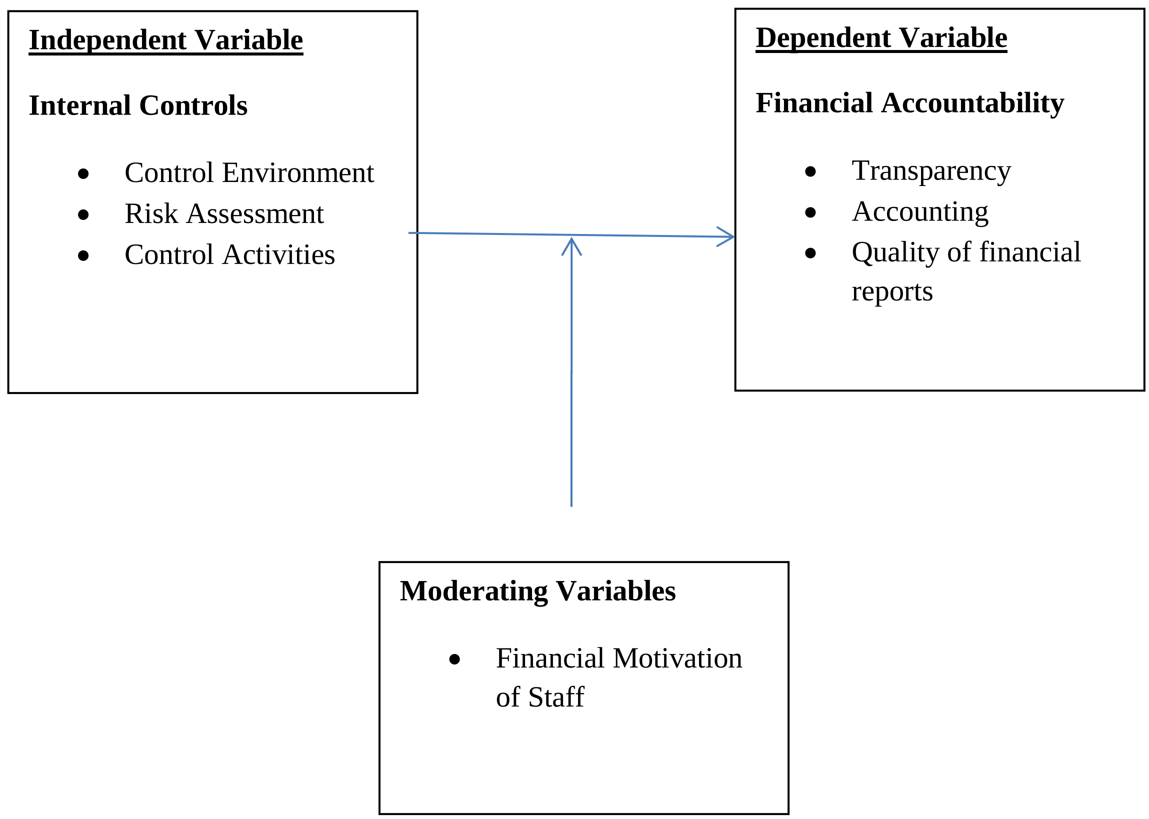
Information and communication dimension as suggested by COSO (1992) and PEFA (2012) was concerned with Methods used to initiate, record, process, and report an entity's transactions and to maintain accountability for related assets.

Monitoring dimension as suggested by COSO (1992) and PEFA (2012) was concerned with management's ongoing and periodic assessment of the quality of internal control performance to determine whether controls are operating as intended and modified when needed. In World Vision an internal audit department is essential for effective monitoring. To maintain internal audit independence, it was imperative that they be independent of operating and accounting departments; and that they report to a high level of authority, preferably the audit committee of the board of directors.

From the above conceptual framework, research was narrowed to only three dimensions of internal controls system namely; control environment, control activities and risk assessment that were major predictors of financial accountability in World Vision Uganda.

Conceptual Framework

The relationship between internal controls and Financial Accountability



Source: Adopted with modification from the COSO (1992) and the Public Expenditure and Financial Accountability (PEFA) Framework (2012)

Independent Variable

The independent variable in the study was internal controls. Internal controls system was conceptualized in terms of control environment, risk assessment and control environment. The first aspect of the independent variable was control environment which was according to COSO 1992 defined as the control consciousness of an organization; the atmosphere in which people conduct their activities and carry out their control responsibilities. The model assumes that effective control environment leads to improved financial accountability.

The second aspect of the independent variable was risk assessment which was conceptualized as the identification risks to the achievement of an organization's objectives and to do what is necessary to manage those risks (Andrews, Bonta and Wormith 2011, 735). The above conceptual framework assumes that proper risk assessment leads to improved financial accountability.

The third aspect of the independent variable was control activities which was conceptualized as actions, supported by policies and procedures that, when carried out properly and in a timely manner, manage or reduce risks (COSO 1992). The above conceptual framework assumes that effective control activities lead to increased financial accountability.

Dependent Variable

In this study, the dependent variable was financial accountability which was conceptualized as the act of accounting for the resources of an entity needed for legal accountability for budgetary resources, stewardship over assets, protection of cash resources, and management and control of costs. Financial accountability included; accounting, quality of financial reports and transparence and external scrutiny of finances. The above conceptual framework was premised on the assumption that financial accountability depended on effective internal control systems.

Moderating Variable

The model suggested that internal controls could only have a significant effect on financial accountability when staffs were adequately motivated through financial rewards like salary and adequate allowances. The model assumes that when staffs are underpaid, they may be tempted to engage in financial irregularities and subsequent poor financial accountability. (Harvard Business Review: January February, 1968, 5362)

Conclusion

This study examined the effect of internal controls on financial accountability at World Vision Uganda. This study was guided by the following objectives; to examine effect of the control environment on financial accountability at World Vision Uganda, assess the effect of risk assessment on financial accountability at World Vision Ugandan and determine the effect of control activities on financial accountability at World Vision Uganda. It also suggested that internal controls system could only have a significant effect on financial accountability when staffs were adequately motivated through financial rewards like salary and adequate allowances. The scope of the study included; content scope, geographical scope and time scope. It further discussed the significance of the study that stated that the study was very relevant to various stakeholders in World Vision and to future researchers and academicians as it suggested that there was a significant effect of internal control on financial accountability. It also went ahead to discuss the justification of the study and stated that previous researches had a number of gaps because they were based on anecdotal observations rather than empirical research findings. It was therefore against the above mentioned issues that the researcher wanted to understand the relationship between the independent and dependent variables under the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

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

2.1 Theoretical framework of the study

The study was informed by stewardship theory. According to Dr. Sam Idowu (2013), Stewardship theory is a framework that argues that people are intrinsically motivated to work for others or organizations to accomplish tasks or responsibilities with which they have been entrusted. It argues that people are collectively minded and pro-organizational rather than individualistic and therefore work toward attainment of organizational, group, or societal goals because doing so gives them a higher level of satisfaction. The theory therefore provides one framework for characterizing the motivations of managerial behavior in various types of organizations. The theory assumes that managers in general should be considered as good stewards. It further holds that ownership does not really own a company but it is merely holding it in trust. The stewardship theory was chosen as it best suits the study because the researcher was focusing on World Vision which is a non-governmental organization whose role is not for profit but rather for implementing the activities to selected communities according to specific needs through donations entrusted to it by various donors in the world over. The analytical model of the study was based upon the internal control guidelines as recommended by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. COSO was formed to support the Commission's recommendation to develop additional, integrated guidance on internal control. The COSO internal control integrated framework states that internal controls provide reasonable assurance regarding the achievement of effectiveness and efficiency of operations, reliability of financial reporting and compliance with laws and regulations and has five components which include the control environment, risk assessment, information and communication, control activities and monitoring. This organizational approach provided the study with a common, accepted, and recommended reference point to assess the quality of internal control systems in an NGO.

There is also another theory that is used in internal control known as Agency theory which the researcher did not use because unlike the stewardship theory that is not profit making, the Agency theory is profit oriented. Agency theory holds that both employee (agents) and employer (principal) are utility maximizers (Godfrey et al., 2000) because Agency theory applies where the project is established with a view of making profits. This theory contends that both employer and employee are therefore prone to opportunism (Shapiro, 2005). Employees (agents) will behave opportunistically (deviance) if given the chance. Nonetheless, employers (principals) can reduce deviant behaviors if proper monitoring and controlling mechanisms are installed (Kidder, 2005). Since the internal controls have been previously found to influence employee fraud, it is therefore believed that the internal controls also have significant influence towards counter productive work behavior like fraud. Hence, this study was conducted to find out if the internal controls have any significant effect on accountability. However, Stewardship theory the researcher used had some shortcomings including; being clinched to only focusing on NGO that are not for profit and yet stewardship is also needed even in organizations whose motive is profit making.

2.2 Overview on internal controls

Anthony (2004) defines Internal controls are processes designed to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Safeguarding assets against theft and unauthorized use, acquisition, or disposal is also part of internal controls (Cliff, 2011). Internal controls system included; control environment, control activities, risk assessment, information and communication and monitoring.

There was a general perception that institution and enforcement of proper internal control systems would always lead to improved financial accountability and improved reporting processes which would give rise to reliable reports and enhance the accountability function of management of an entity (Ssuuna, 2010). Nevertheless, available Literature pointed out that in spite of elaborate system of controls in organizations, proper accountability has been elusive in most of these organizations (OAG, 2010).

2.2.1 Control Environment

Control environment was according to (COSO 1992) conceptualized as the control consciousness of an organization; the atmosphere in which people conducted their activities and carried out their control responsibilities and examples included; ethical values and integrity, management's operating style and philosophy, competence, morale and supportive attitude. The model assumes that effective control environment leads to improved financial accountability. Cohen, Krishamoorty & Wright (2002) reiterated the importance of control environment with findings from a survey of auditors that the "tone at the top" and its implication for behavior of employees, is the most important ingredient of effective control. Rittenberg and Schweiger (2005) contended that the control environment starts with the board of directors and management who set the right tone of an organization through policies, behaviors and effective governance

2.2.2 Control activity

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

Whittington and Pany (2011) also mention Control activities as another component of Internal controls. 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).

2.2.3 Risk assessment

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

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

2.3 Overview on Financial Accountability

Financial accountability refers to an act of accounting for the resources of an entity needed for legal accountability, for budgetary resources, stewardship over assets, protection of cash resources, and management and control of costs (Komugisa, 2013). The Cambridge business dictionary online defines financial accountability as the responsibility for the way money is used and managed. World Vision Uganda was grappling with the challenge of poor accountability. The organization's staffs have in a number of cases been given the organization's resources and have either failed to account for the resources entrusted to them or have not made the necessary accountabilities in time. Therefore, the current study sought to examine the functionality of the current internal control systems in ensuring proper accountability.

2.3.1 Transparency

According to the Merriam-Webster dictionary, one of the definitions of transparency" is characterized by visibility or accessibility of information especially concerning business practices. Financial transparency means making information as accessible as possible. Financial transparency means timely, meaningful and reliable disclosures about a company's performance. Financial transparency means that you are not actively hiding anything. Financial transparency means being honest about your performance.

Despite the internal control measures that were put in place by management at World Vision Uganda to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations, financial irregularities like fraud and poor accountability still persisted which was a clear indicator of lack of transparency as staff either fail to account for funds entrusted to them for implementing activities or they account for the same funds very late.

2.3.2 Accounting

Accounting is a vital part of any individual, business or organization’s economic foundation. It plays a major role in defining financial condition and performance, in terms of operation and sustainability.

Accounting has several definitions by different authors and books. However, based on the definition of American Institute of Certified Public Accountants (AICPA), accounting is defined as the art of identifying, recording, classifying and summarizing, in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character and interpreting the results thereof. This definition is widely accepted by most accounting professionals and organizations worldwide because of its conciseness and ease of understanding. Accounting is an information system that provides reports to stakeholders about the economic activities and conditions of a business. (Warren Reeve Fess, Accounting, 12th edition)

Accounting may be best defined as identification, measurement and communication of financial information about economic entities to interested persons. (Donald Kieso, Jerry Weygandt, Terry Warfield, Intermediate Accounting, 10th edition). To better describe and define accounting, here are the three essential characteristics of accounting namely; an information system which involves a process or procedure, an economic value which means it is stated in terms of money or currency, communicates financial information of a business to stakeholders or interested parties.

2.3.3 Quality of Financial reports

There are four qualitative characteristics of accounting information that serve as the basis for decision making purposes in accounting namely; Relevance, reliability, Comparability and Consistence.

Relevance means that information makes a difference in decision making with timeliness and predictive values and also provides feedback. Reliability means that information is faithfully presented with verifiability, representational faithfulness and neutrality. Comparability means that information allows comparison between or among different entities. Consistency means that information comparison with a single entity from one accounting period to the next.

2.4 Actual Literature Review

The actual review of literature was basically to focus on the effect of internal controls system as an independent variable and the financial accountability as a dependent variable. Under this, three selected dimensions of independent variable namely; control environment, Risk assessment and control activities discussed the effect on financial accountability as shown below:

2.4.1 Effect of Control Environment on Financial Accountability

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

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

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

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

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

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

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

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

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

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

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

2.4.2 Effect of Risk Assessment on Financial Accountability

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

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

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

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

Risk assessment plays an important role in the prevention and detection of fraud. Under the Sarbanes-Oxley Act (2008), companies are required to perform a fraud risk assessment and assess related controls. This typically involves identifying scenarios in which theft or loss could occur and determining if the existing control procedures effectively manages the risk to an acceptable level. Financial reporting is also a key area of focus in fraud risk assessment (Grandori, 2004).

Cowan (1999) agrees that risk assessment with the objective to minimize and control risks helps the organization to reduce possible loses, simultaneously improving the quality of the organization's operations and services.

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

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

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

Gupta (2011) on the other hand asserts that "risk assessment through internal audit is an independent appraisal function established within an Organization to examine and evaluate its activities as a service to the organization". The objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities. According to Gupta "the scope of risk assessment is determined by management". This may however, impair the assessor's objectivity and hampers his independence, it is quite hard to report negatively on someone who determines the scope your work. Although at a Seminar organized by the Institute of Certified Public Accountants of Uganda (ICPAU), Sebbowa, 2009 in his presentation “The role of Internal Audit function in Organizations”, states that “Independence is established by organizational and reporting structure” and that “Objectivity is achieved by an appropriate mindset”.

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

2.4.3 Effect of Control Activities on Financial Accountability

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

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

The last component of internal control according to Whittington and Pany (2011) is monitoring. This is aimed at ensuring that the internal controls continue to operate as intended. This can be achieved through ongoing monitoring or separate evaluations. Separate evaluations are non-routine monitoring activities such as period audits by the internal auditors.

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

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

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

2.5 Conclusion

This chapter presented literature on the influence of control environment, risk assessment and control activities on a number of financial management outcomes. Previous literature indicates that internal control systems lead to improved financial management outcomes like fraud mitigation and financial management. However, previous studies have a number of gaps, first they are based on anecdotal observations rather than empirical research findings. Secondly the focus is not on financial accountability but on other outcomes like fraud detection and financial reporting.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

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

3.1 Research Design

The study used a case study design. The case study design was used because the study sought to focus on only one NGO out of the many with the aim of gaining in depth understanding of the relationship between internal control systems and financial accountability.

The cross-sectional design was adopted because the researcher collected data from a cross section of employees at World Vision Uganda at a given point in time. The case study design was used because the study sought to focus on only one NGO out of the many with the aim of gaining in depth understanding of the relationship between internal control systems and financial accountability.

Since the study sought to examine the relationship between variables, correlation analysis was adopted to determine the relationship between internal control systems and financial accountability as suggested by Amin (2005).

The study adopted both qualitative and quantitative approaches. The quantitative approach was adopted because the study examined the relationship between internal control systems and financial accountability. Such an endeavor could best be achieved when a quantitative approach was used because it allowed for collecting numeric data on observable individual behavior of samples, then subjecting these data to statistical analysis as suggested by Amin (2005).

The qualitative approach was adopted to enable the researcher capture data that was left out by the quantitative approach. This was aimed at capturing more in-depth information on the topic under investigation.

3.2 Area of Study

The area of study of this research was at World Vision National Office located on Plot 51B Nakasero in Kampala City in Uganda next to South African high Commission premises.

3.3 Study Population

The study population consisted of all the 141 staff at World Vision National Office. It consisted of all the 6 Directors, 30 Heads of Department, and 105 Program Staff as listed in the World Vision Department of People and Culture (2015).

3.4 Sampling Techniques and Procedure

A number of sampling techniques were used to select respondents to the study. Simple random sampling technique was used to select staff at World Vision Uganda. A list of staff members were obtained from the People and Culture Department, the names of all staff was put in a Rota and selected randomly to participate in the study. Simple random sampling technique was used because it ensures least bias and ensures generalization of research findings across the entire study population as suggested by Sekaran (2003).

Purposive sampling was used to select the Directors, Heads of Departments and the Regional Program Managers. This technique was used to select senior and middle level managers because they are believed to have specialized knowledge about the topic under investigation by virtue of the positions that they hold.

3.4.1 Sample Size and Selection

The study sample consisted of 118 respondents. The sample size was arrived at using the predetermined table for determining sample size by Krejicie and Morgan (1970) as cited in Amin (2005).

Table 1: Sample Size

Category of Respondents	Population	Sample Size	Sampling Technique
Directors	6	6	Census

Heads of Departments	30	28	Purposive
Programme Staff	105	84	Simple random sampling
Total	**141**	**118**	

Source: *World Vision Uganda Department of People and Culture (2015) on Plot 15B, Nakasero next to south African High Commission*

3.5 Data collection Methods

3.5.1 Questionnaire Method

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

3.5.2 Interview Method

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

3.5.3 Documentary Review Checklist

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

3.6 Data Collection Instruments

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

3.6.1 Questionnaire

The study employed a questionnaire as a tool of data collection. The questionnaire had six sections. Section A dealt with the demographic characteristics of the respondents, section B focused on the control environment, section C focused on risk assessment, section D focused on control activities, and section E concerned with financial accountability. The questions that were given to respondents were all open ended because I wanted the respondents give me their personal opinions to enable me come up with unbiased report on the effects of internal controls and financial accountability in World Vision Uganda.

3.6.2 Interview guide

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

3.6.3 Documentary review checklist

A document review checklist was used to collect more in-depth data on the topic under investigation. The checklist was used to provide in-depth qualitative information which is not possible to collect with the aid of the closed ended questionnaire. Examples of documents that were reviewed included; financial manuals, approved and paid payment vouchers, procurement manuals, monitoring and evaluation tools.

3.7 Validity and Reliability of the research instruments

3.7.1 Validity

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

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

$$= 73/73$$

$$= 1$$

An overall CVI of 0.7 and above was considered appropriate as suggested by Amin (2005).

3.7.2 Reliability

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

To ensure reliability, a pretest was done on 10 of the respondents who were not part of the final study. Data was coded and entered into the computer. Cronbach's Alpha Reliability Coefficients were generated using the statistical package for social scientists (SPSS) computer program to estimate the reliability of the questionnaire. Cronbach's Alpha Reliability Coefficients of above 0.6 was acceptable as suggested by Sekaran (2003) indicating a significant effect of internal controls on financial accountability.

3.7.3 Data collection procedure

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

3.8 Data Analysis

3.8.1 Analysis of quantitative Data

The statistical package which was used for analysis of data in this study was the SPSS version 16.0. Different statistical techniques were used namely: descriptive, correlation and regression analysis. Simple descriptive statistics like frequency counts and percentages were computed to document the demographic information of the respondents. The mean and standard deviation were used to document respondent's opinion on the 3 dimensions of internal controls systems and financial accountability

The Pearson Product-Moment Correlation analysis was used to determine the relationship between the independent and dependent variables. Regression analysis technique was used to determine the overall influence of internal control systems and financial accountability at World Vision.

3.8.2 Analysis of qualitative data

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

3.8.3 Measurement of variables

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

3.9 Limitations of the study

The researcher encountered a number of limitations during the study that included; time limit, respondents overloaded assignments making them not to respond to the given questionnaires quickly, limited financial resources that did not effectively enable me meet on time printing the questionnaire in order to distribute them to the respective respondents and sample size was small since the study only focused on World Vision staff based at National Office and yet most are field based. In order to gather data within such a period of time, the researcher distributed the questionnaire on time and also made frequent follow up to respondents to ensure that filled questionnaire are collected for timely analysis, also spared some little finances to facilitate in coordination, printing and binding of the books, also got time to interact with respondents using interview guide.

3.10 Conclusion.

This chapter presented the methodology that was used during the study. It described and discussed the research design, sample size and selection, the data collection methods and their corresponding data collection instruments, data management and analysis procedure as well as steps that were taken to ensure validity and reliability during the study and the measurement of variables and it was concluded that there was a significant effect of internal controls system on financial accountability in World Vision Uganda and as such managements needed to come up strict control measures including; ethical values, management's operating style, morale, supportive attitude, segregation of duties, control over information processing and physical control over vulnerable assets.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the analysis and interpretation of the findings of this study. This study aimed at examining the effect of internal controls on financial accountability at World Vision Uganda. The focus of the study was to examine effect of the control environment on financial accountability at World Vision Uganda, assess the effect of risk assessment on financial accountability at World Vision Ugandan and determine the effect of control activities on financial accountability at World Vision Uganda. The presentation is according to the objectives of the study and the hypotheses generated. A total of 118 respondents were interviewed representing response rate of 100 percent. The response of the study was computed to show whether it was acceptable according to Sekaram (2003). Below is the computation;

$$\text{Rate} = \frac{\text{Questionnaires returned}}{\text{Total Questionnaires given out}} * 100$$

$$= 118/118*100$$

= 100%

An overall rate of 100% was considered acceptable as suggested by Sekaram (2003).

The details of the background information of the respondents are presented below.

4.1 Background of the Respondents

This section of the study details the background information of respondents. For this study, background characteristics were Education Level of the Respondent, Department of the Respondent and Length of Service at World Vision.

4.1.1 Education Level of the Respondent

Respondents were asked to state their level of education and the results are presented in the table 4.1 below.

Table 4.1:Education Level of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Secondary	12	10.2	10.2	10.2
	Diploma	9	7.6	7.6	17.8
	Bachelor's Degree	27	22.9	22.9	40.7
	Post Graduate Education	38	32.2	32.2	72.9
	Professional Courses(ACCA, CPA, CIMA)	32	27.1	27.1	100.0
	Total	118	100.0	100.0	

Source: primary data 2014

Table 4.1 above indicate that 32.2% of the respondents had attained Post Graduate Education, 27.1% were Professional Courses holders, 22.9% were degree holders, 10.2% had Secondary qualifications and 7.6% had attained Diploma. The implication is that the respondents were well knowledgeable of the subject matter and as such made informed decisions

4.1.2 Department of the Respondent

The study sought and obtained details about the positions held by the respondents in the Institution for purposes of understanding their role in the variables of study. Details of the respondents and their departments are shown in table 4.2 below;

Table 4.2:Department of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Finance and Administration	39	33.1	33.1	33.1
	Human Resources	30	25.4	25.4	58.5
	Advocacy	6	5.1	5.1	63.6
	Donor Liaison	13	11.0	11.0	74.6
	Child Sponsorship	12	10.2	10.2	84.7
	Technical	18	15.3	15.3	100.0
	Total	118	100.0	100.0	

Source: primary data 2014

The analysis results in table 4.1.2 show that majority of respondents in this study were from Finance and Administration 33.1%, followed by Human Resources 25.4%,then Technical 15.3%, Donor Liaison 11%, Child sponsorship 10.2% and Advocacy 5.1% respectively. From the above description, it can be revealed that the majority of the respondents in this study are those directly responsible for or directly involved the implementation of the Internal Control System. Therefore, their responses were deemed to reflect what actually takes place in the institution.

4.1.3 Length of Service at World Vision

The Length of Service at World Vision was captured under this section by asking respondents to state their level of knowledge regarding the organisation. The results are shown in figure 4.3 below.

Table 4.3:Length of Service at World Vision

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	25	21.2	21.2	21.2
	1-5 years	60	50.8	50.8	72.0
	More than 5 Years	33	28.0	28.0	100.0
	Total	118	100.0	100.0	

Source: primary data 2014

Table 4.3 also makes it clear that out of one hundred eighteen respondents, seven (21.2%) were less than 1 year, 60 (50.8%) were 1-5 years and33 (28.0%) were more than 5 years. In the distribution of questionnaire no attempt was made at selecting candidates based on experience grouping. It was rather thought that all representations would be credible. At the end of the study it was realized that all the respondents had spent some time with the institutions and their responses were a reflection of their experiences. This also implies that staff of the World Vision Uganda is well distributed in the various experience brackets and if well utilized a good blend of youthful energy and adult experience will help achieve the evaluation of internal financial controls of the organization.

4.2 Descriptive statistics on Internal Control systems.

Table 4.4: Mean and Standard deviation of Internal Control systems

	Control Environment	N	Minimum	Maximum	Mean	Std. Deviation
B1	The organization has well-written departmental policies and procedures manual which addresses its significant activities and unique issues.	118	1	5	3.36	1.533
B2	Employees are well acquainted with the organization's policies and procedures that pertain to their job responsibilities.	118	1	5	4.30	1.036
B3	The authorities at the organization discus ethical issues with employees.	118	1	5	4.25	.962
B4	There are strategies in place to make sure that employees comply with the organization's policies.	118	1	5	4.24	.922
B5	The organization has an adequate training program for employees.	118	1	5	4.34	.860
B6	Employee performance evaluations are conducted periodically.	118	1	5	4.23	.900
B7	Good performance is valued highly and recognized in a positive manner.	118	1	5	4.37	.923

B8	Appropriate disciplinary action is taken when an employee does not comply with policies and procedures or behavioral standards.	118	1	5	4.40	.764

Source: primary data2014

In table 4.4 are details of the measures of effectiveness of the Internal Control systems under different key statements obtained from the respondents. The statements have been ranked in terms of their means and standard deviations so as to deduce meaning out of the results. Therefore, the details of the table are discussed under sub headings of the corresponding statements tested.

The study (as reflected in table 4.4) found that the respondents agree that the organization has well-written departmental policies and procedures manual which addresses its significant activities and unique issues with a mean value of 3.36 which appears to be close to the maximum rank of 5. This shows that they generally agree about the existence of an accounting system. However, the corresponding standard deviation also revealed a significant value of 1.533. This also shows that there is a clear variation in the responses provided by the respondents about the existence of the accounting and financial accountability. Having an accounting and financial accountability as reflected by the above results is in line with Cohen, Krishamoorty& Wright (2002) reiterate the importance of control environment with findings from a survey of auditors that the "tone at the top" and its implication for behavior of employees, is the most important ingredient of effective control. Rittenberg and Schweiger (2005) contend that the control environment starts with the board of directors and management who set the right tone of an organization through policies, behaviors and effective governance. If the tone by management is lax, then fraudulent financial reporting is likely to occur.

From the table 4.4 above, respondents agreed that employees are well acquainted with the organization's policies and procedures that pertain to their job responsibilities as reflected by the mean value of 4.30 which is tending towards the maximum point of 5. However, a significant standard deviation of 1.036 suggests varied responses regarding employees' acquainted with the organization's policies and procedures. Employees' acquainted with the organization's policies and procedures to the operations of the Accounting and financial management system rhymes with Norvee, (2006) who asserted that the control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all the other components of internal controls providing, discipline and structure. Weaknesses at the tone at the top have been associated with financial failures. It supports the assertion by Whittington and Pany that control environment (especially management philosophy and operating style) is the foundation for all other components of internal control. The heart of an effective control system is the control environment component is also supported by Verschoor, (1999) where he notes that "Internal control systems not only contribute to managerial effectiveness but are also important duties of the corporate boards of directors". Therefore management commitment to the operations of the system is a fulfillment of their obligation as highlighted by Verschoor.

In Table 4.4 above, respondents provided their understanding in regard to whether authorities at the world vision discus ethical issues with employees show mean of 4.25, implying that they agree with the statement. But since the mean appears so close to the actual average, then the need to closely focus on the variation. Thus, a standard deviation of 0.962 suggests significant differences in responses as regards ethical issues with employees of implementation of internal control system. The finding is in line with Rittenberg and Schweiger (2005) contend that the control environment starts with the board of directors and management who set the right tone of an organization through policies, behaviors and effective governance. If the tone by management is lax, then fraudulent financial reporting is likely to occur.

Hooks et al (2004) argue that the implication of effective control environment has an impact on management and governance.

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

The results as reflected in table 4.4 show a mean of 4.24. This is above the mean average, implying that respondents agree as to the statement regarding strategies in place to make sure that employees comply with the organization's policies. Consequently, a greater standard deviation figure of 0.922 raises concerns regarding the strategies in place to make sure that employees comply with the organization's policies and financial accountability system. The figure of standard deviation further reveals that the respondents had varied opinion about strategies and this could also mean that besides agreeing about strategies, they could also be in agreement with the type of strategies provided by accountability. The results are at agreements with Hooks et al (2004) modern management techniques require a change in the control philosophy towards reliance on informal controls that influence the motivation and behavior of employees.

The results of the survey in table 4.4 suggest that respondents agreed that the organization has an adequate training program for employees with mean 4.34, although the standard deviation of 0.860 provided by the same respondents suggests that they possess varied understanding about the aspect of the measures taken to correct any weaknesses in the controls. This could also imply that measures taken are sometimes, not communicated or formal. Accountability's action to correct misfeasance in the system is an indication of financial accountability to the operation of the internal control system.

The study (as reflected in table 4.4) found that the respondents agree that employee performance evaluations are conducted periodically with a mean value of 4.23 which appears to be close to the maximum rank of 5. This shows that they generally agree about the existence of an accounting system. However, the corresponding standard deviation also revealed a significant value of 0.900. This also shows that there is a clear variation in the responses provided by the respondents about the existence of the accounting and financial accountability. Having an accounting and financial accountability as reflected by the above results is in line with Ahmad andNorhashim (2008) analyzed Malaysian employees' attitudes toward fraudulent workplace behaviors and explain such behaviors in relation to organizations' control environment. This study found the control environment has an influence on both fraudulent behaviors and counterproductive work behavior. The challenge with Ahmad and Norhashim's study is that it is not concerned with the effect of the control environment on financial accountability, thus the need to conduct this study.

The results of the survey as revealed by table 4.4 suggest that good performance is valued highly and recognized in a positive manner with mean 4.37. This is evident when the mean of respondents as computed by the system is well above the average. Nevertheless, the corresponding standard deviation of 0.923 suggests that respondents had a significant variation in responses on good performance in the execution of their role; a highly contentious issue. However, this could also be construed to imply that respondents might not have clearly understood the dimensions of integrity in this context. The results in this section are in tandem with Whittington and Pany (2001)'s assertion where they talk of the control environment to include factors like integrity and ethical values of persons responsible for creating, administering controls. This can also be likened to "the control environment setting the tone of the organization by influencing the control consciousness of people" stipulated by Cohen et al., (2002).

The results of the survey as reflected in table 4.4 revealed that appropriate disciplinary action is taken when an employee does not comply with policies and procedures or behavioral standards as shown by a mean of 4.4, even though there were variations in responses to this test as revealed by the standard deviation of 0.764. However, the variations in responses do not show a big movement from the mean. This finding is also in line with Hooks et al (2004) argue that the implication of effective control environment has an impact on management and governance. According to Hooks et al (2004) modern management techniques require a change in the control philosophy towards reliance on informal controls that influence the motivation and behavior of employees. Ezzamel, Lilley and Willmott (2007) found that controls internalized into organizational subjects in the form of self-discipline (or responsible autonomy) reduce the occurrence of counter productive work behavior.

Table 4.5: Mean and Standard deviation of Risk Assessment

	Risk Assessment	N	Minimum	Maximum	Mean	Std. Deviation
C1	There is a risk management group at the organization established whose task it is to facilitate and co-ordinate the overall risk management process	118	1	5	4.15	.864

C2	Each risk in the organization is explored to identify how it potentially evolves through the organization.	118	1	5	4.42	.973
C3	There is risk assessment at departmental level	118	1	5	4.25	.837
C4	There is risk assessment at activity (process) level e.g. for operations, financial reporting, and compliance objectives	118	1	5	4.47	.781
C5	Both external and internal risk factors are considered during risk assessment	118	2	5	4.49	.637
C6	A risk analysis is conducted in order to assess the scale of the risk	118	4	5	4.48	.502
C7	The company has developed a risk response strategy	118	3	5	4.38	.553
C8	The risk response strategy is actually being implemented	118	1	5	4.58	.645
C9	The risk response strategy is monitored and reviewed from time to time	118	1	5	4.17	1.150

Source: primary data2014

In the Table 4.5, the researcher set out to examine the risk assessment (another component of the internal control environment) as a way of examining the functionality of the internal control environment. The test statements were equally ranked in terms of their mean and standard deviation as a way of interpreting the results. The details of the survey in this regards are discussed as follows;

From the results in table 4.5, it is clearly evident that respondent were almost in total agreement that there is a risk management group at the organization established whose task it is to facilitate and co-ordinate the overall risk management process as reflected by a mean value of 4.15 which is tending towards maximum value of 5 (i.e. strongly agreeing). However, the standard deviation of 0.864 suggests variations in responses by the various respondents. Virtually all the writers (reviewed) underscore the importance of risk management in helping an organization achieve its objectives. Notable among these are Noorvee (2006) who contends that risk assessment is the identification and analysis of relevant risks to achievement of objectives, forming a basis for how risks should be managed, According to List & Brewer (2003) the objective of all risk analysis methods is to identify the risks to meeting the business objectives and then identify what procedures and controls are required to reduce the risk to an acceptable level. Where there are many controls to be created then the risk analysis should prioritize the controls so that the greatest risks are mitigated first.

Results of the survey in table 4.5 shows a mean of 4.42 which is above the average; this suggests that respondents believe that each risk in the organization is explored to identify how it potentially evolves through the organization. However, a standard deviation of 0.973 suggests varied responses as to whether the each risk in the organization is explored to identify how it potentially evolves through the organization. The understaffing in the risk management could be compensated for by an active and independent committee. This is what The COSO (1992) emphasizes that the importance of objective setting in the entity and relates it to risk as a precondition. Consequently, management has to clearly establish objectives before identifying risks which may undermine their achievements and take necessary actions to manage these risks. The COSO (2005) emphasizes that organization's internal control framework should be established in order to have the reasonable assurance to achieve established objectives. In this, risk identification and analysis are critical components.

From the results of the survey as reflected by table 4.5, respondents agree as to whether there is risk assessment at departmental level. This is revealed by a mean of 4.25 which is above the average of 3. However, a standard deviation of 0.837 suggests a significant variation in the responses generated by the respondents. Virtually all the writers (reviewed) underscore the importance of an risk assessment department in helping an organization achieve its objectives. Notable among these are Subramaniam, (2006), Reid &Ashelby, (2002) and Millichamp (1993) among others. Therefore the finding is in tandem with the reviewed literature.

Results of the survey as reflected in table 4.5 suggest that Respondents agree that there is risk assessment at activity (process) level e.g. for operations, financial reporting, and compliance objectives. This is revealed by a mean of 4.47, although the standard deviation of .781 seems to suggest variation in the responses generated for the test. This therefore confirms California University, (2011) suggestion that "Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting, and compliance goals and objectives". This, in turn, forms a basis for determining how those risks should be managed (California University, 2011). This is also in line with Chartered Institute of Management Accountants, (2008) assentation that for an organization, risks are potential events that could influence the achievement of the organizations. Risk management is about understanding the nature of such events and, where they represent threats, making positive plans to mitigate them.

Results of the survey as reflected in table 4.5 suggest that Respondents agree that both external and internal risk factors are considered during risk assessment. This is revealed by a mean of 4.49, although the standard deviation of 0.637 seems to suggest variation in the responses generated for the test.

Results of the survey as reflected in table 4.5 suggest that Respondents agree that a risk analysis is conducted in order to assess the scale of the risk. This is revealed by a mean of 4.48, although the standard deviation of .502seems to suggest variation in the responses generated for the test.

Results of the survey as reflected in table 4.5 suggest that Respondents agree that the company has developed a risk response strategy. This is revealed by a mean of 4.38, although the standard deviation of 0.553 seems to suggest variation in the responses generated for the test.

Results of the survey as reflected in table 4.5 suggest that Respondents agree that the risk response strategy is actually being implemented. This is revealed by a mean of 4.58, although the standard deviation of 0.645 seems to suggest variation in the responses generated for the test.

From the results of the survey as reflected by table 4.5, respondents seem to agree the risk response strategy is monitored and reviewed from time to time. This is revealed by a mean of 4.17which is above the average of 3. However, a standard deviation of 1.150 suggests a significant variation in the responses generated by the respondents.

Table 4.6: Mean and Standard deviation of Control Activities

	Control Activities	N	Minimum	Maximum	Mean	Std. Deviation

D1	Duties are separated among different people to reduce the risk of error or inappropriate action.	118	1	5	4.27	1.001
D2	Financial handling responsibilities are divided among different officials	118	1	5	4.27	.781
D3	There is proper authorization of financial transactions at World Vision	118	1	5	4.49	.814
D4	There is proper recording of financial transactions at World Vision	118	1	5	4.56	.746
D5	The books of accounts at World Vision are checked for any discrepancies.	118	3	5	4.55	.548
D6	Authorities at World Vision take corrective action when there are discrepancies in the books of accounts	118	1	5	4.31	1.035
D7	Access to equipment, inventories, securities, cash and other assets at World Vision is restricted	118	1	5	4.35	.632
D8	Assets are periodically counted and compared to amounts shown on control records.	118	4	5	4.47	.501

D9	There is physical control over assets in the company	118	3	5	4.42	.561
D10	There are controls over Information Systems which include controls over data center operations, systems.	118	1	5	4.09	1.140
D11	Authorities at the organization reviews books of accounts in order to take corrective action	118	4	5	4.56	.499

Source: primary data2014

In the table 4.6 above the researcher set out to examine the functionality of the internal control systems in World Vision Uganda using control activities as an internal control component. The results were analyzed used mean and standard deviations so as to drawing conclusions from the survey. These are discussed as follows;

The results of the survey as reflected in table 4.6 suggest that respondents agree duties are separated among different people to reduce the risk of error or inappropriate action. This is shown by a mean of 4.27. However a significant standard deviation of 1.001 is a clear manifestation of varied responses from respondents as far as clear separation of roles is concerned. This is in line with Ray and Pany (2001)'s "suggestion of segregation of duties" such that no one person should handle all aspects of a transaction from the beginning to the end.

To results of the survey as reflected in table 4.6 suggest that respondents agreed that financial handling responsibilities are divided among different officials as revealed by the mean value 4.27. However, a standard deviation of 0.781 reveal varied responses from the respondents interviewed as far as checking other employees' work is concerned. The lack of internal checks within an institution is at odds with Whittington and Pany's recommendation of "information processing" in which he recommends checks to ensure accuracy and completeness of information being processed.

The table 4.6 reveals that respondents agree that there is proper authorization of financial transactions at World Vision. This is revealed by a mean value of 4.49. The standard deviation of 0.814 reveals that there were varied responses from the respondents interviewed. The Arkansas Department of Finance and Administration (2012) observes that the establishment of a strong internal control environment where written policies and procedures are enforced, internal controls are appropriately implemented and employees are educated about fraud and its consequences is one of the best deterrents and methods of curtailing fraud

The results in table 4.6 above reveal that respondents agree that there is proper recording of financial transactions at World Vision as shown by a mean value of 4.56. This value implying that respondents were aware of corrective action is taken to address weaknesses in recording. However, a significant standard deviation of 0.746 shows that there are very varied responses as far as responses to this control test was concerned. Action being taken to address weaknesses in the system is an indication of the proper recording of the financial transaction. This is the commitment referred to by Whittington and Pany (2011).

Table 4.6 reveals that respondents agree that the books of accounts at World Vision are checked for any discrepancies and this is shown by a mean value of 4.55. However, this implies that the respondents appreciate the internal control activities. Nevertheless, a standard deviation of .548, however suggests varied responses from respondents as far as the books of accounts at World

Vision are checked for any discrepancies are concerned. The books of accounts at World Vision are checked for any discrepancies are an indication of the commitment to the effectiveness of systems of internal control. It is what the KPMG (1999) recommends that the system of control must include procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being under taken. The results in table 4.6 suggest that respondents agree that authorities at World Vision take corrective action when there are discrepancies in the books of accounts. This is revealed by a mean of 4.31. However a significant standard deviation of 1.035 suggests that there were varied responses as far as this test concerned. Having a well-developed Chart of Account is both a strategic control and a financial control referred to by Hitt, et al; (1996).

The results in table 4.6 indicate that respondents agreed that “access to equipment, inventories, securities, cash and other assets at World Vision is restricted. This is revealed by a mean value of 4.35, which is very close to the “not sure” position although the standard deviation of 0.632 indicates the respondents varied greatly as far as this test was concerned. This may be an indication of lack of segregation of duties which may impact on the reliability of financial reports referred to by Whitttington and Pany.

This section answers objective three of the study. Financial accountability of world division Uganda was examined by analyzing data collected under dimensions of financial accountability and computing for the mean and standard deviation of the responses to the statements.

Table 4.7: Mean and Standard deviation of Financial Accountability

	Financial Accountability	N	Minimum	Maximum	Mean	Std. Deviation

E1	At World Vision there is transparency in the management of finances	118	4	5	4.21	.410
E2	At World Vision, competition, value for money, and controls in procurement are encouraged	118	1	5	4.49	.748
E3	At World Vision, internal audits are regularly conducted	118	1	5	4.35	.890
E4	At World Vision internal audit reports are released	118	1	5	4.42	.851
E5	At World Vision, the internal audit reports are followed up.	118	1	5	4.21	.885
E6	At World Vision, external audits are regularly conducted	118	3	5	4.41	.543
E7	At World Vision external audit reports are released on time	118	4	5	4.61	.490
E8	At World Vision, the external audit reports are followed up.	118	4	5	4.69	.466
E9	At World Vision accounts reconciliation is timely	118	1	5	4.33	.887
E10	At World Vision accounts reconciliation is regular	118	4	5	4.80	.404

E11	At World Vision information on resources received by every department is available.	118	1	5	4.64	.649
E12	At World Vision there is quality in year budget reports.	118	4	5	4.49	.502
E13	At World Vision, there are quality annual financial statements	118	3	5	4.64	.501
E14	At World Vision, the annual financial statements are timely	118	1	5	4.09	.867
E15	At World Vision there is transparency among staff who handle the company's resources	118	1	5	4.62	.626

Source: primary data2014

From the information revealed by table 4.7, respondents believe that at World Vision there is transparency in the management of finances. This is revealed by a mean value of 4.21. However, a significant standard deviation value of 0.410 under the same test revealed varied responses from the respondents interviewed. The lack of cash does not rhyme with Verschoor. (1999)'s assertion of "financial soundness" as a measure of accountability.

From table 4.7, it can be revealed that at World Vision, competition, value for money, and controls in procurement are encouraged. This is shown by a mean value of 4.49 although the standard deviation of 0.748 under the same test revealed varied responses from the respondents. This has implications on the financial soundness of the world vision Uganda and it may hinder investment as mentioned by Verschoor (1999).

From the information collected from respondents according to table 4.7, it clear that at World Vision, internal audits are regularly conducted. This is revealed by a mean value of 4.35. However, a standard deviation of 0.890 reveals varied responses from the respondents interviewed over the same test. The information revealed could be an explanation as to the inadequacy of the cash position of the World vision as revealed by the finding under. This means that the financial soundness alluded to by Verschoor (1999) may not be achieved.

From the information revealed by table 4.7, respondents believe that at World Vision external audit reports are released on time. This is revealed by a mean value of 4.61. However, a significant standard deviation value of 0.490 under the same test revealed varied responses from the respondents interviewed.

From table 4.7, it can be revealed that at World Vision, the external audit reports are followed up. This is shown by a mean value of 4.69 although the standard deviation of 0.466 under the same test revealed varied responses from the respondents.

From the information collected from respondents according to table 4.7, it clear that at World Vision accounts reconciliation is timely. This is revealed by a mean value of 4.33. However, a standard deviation of 0.887 reveals varied responses from the respondents interviewed over the same test.

From the information collected from respondents according to table 4.7, it clear that at World Vision information on resources received by every department is available. This is revealed by a mean value of 4.64. However, a standard deviation of 0.649 reveals varied responses from the respondents interviewed over the same test.

From table 4.7, it can be revealed that at World Vision, there are quality annual financial statements. This is shown by a mean value of 4.64 although the standard deviation of 0.649 under the same test revealed varied responses from the respondents.

4.4 Inferential Statistics

Correlation and regression analysis were carried out. Correlation analysis was used to investigate the relationship between the study variables; internal environment, Risk Assessment, Control Activities and Financial Accountability. Regression analysis was used to establish whether the independent (Internal Controls) and intermediate (Financial Accountability) variables causes variation and predicts the dependent variable, and if so to what extent.

4.4.1 Correlation Analysis

The zero order correlations were used to establish the relationships between the variables using the Pearson (r) Correlation coefficient which measures linear association among variables. It reflects the magnitude and direction of the relationship as shown in Table 4.8 below.

Table 4.8 Correlations Analysis

		Financial Accountability
Control Activities	Pearson Correlation	-0.308
	Sig. (2-tailed)	0.356**
Risk Assessment	Pearson Correlation	0.545
	Sig. (2-tailed)	0.129**
Control environment	Pearson Correlation	0.579
	Sig. (2-tailed)	0.132**

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

Results from table 4.8 above revealed that there was a negative relationship between Control Activities and financial accountability ($r=-0.308$, $p<0.005$) in Uganda World Vision. This shows that if Control Activities are not strengthened, then accountability will not be enhanced.

The results indicate a significant positive relationship between risk assessment and financial accountability. Risk assessment have more influence than financial accountability on the dependent variable ($r = 0.545 P< 0.01$) respectively in World Vision Uganda. This means that effective financial accountability is likely to be achieved if risk assessment is strengthened. This is supported by Rossi (1993) who states that, monitoring is important to service delivery because it provides vital feedback on how services are being delivered.

The correlation results revealed that Control environment had a significant positive relationship with financial accountability ($r = 0.579$, $P< 0.01$). This shows that if Internal Control environment exists, then financial accountability is likely to be achieved. Frost (2000) in his study reported a strong relationship between accountability.

4.5 Regression Analysis

In this study, regression analysis was used to determine the level of prediction of the independent variable (Control Environment, control activities, risk assessment) on the dependent variable (financial accountability). The regression model was used and results of the analysis were as shown in table 4.8 below.

Table 4.9: Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.460	2.927		1.524	.202
	Control environment	.292	.288	.576	1.011	.369
	Risk assessment	.316	.678	.257	.466	.666
	Control activities	-.600	.560	-.427	-1.071	.344

a. Dependent Variable: Financial Accountability

R Square =.498

Adjusted R Square = .121

F Statistic = 1.322

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.460	2.927		1.524	.202
	Control environment	.292	.288	.576	1.011	.369
	Risk assessment	.316	.678	.257	.466	.666
	Control activities	-.600	.560	-.427	-1.071	.344

Sig. = 0.384*

Results from table 4.9 above show that the model is significant in predicting the effects of internal control on financial accountability. The combination of internal control and financial accountability significantly predicted or explained up to 12.1% of financial accountability (Adjusted R Square=0.121). This means that 87.9% of variations in financial accountability are predicted by other variables not considered in this study. In addition, the results form table 4.8 also indicate that control environment (beta = 0.576, sig. =0.369), risk assessment (beta = 0.257, sig. =0.666) and control activities (beta = -0.427, sig. =0.344) was the most significant predictor of financial accountability. This means that a positive change in internal control leads to 0.386 similar positive changes in financial accountabilities. The result further revealed that financial accountability was also a significant predictor of financial accountability where a positive change in financial accountability leads to similar positive changes in financial accountabilities.

Conclusion

This chapter presented the analysis and interpretation of the findings. It aimed at examining the effect of internal controls on financial accountability at World vision Uganda. The focus study was to examine the effect of control environment on financial accountability, assess the effect of risk assessment on financial accountability and determine the effect of control activities on financial accountability. A total of 118 respondents were interviewed representing 100% of the response. This chapter included the background of the respondents, education of the respondents, department of the respondents and length of service. Descriptive statistics on internal controls was used since the researcher used sample as representative of entire population. Both quantitative and data was analyzed using SPSS version 16.0. Correlation and regression analysis was carried out. Correlation analysis was used to investigate the relationship between study variables and Regression analysis was used to determine the level of prediction of the independent variable on the dependent variable.

The findings of the study revealed that there was an effect of internal controls on financial accountability. Furthermore, the findings showed that control environment, risk assessment and control activities were significant predictors of financial accountability. However, it was indicated that control environment was the most significant predictor of financial accountability as compared to other variables.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter gives summary of the study findings, conclusions and recommendations from the study plus suggestions for further research. The study was guided by the following objectives: to examine effect of the control environment on financial accountability at World Vision Uganda, assess the effect of risk assessment on financial accountability at World Vision Ugandan and determine the effect of control activities on financial accountability at World Vision Uganda.

5.1 Summary of Findings

This part presents the summarized results and interpretation (findings) based on the study objective as established at the beginning of the study.

Effect of Internal controls on financial accountability at World Vision Uganda

The study examined the effects of internal control system and financial accountability at World Vision Uganda. This relationship was examined through the dimensions of internal control systems and that of the financial performance selected for this particular study. The dimensions of internal control systems (control environment, risk assessment, and control activities) were linked to the dimensions of financial accountability. Details show that control environment affects financial accountability (beta = 0.576, sig. =0.369), risk assessment is also affects financial accountability (beta = 0.257, sig. =0.666), and control activities affect financial accountability (beta = -0.427, sig. =0.344). Similarly, the study found that the combination of internal control and financial accountability significantly predicted or explained up to 12.1% of financial accountability (Adjusted R Square=0.121). This means that 87.9% of variations in financial accountability are predicted by other variables not considered in this study.

5.2 Conclusions

According to the study, there is a significant effect of internal controls and financial accountability which means that with effective internal control, better financial accountability can be realized. It was also established from the study that there was a significant effect of controls environment on financial accountability which means that with effective control desired financial accountability can be achieved. Improvement in controls environment relatively improves financial accountability. The research also showed that there was a significant effect of risk assessment on financial accountability which means that risk assessment increases the efficiency and effectiveness of financial accountability in the non-government organizations. In addition, findings revealed that there was a significant effect of control activities on financial accountability which means that control activities increase the efficiency and effectiveness of financial accountability in the non-government organizations alternatively, if there is no accountability, set goals cannot be achieved and service provision will be inadequate.

It was also established from the study that the combination of internal controls and financial accountability significantly predicted up to 12.1% of service delivery (Adjusted R Square=0.121, sig.=0.384*). This means that 87.9% of variations in financial accountability are predicted by other variables not considered in this study. However, it was indicated that internal controls is the most significant predictor of financial accountability as compared to other factors.

5.3 Recommendations

Based on the findings and the relationships between the study variables the researcher came up with the following recommendations.

5.3.1 Control environment and Financial Accountability

The findings revealed that there was a significant effect of control environment and financial accountability. Kakuru (2001) argued that if internal controls are not well implemented, it will negatively affect performance and productivity of a firm. Researcher therefore recommends that;

- Non-government organisations in Uganda should promote effective internal controls that facilitate financial accountability.
- World vision Uganda management should continuously monitor the control environment to ensure high level of financial accountability.
- World vision Uganda must have set goals and those in authority must adhere to those goals so that performance is not compromised.

5.3.2 Risk assessment and financial accountability

The findings indicate that there is a significant effect of risk assessment on financial accountability. The researcher therefore recommends that to overcome hindrances to adherence to best practice in the organizations there should be effective implementation of internal controls and hence effectiveness and efficiency in the organization's operations by World Vision Management by;

- Reviewing their existing risk assessment and strengthening them through policy implementation.
- Putting in place clear risk assessment systems to monitor proper compliance on internal controls.
- Putting in place an ethical code of conduct for staff so as to promote the world vision units as one that is ethical in the delivery of their services to beneficiaries.

5.3.3 Control activities and Financial Accountability

Here the findings indicated a significant effect of control activities on financial accountability. Basing on the findings and the previous study the researcher therefore recommends for the following;

- Routine monitoring and evaluation of performance should be encouraged so that errors and misappropriations are reduced or eliminated.
- Staff and leaders/owners of private World vision units need to be equipped with skills and knowledge for effective management of resources/businesses.

5.4 Suggested Areas for Further Research

i) Corporate Culture and accountability in the Non-Government Organization.

ii) Resource utilization and accountability in the Non-Government Organization.

iii) Leadership and accountability in the Non-Government Organization.

REFERENCES

BOOKS

ABIOLA, I., (2009). An assessment of fraud and its management in Nigeria commercial banks.*European Journal of Social Sciences,* 10 (4), 624-640.

AHMAD, Z., &NORHASHIM, M (2008). The control environment, employee fraud and counterproductive workplace behaviour: An empirical analysis. *Communications of the IBIMA*, 3, 145-155.

ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION (2012). The relationship between internal controls and fraud detection. Retrieved January 27th 2013

AMIN M. E. (2005). Social science research: Conception, methodology & analysis. Kampala: Makerere University Printery.

APPELBAUM, S.H., COTTIN, J., PARE, R., & SHAPIRO, B.T. (2006) Employee theft: From behavioural causation and prevention to managerial detection and remedies. *Journal of American Academy of Business*, 9(2), 175-182.

BASU, A., LAL, R., &SIRIVASON. (2008). Sales force compensation plan: Agency theoretical perspectives. *Marketing Science*, 2, 267-291.

BOSA, E. (2011). *Internal controls and the quality of financial statements in local governments case study: Wakiso district.* Unpublished Research Paper, Makerere University, Kampala Uganda.

CALIFORNIA UNIVERSITY (2011).Understanding internal controls: A reference guide for managing university business practices. Retrieved January 31st 2012

CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS (2008).*Fraud risk management: A guide to good practice*. Retrieved March 20th 2012

COHEN.J.,KRISHAMOORTY, G., & WRIGHT, A.M. (2002). Corporate governance and the audit process.Accounting Research, 19(4), 573-594.

COMMITTEE OF SPONSORING ORGANIZATION OF THE TREADWAY COMMISSION (1994).*Internal control-integrated framework.* USA (AICPA).

COWAN, N. (2002). CSA in local government: A study in change. In Wade, K &Wynee, A (eds). *Control self-assessment: For risk management and other practical applications*. West Sussex: John Willley& Sons

EZZEMEL, M., LILLEY, S., &WILLIMOTT, H. (2007). Accounting for management and managing accounting: Reflections on recent changes in the UK. *Journal of Management Studies*, 34, 439-463.

FAMA, E., (2008). Agency problems and the theory of the firm.*Journal of Political Economy*, 88, 288-307.

GLOBAL INTEGRITY (2006).*Global Integrity Report 2006*. Retrieved February 23rd 2012 from Godfrey, j., hodgson, a., and holmes, s (2000).*Accounting theory*. Singapore: John Wiley & Sons, Inc.

GOODWIN-STEWART, J., & KENT, P. (2006).The use of internal audit by Australian companies.*Managerial Auditing Journal*, *21*(1/2), 81-100.

GRANDORI, A. (2004). *Corporate governance and firm organization: micro foundations and structural forms.* Oxford: Oxford University Press.

KAKOOZA, T. (1996).*An introduction to research methodology***.**Kampala: The natural Adult Education Association.

KOMUGISA, R. (2013). The effect of internal controls systems on accountability on the telecommunication industry in Uganda: A case study of Warid Telecom. Unpublished master’s thesis, Uganda Management Institute, Kampala Uganda.

LAWAL, G., Corruption and development in Africa: challenges for political and economic change. *Humanity and Social Sciences Journal*, *2(*1),1-7, 2007.

MUGENDA, O.M & MUGENDA, A.G (1999). *Research methods: Qualitative andquantitative approaches*. Nairobi: ACTS Publishers.

NOORVEE, L. (2006). *Evaluation of the effectiveness of internal controls over financial reporting*.Unpublished Master's thesis Tartu University, Estonia.

NWAZE, C (2008): Quality and internal control challenges in contemporary Nigerian banking. *Zenith Economic Quarterly* 3 (2), 628-640.

OSO&ONEN (2008).*A general guide to writing research proposal and report: a hand book for beginning researchers* (2nd). Kampala: Makerere University Printery.

O'LEARY, C., ISELIN, E., AND SHARMA, D. (2003).The relative effects of elements of internal control on auditor's evaluations of internal control.*Pacific Accounting Review* 18(2), 69-94.

PRICEWATERHOUSECOOPERS (2007).*Economic crime: people, culture and controls*, the 4th Biennial Global Economic Crime Survey.

RITTENBERG, L.E &SCWIEGER, B.J. (2005).*Auditing-concepts for a changing environment*. Mason: Thomson Corporation.

ROBINSON, S.L. AND BENNETT, R. J. (1995). A typology of deviant workplace behaviors: A multidimensional scaling study. *Academy of Management Journal* 38(2), 555-572.

RUZINDANA, A. (1997). The Importance of Leadership in Fighting Corruption in Uganda.In Kimberly A. Elliott, ed., *Corruption and the Global Economy*. Washington, D.C.: Institute for International Economics.

SARENS, G., & DE BEELDE, I. (2006). Internal Auditors' Perception about their role in Risk Management: Comparsion between Belgian and US Companies. *Managerial Auditing Journal, 21*, 63-80.

SEBBOWA, B.K (2009). *The role of internal audit function in organizations.*Institute of Professional Accountants. Kampala, Uganda.

SEKARAN, U. (2003). *Research methods for business.A skill building approach.* (4th ed). John Wiley and sons. New York. USA

SPENCE, A,M&ZECHAUSER (2008). Insurance information and individual action.American Economic Review, 61-380-387.

SPIRA, L.T & PAGE, M (2005). Risk management: The re-invention of internal controls and the changing role of internal audit. *Accounting and Accountability Journal,* 16(4), 640-661.

SWAYER, L.B, DITTENBUTTER, M.A &SCHEINER, J.H (2009).*Sawyer's internal auditing* (5th ed). Washington: The Institute of Internal Auditing.

THE SOUTH AFRICAN INSTITUTE OF INTERNAL AUDITORS, (2010).*Internal audit and accounting standards*. Pretoria: Author

WALLACE, W.A. AND KREUTZFELDT, R.W. (1991). Distinctive characteristics of entities with an internal audit department and the association of the quality of such departments with errors. *Contemporary Accounting Research*, 7, (2), 485-512.

WEBER, J., KURKE, L.B., AND PENTICO, D.W. (2003). Why do employees steal? *Business and Society* 42:(3),359-380.

WEBSTER'S *NEW WORLD DICTIONARY (1997)* Webster online dictionary. Retrieved May 20th 2013

WHITTINGTON, R &PANY, K (2011).*Principles of auditing and other assurance services.*

WOOLF, E. (2006). *Auditing today* (3rd ed.).London: Prentice Hall International (UK) Ltd.

JOURNALS

HOOKS, K.L., KAPLAN, S.E., & SCHULTZ, J.J.JR. (2004).Enhancing communication to assist in fraud prevention and detection.A journal of Practice and Theory, 13, 86-117.

KULAS, J.T., MCINNERNEY, J.E., FRAUTSCHYDEMUTH, R., AND JADWINSKI, V. (2007). Employee satisfaction and theft: Testing climate perceptions as a mediator, *TheJournal of Psychology* 141(4),389-401.

THE KENYAN INSTITUTE OF INTERNAL AUDITORS (2011).*2011 training calendar*.Nairobi: Author.

.

WORLD VISION UGANDA (2014).*Staff list*. Kampala: Author.

WORLD VISION UGANDA (2014).Internal audit report. Kampala: Author.

APPENDIX I: QUESTIONNAIRE

I am a Masters' degree student at UMU undertaking a study on Internal controls and financial accountability in the Non Governmental Organization. A case study of World Vision Uganda. The study is in partial fulfillment of the requirements for the award of master's degree in Management Studies.

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

Yours Faithfully

Robert Wanyama

Section A

In the subsequent section circle the correct choice appropriately.

A1. Education Level of the Respondent

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

A2. Department of the Respondent

i. Finance and Administration
ii. Human Resources
iii. Advocacy

iv. Donor Liaison

v. Child sponsorship

vi. Technical

A3. Length of Service at World Vision

i. Less than 1 year

ii. 1-5 years

iii. More than 5 Years

Section B: Control Environment

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

	Statement	**SA**	**A**	**NS**	**D**	**SD**
B1	The organization has well-written departmental policies and procedures manual which addresses its significant activities and unique issues.	5	4	3	2	1
B2	Employees are well acquainted with the organization's policies and procedures that pertain to their job responsibilities.	5	4	3	2	1
B3	The authorities at the organization discus ethical issues with employees.	5	4	3	2	1
B4	There are strategies in place to make sure that employees comply with the organization's policies.	5	4	3	2	1

B5	The organization has an adequate training program for employees.	5	4	3	2	1
B6	Employee performance evaluations are conducted periodically.	5	4	3	2	1
B7	Good performance is valued highly and recognized in a positive manner.	5	4	3	2	1
B8	Appropriate disciplinary action is taken when an employee does not comply with policies and procedures or behavioral standards.	5	4	3	2	1

Section C: Risk Assessment

	Statement	**SA**	**A**	**NS**	**D**	**SD**
C1	There is a risk management group at the organization established whose task it is to facilitate and co-ordinate the overall risk management process	5	4	3	2	1
C2	Each risk in the organization is explored to identify how it potentially evolves through the organization.	5	4	3	2	1
C3	There is risk assessment at departmental level	5	4	3	2	1

C4	There is risk assessment at activity (process) level e.g. for operations, financial reporting, and compliance objectives	5	4	3	2	1
C5	Both external and internal risk factors are considered during risk assessment	5	4	3	2	1
C6	A risk analysis is conducted in order to assess the scale of the risk	5	4	3	2	1
C7	The company has developed a risk response strategy	5	4	3	2	1
C8	The risk response strategy is actually being implemented	5	4	3	2	1
C9	The risk response strategy is monitored and reviewed from time to time	5	4	3	2	1

Section D: Control Activities

	Statement	SA	A	NS	D	SD
D1	Duties are separated among different people to reduce the risk of error or inappropriate action.	5	4	3	2	1
D2	Financial handling responsibilities are divided among different officials	5	4	3	2	1
D3	There is proper authorization of financial transactions at World Vision	5	4	3	2	1
D4	There is proper recording of financial transactions at World Vision	5	4	3	2	1
D5	The books of accounts at World Vision are checked for any discrepancies.	5	4	3	2	1
D6	Authorities at World Vision take corrective action when there are discrepancies in the books of accounts	5	4	3	2	1
D7	Access to equipment, inventories, securities, cash and other assets at World Vision is restricted	5	4	3	2	1
D8	Assets are periodically counted and compared to amounts shown on control records.	5	4	3	2	1
D9	There is physical control over assets in the company	5	4	3	2	1
D10	There are controls over Information Systems which include controls over data center operations, systems.	5	4	3	2	1

D11	Authorities at the organization reviews books of accounts in order to take corrective action	5	4	3	2	1

Section E: Financial Accountability (Dependent Variable)

E1	At World Vision there is transparency in the management of finances	5	4	3	2	1
E2	At World Vision, competition, value for money, and controls in procurement are encouraged	5	4	3	2	1
E3	At World Vision, internal audits are regularly conducted	5	4	3	2	1
E4	At World Vision internal audit reports are released	5	4	3	2	1
E5	At World Vision, the internal audit reports are followed up.	5	4	3	2	1
E6	At World Vision, external audits are regularly conducted	5	4	3	2	1
E7	At World Vision external audit reports are released on time	5	4	3	2	1
E8	At World Vision, the external audit reports are followed up.	5	4	3	2	1
E9	At World Vision accounts reconciliation is timely	5	4	3	2	1
E10	At World Vision accounts reconciliation is regular	5	4	3	2	1
E11	At World Vision information on resources received by every department is available.	5	4	3	2	1

E12	At World Vision there is quality in year budget reports.	5	4	3	2	1
E13	At World Vision, there are quality annual financial statements	5	4	3	2	1
E14	At World Vision, the annual financial statements are timely	5	4	3	2	1
E15	At World Vision there is transparency among staff who handle the company's resources	5	4	3	2	1

What can be done to improve internal control systems at World Vision Uganda?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

What can be done to improve accountability at World Vision Uganda?

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

Thank You

APPENDIX II: INTERVIEW GUIDE

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

Thank You

APPENDIX III: DOCUMENTARY REVIEW CHECKLIST

R**eview document and reports on:**

1. Control Environment Processes
2. Risk Assessment
3. Control Activities
4. Financial Accountability