INTERNAL CONTROL SYSTEM AND FINANCIAL PERFORMANCE IN PETROLEUM INDUSTRY A CASE OF VIVO ENERGY UGANDA

BY

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18/U/GMBA/19407/PD

A RESEARCH DISSERTATION SUBMITTED TO THE GRADUATE SCHOOL IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION IN ACCOUNTING AND FINANCE OF

KYAMBOGO UNIVERSITY

MAY, 2021

DECLARATION

I, Alamye Jonathan, hereby declare that this research dissertation under the title **"Internal Control System and Financial Performance in Petroleum Industry; A Case of Vivo Energy Uganda,** is my original work and has been never submitted for any academic award in any Institution or University except where due reference is clearly exemplified in the text.

Signed: ………………………………

ALAMYE JONATHAN

Date: …………………………

APPROVAL

We certify that this research dissertation entitled **"Internal Control System and Financial Performance in Petroleum Industry. A Case of Vivo Energy Uganda."** by Alamye Jonathan has been carried out under our supervision and is now ready for submission with our approval.

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Dr. Mary. M. Mukokoma (PhD)

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Date: _________________________________

DEDICATION

I dedicate this dissertation to my parents Mr. Alamye Silvester and Mrs. Alice Alamye who have stood with me all the way through this academic journey up to the end.

ACKNOWLEDGEMENT

The journey towards generating this dissertation has received support from several individuals and institutions that cannot go unacknowledged. First of all, I glorify the Almighty God for thus this far has brought me and for the favor upon my life throughout the entire period of my master's studies.

Special appreciation goes to my supervisors, Dr. Mary Maurice Mukokoma and Dr. Ssendagire Dorothy, who have been very supportive right from the selection of the research topic to date. I am extremely grateful for the time, patience, constructive criticisms and useful suggestions they have provided.

I also wish to appreciate Dr. Isiiko Alexander Paul, Mr. Bahemuka Julius and Mr. Balambula Zakayo for their intellectual guidance they accorded to me and for giving direction to my studies. You allowed me to explore my potential and for this I am grateful and I will always be grateful for your guidance and support. Colleagues at Kyambogo University your support and team work throughout the entire period of my master's studies cannot be understated, thank you so much.

I also pay special tribute to the employees of Vivo energy Uganda for allowing me to collect data from their organization. Finally, I am also grateful for my wife Ms. Namulugo Babra for supporting me throughout this entire journey.

TABLE OF CONTENTS

LIST OF ABBREVIATIONS/ ACRONYMS

COSO	Committee of Sponsoring Organizations
CVI	Content Validity Index
FP	Financial Performance
GAAP	Generally Accepted Accounting Principles
GOU	Government of Uganda
IA	Internal Audit
ICAE& W	Institute of Chartered Accountants of England and Wales
ICS	Internal Control System
NSSF	National Social Security Fund
OPM	Office of the Prime Minister
SAQ	Self-Administered Questionnaires
SPSS	Statistical Package for Social Sciences
US	United States

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

The objectives of the study were to examine the effect of internal control environment on financial performance in vivo energy Uganda, to analyze the effect of internal audit function on financial performance in vivo energy Uganda and to assess the effect of internal control activities on financial performance in vivo energy Uganda. Three null hypotheses were tested based on the objectives. The study aimed at examining the effect of internal control system on financial performance in petroleum industry a case of vivo energy Uganda.

The study was underpinned on the agency theory. A case study design was utilized and both qualitative and quantitative data was collected using questionnaires and interviews. A total population of 165 respondents was considered to obtain quantitative data using questionnaires and a sample of 159 was obtained using available primary data. Data was obtained from only 150 respondents from different departments using quota sampling and simple random sampling methods giving a response rate of 96.6%. Qualitative data from interviews was obtained from 13 respondents using purposive sampling method.

Data was analyzed using descriptive statistics, Pearson correlation, coefficient, regression analysis; significance level was found and the hypothesis testing proved that there is a positive relationship between internal control systems and financial performance in vivo energy Uganda. The multiple correlation results revealed that internal control environment enhance financial performance, internal audit function and internal control activities also enhances financial performance in vivo energy Uganda.

The study concluded that the institution has an effective internal audit function but with challenges in its implementation; on financial performance, there is no appropriate procedures for accountability and financial reporting; and it also concluded that there is a positive and significant effect of internal control system on financial performance in vivo energy Uganda.

The study recommended competence profiling in the internal audit department; it also recommended an establishment of additional finance generation strategy; and it finally recommended a deliberate attempt to conduct a study on the relationship between managements' commitment and factors that are external to the organization.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

There is a general perception that the enforcement of internal controls will always lead to improved financial performance. Instituted systems of internal control improve the reporting process, thus enhancing the accountability function of management of organizations (Local Government Finance Commission, 2003, p, 32). “The likelihood of achievement is, however, affected by limitations inherent in all systems of internal controls (Hayes, 2005, p.823)

This chapter provided an overview of the background to the study, statement of the problem, purpose of the study, research objectives and research questions, scope of the study, significance of the study and the conceptual framework.

1.1 Background to the Study

1.1.1 Historical Background

The Internal control system (ICS) profession evolved steadily with the progress of management especially at the end of World War II. It is conceptually similar to financial auditing by public accounting firms, quality assurance and banking compliance activities. Much of the theory underlying Internal control system is derived from management consulting and public accounting professions with the implementation in United States of the Sarbanes- Oxley Act (2002, p.773). The profession's growth accelerated, as many internal auditors acquired the skills required to help companies and public institutions meet the requirements of the tales. (SAS 300). According to Auditing Standard Board, ICS is a measure of checks and balances, a method and procedure instituted by an organization to conduct a systematic approach that management can rely on to achieve its intended goals. However, that was in the US and it was for private entities which may not be applicable in public entities and many internal auditors may not possess the required skills to help companies and public institutions meet their objectives.

The concept of internal control system and financial performance took a big leap in the twenty-first century. It originally developed in Britain, when a powerful, administratively strong, centralized state emerged. It was probably the most sophisticated state since the Romans (Warren-Hollister, 2009, p. 178). The English state, particularly under Henry I (1100 - 1135) and Henry II (1154- 1189), was premised on an efficient, financially strong administrative system. The findings of the Tread way Commission Reports (1987, p, 17) in the United States of America (USA) confirmed that absence of or a weak internal control and poor financial performance (FP) is primarily the cause of many cases of fraudulent acts and compromised standard of work leading to shoddy work, value for money not being realized in public service institutions and other business organization financial reporting. This has been witnessed in Uganda by the various scandals that rock the National Social Security Fund (NSSF) and the Office of the Prime Minister (OPM), the Ministry of Public Service, among others. If internal control systems were strong, such transactions would have been detected and blocked. Therefore, widespread global corporate and institutional scandals that assumed near-epidemic proportions in recent years have created concern which this study is trying to investigate. Notable cases include: Enron and World com, Xerox and recently alleged fraud cases like Lehman and Brothers in the United States of America, Parmalat in Europe, and Chuoaoyama in Asia (Higson, 2012, p.283) In South Africa, cases of accounting scandals were recorded in JCL and Rand gold and Exploration Companies (Randgold and Exploration Co. Ltd Annual Report (2011,p.18).

In Nigeria, the managing Director and Chief Finance Officer of Cadbury Nigeria Plc. was dismissed in 2006 for inflating the profits of the company for some years before the company's foreign partners acquired controlling interest (Cadbury Annual Report, 2006). It is generally believed that properly instituted systems of internal controls improve financial performance but in spite of this, elaborate internal control system and financial performance has eluded most entities; and this called for an investigation to the effects of ICS on FP.

Among the east African countries, Kenya is also believed to have made strong efforts with regard to internal control systems in 1980 as managers tried to achieve resource management using the law (Wainaina, 2011). Kenya has implemented the internal control systems in organizations (Micheni, 2017). Kenyan organizations are therefore, required by law to monitor activities for financial performance or any other risks that may happen for proper reporting of actions and behaviors of the working force using internal control systems (Nyamu, 2012).Internal control system in Uganda began in era of colonialism that is 1920 as London was made a base for control of activities carried out by colonial masters in their protectorate- Uganda (Office of the Auditor General Report, 2016).

1.1.2 The Contextual Perspective

Vivo Energy is the company behind the shell brand in Africa. It sources, distributes, market and supply shell's world class fuels and lubricants to retail and commercial customers across the continent. Vivo energy Uganda was established in 2013 and has been steadily building up its portfolio over years. It is located at 7th street, industrial area plot 9, 11 Kampala district.

Vivo energy Uganda has put in place a lot of internal controls to improve on its financial performance. For instance, strict laws regarding the accessibility of company assets, establishment of accounting regulations and procedures, establishment of a strong and sound internal audit function, among others. However, despite these efforts, vivo energy Uganda's financial performance has remained low as it is evidenced in the performance reports from financial years 2015/2016 to 2017/2018 which reveal that the assets of the company and financial records have continuously been accessed by staff working with vivo energy Uganda without proper authorization. It is also discovered that vivo energy Uganda's financial performance operates under capacity as a lot of funds for the company has been embezzled and spent without proper authorization and accountability. According to the audit reports from financial year 2015/2016 to 2017/18, a tune of Ugx 256millions was embezzled and Ugx 56million were spent without proper authorization and accountability. This was attributed to non-compliance with accounting regulations and procedures.

A lot of challenges have been experienced in regard to internal controls which include struggle with liquidity problems; financial reports are not made timely, fraud, misuse of company resources, and lack of proper accountability, among others (performance reports for F/Y 2015/16, 2016/17 and 17 /18). The above contextual evidence shows that the financial performance for vivo energy Uganda remained low. This evidence led to the empirical question as to what is the effect of internal control systems on financial performance in vivo energy Uganda.

1.1.3 Conceptual Background

In this study, the main concepts were internal control systems and financial performance. Each of these concepts had been conceptualized differently by different authors and they have specific application contexts in the study.

Internal control system in the study was the independent and financial performance was the dependent variable

Internal control system focused on internal control activities, internal control environment and auditing. Internal control system is a conceptualization that is used to refer to a system consisting of specific policies and procedures designed to provide management with reliable assurance that the goals and objectives it believes to be important to the entity will be met. In their view, the reasons to have internal controls is to promote operational effectiveness and efficiency, provide reliable financial and administrative information, safeguard assets and records, encourage adherence to prescribed policies and compliance with regulatory agencies (COSO, 2004)

Internal control system refers to all forms of control techniques instituted by management to ensure an efficient and effective performance of the organization. Therefore, any control measure adapted by the company for the realization of its pre-determined objectives, is described as an internal control system (Kudinz, 2009).

Further, Kirsch (2015), defined internal control system as a set of mechanisms designed to motivate an individual or a group towards achievement of a desired objective.

Performance refers to the ability to operate efficiently, profitability, survive, grow and react to the environmental opportunities and threats (Stoner, 2003). Financial performance in this study focused on timely accountability, reliable financial reporting, and compliance with laws, regulations and policies. Financial performance is defined as a measure of institution's strategies and operations in monetary terms. It is a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Davies, 2005).Therefore, the relationship between internal control system and good financial performance is the ideal output of internal controls.

1.1.4 Theoretical Background

Agency theory

The determinants of a strong internal control systems have been subjected to major analysis. Several theories explain the reasons for companies to put in place strong control systems including the agency theory. Agency theory is founded on the economic theory, it was developed by Meckling and Jensen (1976) and was further advanced (Alchian And Demsetz, 1982). The theory defines agency relationship as contract under which one or more persons (principals) engage another person (agent) to perform some services on their behalf which involves delegating some decision-making authority to the agent (Meckling and Jensen, 1976). It is expected that the agent will continuously act in the best interest of the principle but the theory claims that conflicts are expected to arise when there is incomplete and asymmetric information between the principal and the agent in a company. In order to solve these conflicts, there should be more information disclosure which will be influenced by the control measures that are put in place.The agency theory also advocates for the setting up of governance rules and incentives to align the behavior of managers to the desires of stakeholders (Kiel & Nicholson, 2003). Furthermore, an assumption of agency theory is that principals and agents act rationally and use contracting to maximize their wealth. A consequence of this assumption may be the moral hazard problem (Jensen & Meckling, 1976) indicating that in an effort to maximize their own wealth, agents may face the dilemma of acting against the interests of their principals. The theory was therefore relevant to this study as shareholders who are the owners of the quoted companies have delegated the responsibilities of daily running of the companies to the management who act as their agents and hence great need for strong internal control systems to ensure shareholders and other stakeholders' interests are adequately safeguarded.

1.2 Statement of the Problem

Vivo energy Uganda has put in place the necessary measures to empower internal control system in the organization so as to enhance financial performance (finance and accounting regulations, 2013). Vivo energy Uganda has always had an internal audit department to help in compliance with the internal control system, regulations and procedures. The external auditors conduct financial and compliance audit to provide assurance to the stakeholders that the organization have managed their financial affairs according to sound financial principles and the legal framework, and achieve their financial objectives (audit reports F/Y 17/18). Despite all the above efforts, vivo energy Uganda still struggles with timely accountability, reliable reports, compliance with laws, regulations and policies, frauds, and misuse of organizational resources which has been unearthed by the audit reports (F/Y 2015/16, 16/17 & 17/18). This was evidenced by the audit reports for financial years from 2015/2016 to 2017/18 where a tune of Ugx 256millions was embezzled and Ugx 56million were spent without proper authorization and accountability and this was attributed to non-compliance with accounting regulations and procedures. The performance reports for the Financial Years 2015/16, 2016/17, and 2017/18 reveal that assets of the company like motor vehicles, fuel trucks, and financial records are accessed by staff working with Vivo Energy Uganda without proper authorization Therefore, this study investigated the persistent low financial performance from the perspective of internal control system which has hitherto been ignored.

1.3 Purpose of the study

The purpose of the study was to examine the effect of internal control systems on financial performance in petroleum industry, focusing on a case of Vivo Energy Uganda.

1.4 Objectives of the study

1. To analyze how internal control environment affect financial performance in Vivo Energy Uganda.
2. To assess how internal control activities affect financial performance in Vivo Energy Uganda.
3. To assess the effect of internal audit on financial performance in Vivo Energy Uganda

1.5 Research hypothesis

Following the research objectives, the null hypothesis that were tested are shown below,

The study attempted to test the following hypothesis.

H_1: The effect of internal control environment on financial performance in Vivo energy Uganda is significant.

H_O: The effect of internal control environment on financial performance in Vivo energy Uganda is not significant.

H_1: The effect of internal control activities on financial performance in Vivo energy Uganda is significant.

H_O: The effect of internal control activities on financial performance in Vivo energy Uganda was not significant.

H_1: The effect of internal audit function on financial performance in vivo energy Uganda is significant.

H_O: The effect of internal audit function on financial performance in Vivo energy Uganda was not significant

1.6 Scope of the study

1.6.1 Content scope

The study set out to examine the effect of internal control systems on financial performance in petroleum industry; a case of vivo energy Uganda. This was achieved by examining the effect of internal audit function, internal control environment, internal control activities and these were chosen because the institution currently experience challenges that are attributed to inadequate staffing in internal audit department, unfavorable control environment and the internal control activities are relaxed which has in turn affected the financial performance of the institutions hence the study intended to examine how best these three aspects can be implemented at vivo energy Uganda to yield positive results.

1.6.2 Geographical scope

Vivo Energy Uganda headquarter is found in Kampala City in industrial area, plot 9/11, 7th street.

1.6.3 Time scope

The study focused on reviewing literature between 2000-2018 as the researcher believed that literature was relevant to justify the study and back up the problem statement and was undertaken within a period of six months as this time period was adequate for the researcher to review literature and collect data and analysis to draw conclusions. Collection of data from the field took a period of one month after which analysis and interpretation was done.

1.7. Justification of the Study

Vivo energy Uganda has been facing financial performance challenges since 2014 as evidenced by struggles with liquidity problems, untimely financial reports, wanting accountability for financial resources from time to time, frauds and misuse of institutional resources. Furthermore, prior literature has limited its attention on public institutions like universities, local governments, etc. and financial institutions and there are no extensive studies that have been conducted in regard to petroleum industry.

1.7 Significance of the study

The study would significantly add to the already existing theories and the body of knowledge by showing the effect of internal control system on financial performance in organizations. This would expand the theoretical and empirical development of literature as different studies have been made though using different variables and proxies. The study would enable petroleum industry to realize the effects of internal control system and its influence on financial performance.

The findings of this study would inform policy makers like the government and other stakeholders such as accountants to develop a concrete policy and support strategies regulating internal control system and financial performance in petroleum industry.

The study would also provide an opportunity for future researchers to examine the link between internal control system and financial performance. The recommendations of this study would create room for future research on the relationship among the above variables and as a result, the study may be used as a diagnostic tool to determine specific areas which may require improvement in connection to internal control systems and financial performance. The outcomes of the study would offer suggestions that could be beneficial to vivo energy Uganda and the entire petroleum industry.

1.8 Conceptual Framework

Miles and Huberman (2004) define a conceptual framework as the current version of the researcher's map of the territory being investigated. Implicit in their view is that conceptual frameworks may evolve as research evolves. Their notion accommodates purpose (boundaries) with flexibility (evolution) and coherence of the research (plan/analysis/conclusion) which all stem from conceptual frameworks. Mugenda and Mugenda (1999) also view a conceptual framework as a hypothesized model identifying the model under study and the relationships between the dependent variable and independent variables.

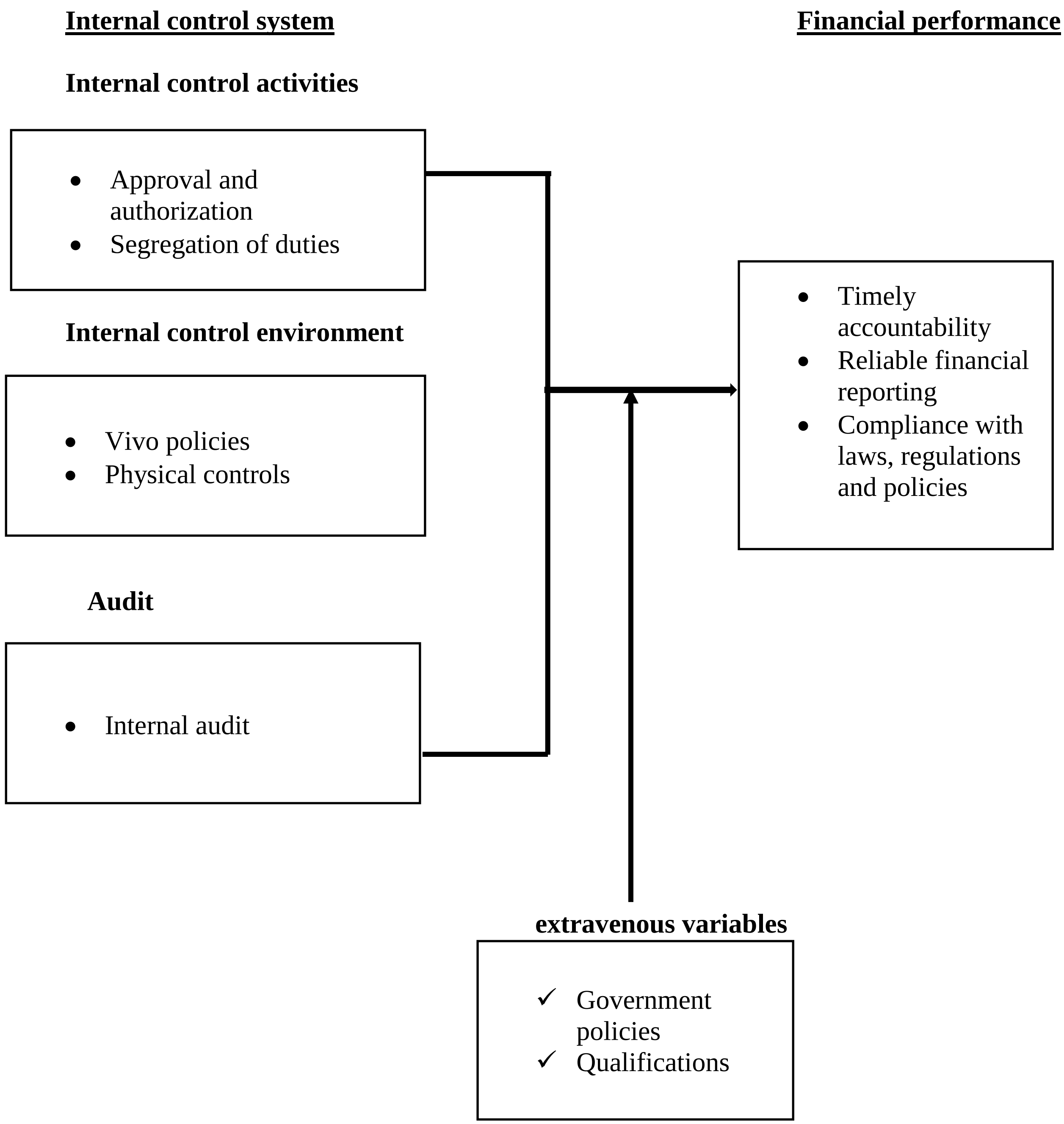

Figure 1: Conceptual Framework

Source: literature review

This study was based on the mentioned framework especially the effects of the internal control systems and financial performance. The independent variable of the study was internal controls while the dependent variable was financial performance. Internal control systems consist of Internal control activities, internal control environment and audit; and financial performance as dependent variable consist of timely accountability, reliable financial reporting and compliance with laws, regulations and policies

1.9 Organization of the report

This report comprises of five chapters: chapter one introduced the historical, conceptual, theoretical and contextual aspects of the study and these included internal control system and financial performance. This draws up the basis for presenting the research problem, the research objectives and the value for the study to support the research. This chapter also presents the organization of the report which encompasses five chapters.

Chapter two made provision for a review of theories and empirical literature that explains the association among study variables. The theory covers; the agency theory. A summary of the empirical studies and research gaps have also been availed in this chapter.

The third chapter presents the methodology used in the study and included the research design, study population, sample size and sampling technique. The chapter discussed reliability and validity and also considered the diagnostic tests that were used in the study. The chapter also presented methods adapted in data collection, measurement of research variables, data analysis techniques, analytical methods, ethical issues and limitation for the study.

Chapter four presents the background information of respondents, various diagnostic tests were carried out and a multivariate logistic regression presented. This chapter also presented the testing of hypotheses and interpretation of finding. Finally, chapter five revealed the summary and discussions of the findings, conclusions of the study, recommendations and areas of further research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section presented the related literature on empirical and theoretical studies on internal control system and financial performance. The review covers scholarly work for both local and international sources of literature, reading materials like reports, articles, and journal among others will be highly considered as source of information about the variables in the study.

2.1 Theoretical Review

The section started with reviewing relevant theory to this study. This included: the agency theory, which form the basis of the concept of internal control systems.

Agency Theory of 1937

The agency theory stands as a very crucial theoretical paradigm in Finance and Accounting and was developed by (Meckling, & Jensen, 1976). An agency relationship involves a business owner engaging an agent to carryout functions on his behalf which concerns delegation of authority in making decisions, this relationship arises when the owner of the firm does not manage or control it by himself. Agency theory is profoundly entrenched in Economic theory and states that investors who own the company delegate the operations of the business to the manager or an agent. It is expected that the agent will not continuously act in the best interest of the principal. Agency claims that conflicts are expected to arise when there is incomplete and asymmetric information between principal and agent in a company. Both parties may have different interests and this problem could be minimized by providing more information (Meckling & Jensen, 1976).

According to Souissi & Khlif, (2012), larger firms have stronger motivations to disclose more information. Watson, Shrives, & Marston, (2002) added that the larger firms have easy access to direct financing based on their amount of disclosures thus larger firms are expected to reveal more voluntary information to reduce these costs, such as amassing and dissemination of information, as they are higher for smaller firms.

Research by Watson et al., (2002) showed that it is much cheaper for larger firms to offer voluntary disclosures than small firms. Some of the expenses that will be incurred through voluntary disclosure include the cost related with getting the information and later disseminating it and this exercise may also result in competitive disadvantage as an indirect cost. They also supplement that since the danger of litigation of smaller firms is much less, this works as a limiting factor to disclose a lot of their information in their annual reports as the benefits do not substantiate the cost incurred. Sarens and Abdolmohammadi (2011) noted that according to the agency theory, a company consists of a set of linked contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling these resources. The Agency theory ascertains the agency relationship where one party, which is the principal, delegates work to another party, called the agent. The theory was therefore very relevant in this study as shareholders who are the owners of the quoted companies have delegated the responsibilities of daily running of the companies to the management who acts as their agents hence great need for strong internal control systems to ensure stakeholders and other stakeholder's interests are adequately safeguarded.

2.2. Conceptual Review

2.2.1. Internal control system and financial performance

Schaffer et.al. (2015) indicate that internal control system can be perceived as socially constructed patterns. This has the implication that in situations of institutional complexity, that is; situation in which actors have to deal with several institutional pressures at the same time, different organizations might respond in different ways in an attempt to not only comply with regulations but also to achieve their legitimate goals (Henk,2020).

Ejoh and Ejom (2014) argue that there are two types of major internal controls associated with management of large firms, particularly diversified firms, which have an important effect on firm innovation and these are; strategic controls and financial controls. Strategic controls entail the use of long-term and strategically relevant criteria for the evaluation of business-level managers' actions and performance.

According to IPSASB Conceptual Framework Consultation Paper 2 (2010), financial performance can be measured using revenue and expenses view model which focus on flow of resources that are applicable to a particular period. The model would determine would determine annual surplus/ deficit based on the definition of revenue and expense and would include all items not meeting these definitions in the statement of financial position. Such items would be included in the statement of financial position as assets and liabilities when appropriate or in new differed inflows and outflow elements. Items recognized in differed categories would be recognized in revenue and expense in some future period when it would be objectively determined that the items relate to that period. However, for the purpose of this study, reliable reporting, timely accountability and compliance with laws and regulations will be used to measure financial performance.

2.2.2 The effect of Control environment on financial performance

The control environment describes a set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. According to the institute of internal auditors (IIA), a control environment is the foundation on which an effective system of internal control is built and operated in an organization that strives to achieve its strategic objectives, provide reliable financial reporting to internal and external stakeholders, operate its businesses efficiently and effectively and comply with all applicable laws and regulations and safeguard its assets (COSO, 2019).

According to COSO (2013), the control environment sets the tone of an organization, influencing the control consequences of its people. It is the foundation of all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style, the way management assigns authority and responsibility, and organizes and develops its people, and the attention and direction provided by the Board of directors.

According to Kinyua. et. al. (2015), the control environment as established by the organization's administration sets the tone of the institution and effects the control consciousness of its people. Management attitude should be committed to ethical business practices and to follow the established control procedures.

Ofori (2011), considered the control environment to be the attitude towards internal control and control consciousness established and maintained by the management and employees of an organization. Organizational structure settings, responsibilities allocation, what position of the person in the organization is and what power and responsibility he has. Organizational structure is the guarantee for the enterprise to achieve overall goal and enterprises should plan, execute, control and supervise based on the structure of the organization.

2.2.3 The effect of control activities on financial performance

COSO (2019), defined control activities as actions (generally described in policies, procedures, and standards that help management mitigate risks in order to ensure the achievement of objectives. Control activities may be preventive in nature and may be performed at all levels of the organization.

Woolf (2011) indicated that all transactions must be authorized and approved by the right and responsible officer. This is aimed at preventing frauds, safeguarding the company assets, streamlining the flow of authority to avoid beaucracy and conflicting authorized activities for example purchases invoices should be approved before payment is made to suppliers, and wages payment be approved before cash withdrawal from the bank internal control requires proper system of authorization and approval whose main objective is to prevent fraud and safeguard company assets. The procedures designed and security measures taken to safeguard assets are known as physical controls.

Whittington and Pany (2001), mention control activities as another component of internal control system. They note that control activities are policies and procedures that help ensure that management directives are carried out. Control activities in an organization basically comprise; performance review (comparing actual performance and budgets, forecasts and prior period performance), information processing (necessary to check the 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 handles all aspects of a transaction from the beginning to the end).

Whittington and Kurt (2001) assert that control activities are vital in ensuring that internal control system continue to operate as intended. They are on-going actions that organizational members take to ensure proper execution of operations and are particularly designed to support accurate, complete and reliable financial transaction processing. Internal control activities are measured as segregation of duties, authorization, supervision, physical controls and performance reviews (COSO, 2013).

2.2.4 The effect of internal auditing on financial performance.

COSO (2013) asserts that international standards for the professional practice of internal auditing requires internal audit activities to evaluate and contribute to the improvement of governance, risk management, and control processes. As such, internal auditors play a key role when it comes to assessing how effective an organization's internal control system is. The independent internal auditors offer guidance to senior management and accordingly; they can evaluate the internal control system the organization implemented and contribute to its continued effectiveness (Scherer, 2020). Therefore, implementing and monitoring such an important component of internal control system will ensure compliance with the laws and regulations and it is good for vivo energy Uganda and petroleum industry at large to improve and enhance the effectiveness of internal audit function to improve good governance.

According to the academic journal of interdisciplinary studies by Todri (2015), indicates that the responsibilities of the internal audit function are increasing with sophistication of the economy and the business organization. Wanyama (2018), viewed internal auditing as an independent, objective assurance and consulting activity designed to add value and improve on an organization's operations. He further noted that internal auditing function helps an organization accomplish its objectives by bringing a systematic, disciplined approaches to evaluate and improve the effectiveness and governance processes.

Chepkorir (2010) noted that internal audit assists an institution accomplish its objectives by putting in place an orderly, controlled approach to review and enhance the effectiveness of risk management, control and governance processes. The internal audit activity assesses risk exposures with respect to the enterprise's governance, operations and information systems. The internal auditors are supposed to provide recommendations for enhancement in those areas where opportunities or weaknesses are identified. The internal audit department therefore is the custodian of all other internal controls to ensure that set internal control measures are adhered to, so as to improve financial performance in petroleum industry.

2.3 Empirical Studies

2.3.1 Global Empirical Studies

Muraleetharan (2010,) in his study of internal control and its impact on financial performance of the university of Jaffrian, found that there was a relationship between internal control and financial performance (R^2=0.818). The study found that internal control systems explained 81.8% of variance in performance. The study was however, done in university settings which is quite different from petroleum administrative settings that this study seeks to confirm the findings.

Sanusi and Johari (2015) in the study of the effects of internal control system, financial management and accountability of NPOs: the perspective of mosques in Malaysia, found out that there is a correlation between all independent and dependent variables; there are positive relationships between budget participation, internal control, fund usage and accountability on financial management practices (r =0.313, r =0.359, r =0.504 and r =0.279 at $p< 0.05$) respectively. ICS plays an important role in ensuring the effectiveness of financial management practices. However, the researcher recommends that future studies need to watch some information on bulletin boards regarding annual activities done in mosques because the questionnaires were given to mosques committees that manage the mosque and the accuracy and validity of data depends on their honesty in answering the questionnaire. This study sought to clarify on that by looking at the financial, audit and performance reports of Vivo in conjunction with the questionnaires distributed to the staff of VEU.

2.3.2 African Level

Chukwu (2012) in the study of the impact of internal control system on the financial management of an organization within the context of the Nigerian bottling company found that internal control measures ensured proper use of organization funds and assets. The Z value of 3degree of freedom and 5% significance for two tailed tests was 0.9989 which is less than table value 2.6. The study also found that fraud perpetration and losses of revenue in an organization are not a result of internal control system. Internal control systems are put in place to detect and prevent frauds and losses of revenue and this study sought to confirm the above findings.

Mwakimasinde, Odhiambo and Byaruhanga (2014) in the study of the effects of internal control system on financial performance of sugarcane out grower companies in Kenya found that the regression result of 42.8% of performance of sugarcane out grower companies can be explained by ICS (squared= 0.428). Based on the findings and conclusions of the study, the following recommendations were made: ICS has been found to have statistically positive effect on performance of sugarcane out grower companies; hence there was need for the sugarcane out grower companies to improve their ICS.

2.3.3 Ugandan Level

Mawanda (2008) in his study of the effects of internal control system on financial performance in an institution of higher learning in Uganda, a case of Uganda martyrs university found that there is a relationship between internal control system and financial performance. However, most of these studies were done in universities which may not be the case with petroleum industry and this study is being undertaken to confirm or dispel the results of these studies with empirical evidence.

Amudo and Inanga (2009) carried out an evaluation of ICS on the regional member countries of the African Development Bank, focusing on Uganda in East Africa. The study established that some control components of effective ICS are lacking in these projects which renders current structures ineffective, hence affecting performance negatively.

2.4 Synthesis of Literature Review and Gap Analysis

The literature review has shown a number of historical sources describing internal control systems and financial performance in different cases. The literature available shows that internal control systems have an effect on financial performance of organizations, though it does not show in statistical terms the extent to which financial performance is affected by internal control system.

Therefore, it is assumed that lack of proper internal control adversely affects financial performance of both private and government units. Limited control environment leads to low productivity among personnel, and absence of policies affects the quality of services offered. Segregation of duties prevents fraud and errors as it becomes difficult for several employees to connive to defraud the system since transactions are not completed by one person. Physical controls ensure assets and organizations valuables are protected. However, the reviewed literature did not highlight the issues of control systems and financial performance in the context of petroleum industry in a developing country such as Uganda. This therefore necessitated conducting a study to establish the effect of internal control systems on financial performance in Vivo Energy Uganda and express it statistically to aid future decision making in the company.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The purpose of this chapter described the research methodology of this study. Specifically, this section highlighted the methods and procedures that the researcher followed while collecting and analyzing data that supported the research study in the most effective manner. It explained the research design, study population, sample size and techniques as well as data collection methods, tools, procedure, data analysis, presentation and measurement of variables.

3.2 Research design

This study used a mixed method design, which is a methodology that focus on mixing the quantitative and qualitative data collection and analysis techniques (Zohrabi, 2013). This mixed design was adopted because it is useful in understanding data in terms of breadth and depth achieved with the help of quantitative and qualitative methods (Creswell & Clark 2017). In view of Palinkas, Aarons, Horwitz, Chamberlain, Hurlburt, and Landsverk (2011) asserted further mixed design gives a voice of study participants ensuring that the study findings are grounded on participants' experiences. The study further employed a triangulation approach of qualitative because there will be a need to develop a comprehensive understanding of phenomena through the convergence of information from different sources (Amankwaa, 2016). More so a deductive approach applied for quantitative mainly because it enables researchers to start with hypotheses and then collect data which can be used to determine whether empirical evidence to support that hypothesis exists (Choy, 2014).

3.3 Study population

According to Cooper and Shindler (2011), a study population is the total collection of elements on which the researcher wishes to make some inferences. In this study, the target population of this study involved all the emlpoyees in Vivi energy uganda totaling to 165 in number as presented in the table 3.1 below.

3.4 Sample size and technique

The study will use the Yamane's formula for calculating sample size (Yamane, 1967). According to him, for a 95% confidence level and p = 0.5, size of the sample should be: $n = \frac{N}{1+N(e^2)}$

Where, N is the population size and e is the level of precision. In the context of this study, N = 159 with 95% level of precision. In this study the sample size was calculated in proportion to the target population of the study.

Assuming 95% confidence level and p =0.5, we got the sample size as

$$n = \frac{165}{1+165.(0.05^2)} = 159$$

The sample size for this study is 159 Samples from the different sections selected using purposive and simple random sampling which provided every member of population same and known chances of being nominated in each section hence simple random sampling (Kothari, 2012, Yamane, 1967). Under this, the sampling frames (lists) were obtained from the human resource officer involving all employees in the organization. Purposive sampling technique was used to select the officials with the specific information that needed for the research objectives which line employees may not be able to provide adequately. For collecting data 159 respondents were nominated representing the study population of 165employees as shown table 3.1 below;

Table 3. 1 Target population and sample size of the study

Category	Population	Sample	Sampling technique
Administration and management	20	20	Census
Finance and accounting	25	25	Census
Human resource	25	24	Simple random
Procurement	25	24	Simple random
Pump engineer	45	42	Simple random
Mechanics	25	24	Simple random
Total	**165**	**159**	

Source: Primary data, 2020

3.5 Sources of data

The main sources of data for this study was both primary and secondary sources. Primary data was obtained from respondents' responses as solicited by self- administered questionnaires and interviews on the effects of internal control system and financial performance in Vivo energy Uganda. On the other hand, secondary data was collected from documents and reports of Vivo energy Uganda and particularly the finance department, professional and academic journals, published literature, text books and previous dissertations that were obtained from the library and the internet.

3.6 Data collection methods

Data collection methods are data collection techniques used for collecting information from all the relevant sources to find answers to the research problem, test the hypothesis and evaluate the outcomes (Harrell & Bradley, 2009). In this study, researcher use self-administered questionnaire, and in-depth interviews.

3.6.1 Self-administered questionnaire

The study among other methods used self-administered questionnaire which served as the main technique of collecting data. According to De Leeuw (2008) a self-administered questionnaire is data collection technique in which written questions are presented that are to be answered by respondents in a written form. The self-questionnaire was preferred because it enabled the researcher to code the information easily for subsequent quantitative analysis hence reducing the error gap (Schraeder, Becton, & Portis, 2007).

3.6.2 Interviews

An interview is a data collection technique that involves oral questioning of respondents either individually or as group (De Leeuw, 2008). In this study, interviews supplemented the questionnaire method in collecting data. It involved conducting oral questioning of respondents in order to keep the researcher focused***. Interviews were vital to this because, if worded effectively, questions encourage unbiased and truthful answers from interviewees since the interviewer have better control over the types of information that they receive. They can pick their own questions (King, Horrocks & Brooks, 2018).***

3.7 Data collection instruments

According Leung (2001) define data collection instruments as devices/tools used to collect data. The main data collection instruments that used for the study are questionnaires and interview guide. Both the questionnaire and interview guide were designed to collect data which answered all the research questions raised.

3.7.1 Questionnaire

The study employed a questionnaire as the main tool of data collection. The questionnaire for respondents had four sections. First section dealt with the demographic characteristics of the respondents, section two focused on the variables of rewards and motivation, and last section presented financial performance as the outcome of internal control system in Vivo energy Uganda. The questionnaire had the close-ended questions. Close-ended questions are developed to help respondents make quick decisions; in addition, they help the researcher to code the information easily for subsequent analysis and narrow down the error gap while analyzing data as observed by (De Leeuw, 2008; Sekaran & Bougie, 2003).

3.7.2 Interview guide

The interview guide is a list of questions you asked your participants during the interview. The interview guide was used by the researcher. Also interview schedules were used during interviews for in-depth inquiries in the subject matter for certain specific details and facts about the study variables. This guide is used to dig deeper and get in-depth investigating and understanding of variables better from key informants (Amin, 2005). An unstructured interview guide was also used as a tool for collecting in depth information from the key informants. The guide had a list of typical issues and themes which explored and enabled the researcher collect the appropriate data in the course of conducting the interviews (Boyce & Neale, 2006). The guide was drawn with the questions soliciting for the perception of the key informants regarding the examination of internal control system and financial performance in Vivo energy Uganda. The interview guide was also preferred because it provided in-depth data which may not have be possible to obtain when using self-administered questionnaires (King et al., 2018).

3.8 Quality control

This was done as a way of eliminating or reducing errors in the study instruments. In order to ensure quality of the research findings, the researcher carried out reliability and validity tests on the research instruments that were used in data collection as below:

3.8.1 Validity of the study instruments

Validity is described as the degree to which the research instruments adopted measures what they intend to measure and perform as they are designed to perform (Wan, 2002). To achieve this the researcher used a test content validity to systematically examine the study content to determine whether the content in the questionnaire covers a representative sample of the behavior domain to be measured (Sekaran & Bougie 2010). A content validity index (C.V.I) was computed using the formula below; number of items declared valid/number of items in the questionnaire.

$$\text{CVI} = \left(\frac{n_e - \left(\frac{N}{2}\right)}{\left(\frac{N}{2}\right)} \right)$$

Where n_e is the number of raters who will accept that the tool is essential and N the total number of raters (Wilson, Pan & Schumsky, 2012). A CVI of above 0.7 is acceptable that the tool passed the test of validity. Unlike quantitative research, where statistical methods for establishing validity of research findings are applied, in qualitative research the researcher aimed at designing and incorporating methodological strategies to ensure the 'trustworthiness' of the findings such as inviting participants to comment on the interview transcript and whether the final themes and concepts created adequate reflection of the phenomena being investigated. More so, Data triangulation whereby different methods and perspectives applied to help produce a more comprehensive set of findings (Slevin, 2002).

3.8.2 Reliability of the study instruments

Reliability is broadly defined as the degree to which measures are free from error and therefore, yield consistent results (Mohamad, Sulaiman, Lai & Mohd Salleh, 2014). Reliability was computed through different methods like test-retest reliability, internal consistency reliability and equivalent forms reliability. In this study, questionnaire reliability was checked by using internal consistency method to measure the correlation between each item in the questionnaire and others.

Pre-testing of the instrument was done by administering the questionnaires to 10% of the total sample size. Cronbach alpha was used to calculate for all statements in the questionnaire because the Likert scale questionnaires use Cronbach alpha method (Taber, 2018). The results were used to establish the reliability of the questionnaire as a research tool.

According to Cooper and Schindler (2008) reliability coefficient refers to the scores obtained on a test. A reliability coefficient is a numerical value that can range from zero to one. For research purposes, tests with a reliability score of 0.7 and above is accepted as reliable, whilst for clinical decision making, test scores of between 0.8 and 0.9 are acceptable. It is because stated that reliability coefficient of zero indicates that the test scores are unreliable but a higher value indicates more reliability or accuracy of the test scores (Nicewander, 2018; Sekaran & Bougie 2010). A pre-test was done on 31 of the respondents who didn't form part of the final study. Data was coded and entered into the computer. Cronbach's Alpha Reliability Coefficient was generated using the Statistical Package for Social Scientists (SPSS) computer program to estimate the reliability of the questionnaire as presented below;

Table 1 : Reliability statistics

Cronbach's Alpha	No. of Items
936	25

Source: Primary data (2020)

The Cronbach's Alpha test for current study produced a coefficient of 0.936. As stated above that reliability coefficient of zero indicates that the test scores are unreliable but a higher score (above 0.7) like in this current study indicates more reliability or accuracy of the test scores (Nicewander, 2018; Sekaran & Bougie 2010).

3.9 Data Analysis

Data analysis is a process of inspecting, cleaning, transforming, and modeling data with the goal of discovering useful information, informing conclusions, and supporting decision-making.(Coakes & Steed 2009).

3.9.1 Analysis of quantitative Data

The statistical package that was used for analysis of data in this study is the SPSS version 16.0. Different statistical analyses to be used are correlation and regression analysis. The upper level of statistical significance for hypothesis testing is at 5%. All statistical test results were computed at 2-tailed level of significance. The descriptive statistics were used in this study to analyze the demographic data of respondents including frequency counts, percentages, means and standard deviations representing the respondents' opinions on the effects of internal control system and financial performance in Vivo energy. Data was then be analyzed and correlated using Pearson Product-Moment correlation coefficient to establish the relationship between internal control system and financial performance in vivo energy Uganda as suggested by (Oso & Onen, 2008).

3.9.2 Analysis of qualitative data

Qualitative data was analyzed using content analysis. Responses from key informants were grouped into recurrent issues/themes. The recurrent issues which emerge in relation to each guiding question were presented in the results with selected direct quotations from participants who offer as illustrations.

3.10 Measurement of variables

Data on the respondent's views and opinions about the internal control system and financial performance in vivo energy were obtained using scaled variables from a self-administered questionnaire. A five Point-Likert scale of 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree were used to tap respondents' perception on the study variables.

3.11 Ethical consideration

Finally, the researcher observed ethical and legal issues in research like the principle of confidentiality, anonymity, consent and acknowledgement of other people's input into this study because it is important to respect the rights and dignity of the research subjects (Artal & Rubenfeld, 2017). This study also ensured confidentiality of respondents and that the information to be obtained was strictly used for the intended research purpose as the instrument used in the study didn't contain any space for name or telephone number as a way of increasing confidentiality and increasing the confidence of participants to engage in the study. Further, the researcher ensured that permission was sought from the human resource officer and heads of various departments' in vivo energy and participation in this current study was voluntary and whoever accepted to do so was provided with the instrument in private.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This section presents findings on the response rate, background characteristics of the respondents, and findings on the study objectives. The purpose of the study was to examine the effect of internal control system on financial performance in petroleum industry; a case of Vivo energy Uganda.

4.2 Response Rate

The response rate is the percentage of respondents in the sample who completed and returned questionnaires. The study adopted Westat (2007) definition and formula in determining the Response Rate (RR). A response rate measures the level of success or quality achieved in collecting survey data (Westat, 2007). In other words, response rate is a ratio of the number of people who respond to a study to the estimated sample size for the study. The response rate in this study was computed using the formula below:

$RR = \frac{NR}{SZ}$x 100

Where;

RR = Response Rate; NR = Number of responses; and SZ = Sample size

A total of targeted of 146 questionnaires were hand delivered to the respondents and targeted 13 key informant officials for open ended interviews (159) but 137 questionnaires were returned and 13 informants participated totaling to 150. Response rate was therefore arrived at as;

$RR = \frac{150}{159}$x 100 = 94%

RR = 94.0%. The detailed findings on the response rate are shown in table 4.1 below.

Table 2: Response Rate for the study

	Data collection instruments distributed	**Data collection instruments received back**	**Percentage**
Questionnaire	146	137	93.8%
Interview	13	13	100%
Total	128	109	96.9%

Source: Primary data (2020)

Therefore, the response rate for this study is 96.9%. Accordingly, Babbie (2004) posits that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good. According to the above calculation and results in table 3 above, the response rate for this study indicates to be very good, which is of great significance in making generalization and conclusions for this study.

Table 3: Background information of the respondents

	Categories	Frequency	Percentage
Age of the respondents	20-30years	48	32.0
	31-40 years	50	33.3
	41-50 years	32	21.3
	51-60 years	20	13.3
Gender of the respondents	Male	89	59.3
	Female	61	40.7
Level of education of the respondents	Certificate	25	16.7
	Diploma	31	20.6
	Undergraduate degree	67	44.7
	Masters	27	18.0
Department of work of the respondents	Administration	16	10.7
	Human resource	21	14.0
	Finance	19	12.7
	Procurement	22	14.6
	Others	72	48.0
Number of years worked in the organization by the respondents	1-5 years	42	28.0
	6-10 years	79	52.6
	11-15 years	20	13.3
	Above 16 years	9	6.0

Source: primary data 2020

As can be seen in table 4, majority of the respondents were between the ages of 31-40 years representing 33.3 percent which is a clear implication that the respondents were capable of providing reliable data. Majority of these respondents were male representing 59.3 percent. In terms of education level, majority of the respondents had undergraduate degrees representing 44.7 percent which implies that majority of the respondents were technically capable of providing accurate and reliable information on internal control system and financial performance in the organization. In terms of the department of work, majority of the respondents work in the procurement department representing 48 percent and most of the respondents representing 52.6 percent have worked with the organization for a period between 6-10 years which is a clear implication that quite a number of respondents in the population have been in the system, and they were able to provide very good ideas and responses.

Table 4: Descriptive statistics on control environment and financial performance of Vivo energy Uganda

Statements	Mean	Std. deviation
Our institution has an accounting and financial management system	3.45	1.085
Management is committed to the operation of the system	3.02	1.036
Management closely monitors the implementation of internal controls in our institution	2.93	1.216
Management provides feedback to the junior officers about the operation of the system	2.94	1.094
Appropriate measures are taken to correct misfeasance in operations of our accounting and finance management system	3.05	1.217
Management acts with great degree of integrity in execution of their roles	3.69	1.164
Ethical values are upheld in all management decisions	3.61	1.080
Our governing board and its committees and independent of management	3.23	1.071
Overall	**3.24**	

Note: These items were measured on a five-point Likert scale where 1=strongly disagree and 5 =strongly agree. S.D indicate the degree to which individual scores by respondents are far from mean.

The findings reveal that generally, respondents perceive all the aspects of control environment studied to be above average on the scale of 1 to 5. It can however be seen that there are notable differences on the various items of control environment. For instance, in terms of managements' degree of integrity in execution of their duties, the scores by the respondents was 3.69 with standard deviation of 0.785, in relation to all the other aspects of control environment and financial performance this constituted the highest score followed by upholding ethical values in all management decisions (mean=3.61, standard deviation=1.080*)* and availability of accounting and financial management system (mean=3.45, standard deviation=1.085). All the three items were above the grand mean of 3.24 suggesting that vivo energy Uganda assess these items of the control environment as high.

The items of monitoring the implementation of internal controls which the organization has put in place with mean=2.94, standard deviation 1.216 and the item of management providing feedback about the operations of the system to the junior officers with mean=2.94, standard deviation=1.094 had least scores in relation to other items and they were below the grand mean of 3.24 suggesting that respondents did not accord much importance to these items.

Follow-up interviews with some respondents in the finance department indicated that internal controls are functioning as they are intended to. However, the established internal controls put in place are not strong enough to enhance financial performance.

Table 5: Correlations between internal control environment and financial performance in Vivo Energy Uganda

		Internal control environment	Financial Performance
Internal Control environment	Pearson Correlation	1	.786**
	Sig. (2-tailed)		.000
	N	137	137
Financial Performance	Pearson Correlation	.786**	1
	Sig. (2-tailed)	.000	
	N	137	137

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

Results of the correlation analysis revealed that there was a significant and positive relationship internal control environment and financial performance in Vivo Energy Uganda, ($r=0.786$, $P<0.05$). This implies that there is an established control environment in Vivo Energy Uganda; there is an established accounting and financial management system to ensure accurate accounting and reporting of financial information management acts with a great degree of integrity and they uphold ethical values in the execution of their duties to offer increased clarity, guidance and transparency in Vivo Energy Uganda.

Table 6: **Regression findings on the effect of internal control environment on financial performance in vivo energy Uganda**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.604[a]	.365	.358	.59328
a. Predictors: (Constant), internal control environment				

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.020	1	19.020	54.036	.000[b]
	Residual	33.087	94	.352		
	Total	52.106	95			
a. Dependent Variable: financial performance						
b. Predictors: (Constant), internal control environment						

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.617	.235		6.886	.000
	Internal Control environment	.542	.074	.604	7.351	.000
a. Dependent Variable: financial performance						

Source: Primary data (2020)

Table 7 presents the regression findings on the effect of internal control environment on financial performance in Vivo energy. The results show that internal control environment have a positive and significant effect financial performance of Vivo energy as indicated by a positive Beta coefficient (B=0.542) and a p-value below the 0.05 level of significance. These findings reject the null hypothesis **Ho$_1$:** 'there is no significant effect of internal control environment on financial performance in vivo energy and instead support the alternative hypothesis that '*there is a significant effect of internal control environment on financial performance of vivo energy*

Uganda'. This conclusion conforms to the previous studies investigating the relationship between internal controls and financial performance and a positive relationship was identified meaning that organizations with strong internal controls put in place experience high levels of financial performance (Muraleetharan, 2010).

The ANOVA findings show that the model fits very well the data on internal control environment and financial performance, thus indicates that the internal control environment established by Vivo statistically and significantly predict its financial performance ($F=54.036$, P-value<0.05). The Adjusted R Square show that internal control environment offered by Vivo energy account for 35.8% of the total variations in financial performance of petroleum industry and 64.2% of the variations are accounted for by other factors.

Table 7: Descriptive statistics on internal control activities and financial performance of Vivo energy Uganda

Statements	Mean	Std. deviation
Our institution has clear separation of roles	2.83	1.083
Every employee's work checks on the other	3.11	0.893
There is appropriate supervision by senior staff on the work of their juniors	3.23	0.923
Corrective actions are taken to address weaknesses	3.23	1.071
Staff trained to implement the accounting and financial management system	3.61	1.080
Our institution has a well-developed chart of accounts	3.69	1.164
It is impossible for one staff to have access to all valuable information without the consent of senior staff	3.78	1.798
Controls are in place to exclude incurring expenditure in excess allocated funds	3.92	1.646
Our security system identifies and safeguards institutional assets	3.10	0.983
Overall	**3.38**	

Note: These items were measured on a five-point Likert scale where 1=strongly disagree and 5 =strongly agree. S.D indicate the degree to which individual scores by respondents are far from mean.

The findings reveal that generally, respondents perceive all the internal control activities studied to be above average on the scale of 1 to 5. It can however be seen that there are notable differences on the various items of internal control activities. For instance, in terms of controlling expenditure of allocated funds, the scores by the respondents was 3.92 with standard deviation of 1.646, in relation to all the other aspects of internal control activities and financial performance this constituted the highest score followed by impossibility of staff having access to valuable information (mean=3.78, standard deviation=1.798*)* and availability of a well-developed chart of accounts (mean=3.69, standard deviation=1.164). All the three items were above the grand mean of 3.38 suggesting that vivo energy Uganda assess these internal control activities as high.

The items of separation of roles with mean=2.83, standard deviation 1.798 and the item of each employee’s work checking the other with mean=3.11, standard deviation=0.893 had least scores in relation to other items and they were below the grand mean of 3.38 suggesting that respondents did not accord much importance to these items.

Table 8: Pearson correlation between internal control activities and financial performance

		Internal control activities	**Financial Performance**
Internal control activities	Pearson Correlation	1	.782**
	Sig. (2-tailed)		.000
	N	137	137
Financial Performance	Pearson Correlation	.782**	1
	Sig. (2-tailed)	.000	
	N	137	137

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

Results of the correlation analysis revealed that there is a positive relationship between internal control activities and financial performance in Vivo Energy Uganda (r=.782, p<0.000). This implies that physical control over assets and records help protect company’s assets; physical controls safeguards assets against unauthorized acquisition; cash handling duties are divided in stages at Vivo to ensure financial performance, cash collections are reconciled on a daily basis to the cash register and financial statements are prepared by authorized personnel at Vivo Energy.

Table 9: Regression findings on the effect of internal control activities on financial performance in vivo energy Uganda

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.391[a]	.153	.144	.68532
a. Predictors: (Constant), internal control activities				

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.958	1	7.958	16.944	.000[b]
	Residual	44.148	94	.470		
	Total	52.106	95			
a. Dependent Variable: financial performance						
b. Predictors: (Constant), internal control activites						

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.254	.260		8.668	.000
	Internal control activities	.366	.089	.391	4.116	.000
a. Dependent Variable: financial performance						

Source: Primary data (2020)

Table 9 presents the model findings on the effect of internal control activities on financial performance in Vivo energy Uganda. The regression findings revealed that internal control activities practiced by Vivo energy Uganda had a positive and significant effect on financial performance of petroleum industry shown by a positive Beta coefficient (B=0.366) and P-value which is below 0.05 level of significance (P-value=0.000). This result rejects the null hypothesis **Ho_2:** 'there is no significant the effect of internal control activities on financial performance of Vivo energy Uganda' but instead supports the alternative hypothesis that 'there is a significant effect of internal control activities practiced by vivo energy Uganda on financial performance of petroleum industry'. The model findings show that establishing strong internal control activities results into an improvement in financial performance by 0.366. This is supported by Whittington and Kurt (2001) who maintain that internal control activities are vital in ensuring that internal control system continue to operate as intended".

The ANOVA results show that the model fits very well the data on internal control activities and financial performance (F=16.944, P-value<0.05). The coefficient of determination results show that internal control activities established by Vivo energy Uganda account for only 47.0% of the total variations in financial performance in petroleum industry.

Table 10: Descriptive statistics on internal auditing and financial performance of Vivo energy Uganda

Statements	Mean	Std. deviation
Our internal audit is sufficiently staffed	3.98	0.900
Internal audit staff conduct regular audit activities in our institution	2.55	0.921
Internal audit reports address weaknesses in our internal control system	2.79	1.069
Management discusses internal audit reports frequently	3.13	0.844
Internal auditors make appropriate recommendations for management to improve	2.92	1.050
Internal auditor performs his duties with a greater degree of autonomy and independence from management	3.11	0.894
Our institution has well qualified auditors	3.34	1.072
Internal auditors exercise transparency in financial matters	3.08	0.882
Overall	**3.11**	

Note: These items were measured on a five-point Likert scale where 1=strongly disagree and 5 =strongly agree. S.D indicate the degree to which individual scores by respondents are far from mean

The findings from table 11 reveal that generally, respondents perceive all the internal auditing studied to be above average on the scale of 1 to 5. It can however be seen that there are notable differences on the various items of internal auditing. For instance, in terms of staffing of internal audit department, the scores by the respondents was 3.98 with standard deviation of 0.900, in relation to all the other aspects of internal auditing and financial performance this constituted the highest score followed by institution having qualified auditors (mean=3.34, standard deviation=1.072) and discussion of internal audit report by management (mean=3.13, standard deviation=0.844). All the three items were above the grand mean of 3.11 suggesting that vivo energy Uganda assess these items of internal auditing as high.

The items of regular conduct of audit activities with mean=2.55, standard deviation 0.921 and the item of audit reports addressing weaknesses in the institution with mean=2.79, standard deviation=1.069 had least scores in relation to other items and they were below the grand mean of 3.11 suggesting that respondents did not accord much importance to these items.

Table 11: **Pearson Correlation test for internal audit function and financial performance**

		Internal Audit Function	Financial Performance
Internal Audit Function	Pearson Correlation	1	.796**
	Sig. (2-tailed)		.000
	N	137	137
Financial Performance	Pearson Correlation	.796**	1
	Sig. (2-tailed)	.000	
	N	137	137

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

Correlation results revealed that there is a significant and positive relationship between internal audit functions and financial performance in Vivo Energy Uganda, (r=.796, p=0.000, P<0.05). This implies that the internal auditing ensures that the Vivo Energy Uganda implements all relevant aspects of the internal audit manual; the financial records are maintained in accordance with the established accounting regulations among other things

Table 12: **Regression findings on the effect of internal audit function on financial performance in vivo energy Uganda**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.321[a]	.164	.154	.72533
a. Predictors: (Constant), internal audit function				

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.958	1	6.958	14.861	.000[b]
	Residual	44.148	90	.380		
	Total	51.106	91			
a. Dependent Variable: financial performance						
b. Predictors: (Constant), internal audit function						

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.463	.260		8.668	.000
	Internal audit function	.354	.087	.277	4.226	.000
a. Dependent Variable: financial performance						

Source: Primary data (2020)

Table 12 presents the model findings on the effect of internal auditing on financial performance in Vivo energy Uganda. The regression findings revealed that internal auditing practiced by Vivo energy Uganda had a positive and significant effect on financial performance of petroleum industry shown by a positive Beta coefficient (B=0.277) and P-value which is below 0.05 level of significance (P-value=0.000). This result rejects the null hypothesis **Ho_2:** ‘there is no significant the effect of internal auditing on financial performance of Vivo energy Uganda’ but instead supports the alternative hypothesis that ‘there is a significant effect of internal auditing established by vivo energy Uganda on financial performance of petroleum industry’. The model findings show that establishing strong internal auditing department results into an improvement in financial performance by 0.354.

The ANOVA results show that the model fits very well the data on internal auditing and financial performance ($F=14.861$, P-value<0.05). The coefficient of determination results show that internal control activities established by Vivo energy Uganda account for only 38.0% of the total variations in financial performance in petroleum industry.

Multiple Regression analysis on the study objectives

The multiple linear regression was conducted to provide answers to the general objective of the study that sought to establish the influence of internal control systems on financial performance. The findings are presented in table 13.

Table 13: Results of the multiple regression coefficients

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.674[a]	.454	.437	.74828

a. Predictors: (Constant), Internal control activities, Internal audit function, Internal control environment

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.585	3	15.195	27.137	.000[b]
	Residual	54.873	98	.560		
	Total	100.457	101			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Internal control activities, Internal audit function, Internal control environment

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.534	.357		1.496	.138
	Internal audit function	.323	.131	.256	2.460	.016
	Internal control environment	.076	.119	.069	.639	.524
	Internal control activities	.466	.125	.423	3.728	.000

a. Dependent Variable: Financial performance

Source: Primary data 2020

Table 13. above shows the ANOVA with F-value of 27.137 and P-value of 0.000 which is less than 0.05. These results indicated that the model is statistically significant hence, internal control systems collectively have a significant influence on financial performance of Vivo energy Uganda.

The regression model summary results indicate adjusted R squared of 0.437which implies that 43.7% of the variations in financial performance is explained by internal audit function, internal control environment and internal control activities. Whereas 56.3% of the variations are explained by other factors that were not included in this study.

From the coefficients the study developed the regression model from the unstandardized coefficients as follows: FP = 0.534 + 0.323IA + 0.076ICE + 0.466ICA where; FP is Financial performance, IA is internal audit, ICE is internal control environment and ICA is internal control activities. It is therefore observed internal control systems collectively predict financial performance however, internal control activities are the highest contributor to the financial performance (Beta =0.466).

4.3 Interview guide results

In trying to assess the effect of internal control systems on financial performance in vivo energy Uganda, the researcher conducted a number of interviews with the key informant members of the organization. These included top managers and middle managers. Results of the interview are summarized below under the various questions.

4.3.1 The position of officers interviewed

The study conducted face to face interviews so as to strengthen the quantitative data collected from questionnaires. Focus was put on the following positions; internal auditor, accountant, general manager and managers of various departments. The management team constituted both top level and middle level managers who are directly involved in the implementation of the organizational policies.

4.3.2 Systems of Internal Control

The researcher examined and interviewed a number of key informants as to whether the organization operates systems of internal control and as to whether internal audit supports it. The respondents seem to agree that internal auditor role is supporting systems of internal control. They also concur that the internal auditor advises management. He further gives assurance for management that the systems of internal control put in place are functioning.

Similarly, they believe that the organization operates a system of internal control; implementing strategic plans and measuring actual performance against budgets, stating priorities and implementing them on an annual basis through the budgeting process, ensuring policies and procedures are followed in financial operations of the organization, safeguarding assets through the maintenance of a fixed asset register and updating it regularly. They also note that they participate in the budgeting process, sanctioning expenditures and at times working in acting capacities when delegated to act.

Additional support points that, the institution appoints the right people for the right positions, drafting policies and enforcing policies through staff, watching over and ensuring quality control through supervising staff, clearly guiding staff, authorization of expenditures, among others.

However, they contend that although the institution has some internal controls, there are gaps in these controls. For instance, there is lack of close monitoring of the institution's bank accounts, overseeing and approving accountabilities and expenditure. They also posit that they prepare budgets although they seem to feel that budgets are never followed.

4.3.3 The effectiveness of systems of internal control

The respondents believe that some of the systems do function. They gave reasons for the non-functioning of other areas of the system to include; fewer staff in the departments meant to enforce controls such that the few staff available are overloaded with work, lack of monitoring of the functioning of the systems of internal control, lack of adequate supervision for instance, a responsible officer only signs requisitions but without greatly getting involved in the monitoring of the entire payment system, this seems to weaken the controls in the process. In addition, there is a communication gap between managers and this consequently affects the process of budgeting, management of funds and eventually reporting. Further still, it is still possible for line managers to get their budget approved without the involvement of those charged with the responsibility of managing funds. They further contend that this makes prioritizing expenditures difficult and thereby creating more conflict in opinion. They pointed out that there is laxity by top management in enforcing the controls. For instance, the budgets are never adhered to. They believe that there is lack of commitment to the effectiveness of the system.

4.3.4 Main measures of financial performance

The staff believe that the following are the main measures of financial performance; liquidity by meeting the day to day obligations as and when they fall due, e.g. salaries, statutory obligations, creditors, value for money, etc. in addition they consider asset utilization as another measure of financial performance. Others believe that having balanced budget, discipline budget process, setting priorities and following them strictly, continuous budget reviews, and proper accountability guidelines issued and monitored. Other measures include; infrastructural development and level of motivation of employees.

4.4.5 Fund availability

The respondents agreed that availability of funds is critical in implementing the organizational activities. While they also pointed out other critical measures which include; asset utilization, investments made by the organization to avoid having idle funds on the bank accounts, and meeting critical needs of the institution.

4.3.6 Accountability procedure

The respondents gave their opinion on the effectiveness of the accountability procedure and supported their position by citing some key examples which are presented below; they believe that the accountability process is not adequate and their reason being that some staff take the process for granted.

Some line managers noted that they have never been asked for accountability for money given to them especially after implementing the activities. They also pointed out that the problem of accountability is related with lack of a comprehensive financial manual that stipulates clearly what has to be done in regard to accountability. They also pointed out lack of supervision and follow up of accountability related issues. However, they equally support that other instances regarding accountability seem to be adequate and these include improving transparency in the system and procurement process.

4.3.7 Reporting procedures

The respondents seem to have mixed opinions regarding the institution's position on reporting. Others believe that the institution had adequate reporting system (the reporting in the institution is gradually improving) while others think the reporting system is not any better, senior managers do not ask for reports from their juniors. Similarly, line managers also fail to ask for regular reports and with sanctions in case this is not adhered to.

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of key findings, discussions of findings of the study in relation to the objectives with a view of reaching a comprehensive conclusion. The summary of key findings, discussion of the findings regarding the specific objectives are presented in the first two sections. This is followed by the conclusion and recommendations presented in the last two sections.

5.2 Summary of key findings

The main purpose of the study was to examine the effect of internal control system on financial performance in Vivo energy Uganda. The study specifically aimed at testing how internal control systems affect financial performance in petroleum industry a case of Vivo energy. The data for the study was collected from 150 employees of vivo.

Study finding revealed that majority of the respondents agreed that the key components of the internal control environment in vivo are; the existence of accounting and financial management system, integrity, and ethical values upheld in all management decisions, the key internal control activities are expenditure control, staff inaccessibility of valuable information without permission and availability of a well-developed chart of accounts; and the key components of the internal audit function in vivo are staffing in the internal audit function, having qualified auditors and management ability to discuss internal audit reports from time to time. The descriptive statistics of the means of these components are all above the average of 3 on a scale of 1 to 5 implying that the respondents agreed that these items were highly important in explaining the various components of internal control system under the study that is; internal control environment, internal control activities and internal audit function.

In order to address the study objectives one and two, the null hypothesis was tested using a linear regression analysis. In the first objective, it was hypothesized that the effect of internal control environment on financial performance in vivo energy Uganda was not significant, results revealed that internal control environment had a moderating effect on financial performance and this effect was statistically significant (B=0.604, p=.000, R^2=.365, F=54.036, P<.05) at 95% level of significance this null hypothesis was not supported. On the second objective, it was hypothesized that the effect of internal control activities was not significant, results revealed that internal control activities have a significant effect on financial performance and this effect was statistically significant at (B=.391, P=.000, R^2=.153, F=16.944, P<.05) at 95% level of significance thus the null hypothesis was not supported.

On the third objective, it was hypothesized that the effect of internal audit function on financial performance in Vivo was not significant, results revealed a significant effect of internal audit function on financial performance (P value=.000 (Exp(B)=.277) at 95% level of significance thus the null hypothesis was not supported.

5.3 The discussion of the findings with regard to the effect of internal control environment and financial performance in Vivo

The first specific objective of the study was to assess how internal control environment affects financial performance in Vivo energy Uganda, a linear regression analysis was applied to determine the effect of internal control environment as the predictor variable and financial performance measured in terms of timely accountability, reliable financial reporting and compliance with regulations as the outcome variable. It was hypothesized that the effect of internal control environment on financial performance was not significant.

The linear regression results revealed a statistically positive significant effect of internal control environment on financial performance. The effect of internal control environment was significant at P value less than .05, meaning that internal control environment significantly explains variations in the financial performance and based on these findings, the null hypothesis (H_O) was not supported. This implies that organizations that perceive the benefits of a strong internal control environment in terms of establishment of institutional accounting and financial management systems are likely to experience an improvement in financial performance. This is in agreement with COSO (2019) which asserts that control environment sets the tone of an organization, influencing the control consequences of its people and it is the foundation of all other components of internal control, providing discipline and structure.

Results from the correlation analysis revealed that there was a significant and positive relationship between internal control environment and financial performance in Vivo energy Uganda. This implies that management acts with great degree of integrity in the execution of their duties, ethical values are upheld in all management decisions and the governing board and its committees are independent of management. This is in agreement with COSO (2019) which asserts that control environment factors include the integrity, ethical values and competence of the entity's people, management's philosophy and operating style, the way management assigns authority and responsibilities, how it organizes and develops its people and the attention and direction provided by the board of directors.

5.3 The discussion of findings with regard to the effect of internal control activities and financial performance in vivo energy Uganda

The second specific objective of the study was to analyze how internal control activities affect financial performance in Vivo energy Uganda, still a linear regression analysis was applied to determine the effect of internal activities measured in terms of authorization and segregation of duty as the predictor variable and financial performance as the outcome variable. It was hypothesized that the effect of internal control activities on financial performance was not significant.

The linear regression results confirmed the findings from the regression analysis as they depicted a statistically significant effect of internal control activities on financial performance in Vivo energy Uganda. The internal control activities were significant at P value greater than .05, meaning that physical control over assets and financial records help protect company's assets, physical control safeguard assets against unauthorized acquisition; cash handling duties are divided in stages at vivo to ensure financial performance, cash collections are reconciled on a daily basis to the cash register and financial statements are prepared by authorized personnel which is in strong agreement with Woolf (2011) who indicated that all transactions must be authorized and approved by the right and responsible officers in order to prevent frauds, safeguarding the company assets, streamlining the flow of authority to avoid beaucracy and conflicting authorized activities. It is further in line with COSO (2019) which asserts that internal control activities are measured as segregation of duties, authorization, supervision, physical controls and performance reviews.

Follow-up interviews with some key informants revealed that, it is still possible in vivo energy Uganda for line managers to get their budgets approved

5.4 The discussion of the findings with regard to the effect of internal audit on financial performance in Vivo energy Uganda.

The third specific objective was concerned with the effect of internal audit function on financial performance in Vivo energy Uganda. The null hypothesis stated that the effect of internal audit function on financial performance was not significant. A linear regression analysis was conducted to determine its effect on financial performance.

The results revealed that there is a significant and positive effect of internal audit function on financial performance in Vivo energy Uganda (R^2 = .164, P = .000, P<.05). This implied that internal audit ensures that Vivo energy Uganda implement all relevant aspects of internal audit manual; the financial records are maintained in accordance with the established accounting regulations. This study results are in agreement with Scherer (2020) who argued that the independent internal auditors offer guidance to senior management and accordingly; they can evaluate the internal control system the organization implemented and contribute to its continued effectiveness therefore implementing and monitoring such an important component of internal control system will ensure compliance with laws and regulations.

In the follow-up interviews with some members of the finance department where internal audit falls, it was revealed that there is a need for vivo energy Uganda to sensitize all its staff upon the usefulness of internal audit function. This is important because it was observed by Wanyama (2018) who viewed internal auditing as an independent, objective assurance and consulting activity designed to add value and improve on an organization's operations. He further noted that internal auditing function helps an organization accomplish its objectives by bringing a systematic, disciplined approaches to evaluate and improve the effectiveness and governance processes.

5.5 conclusions

This study sought to examine the effect of internal control system on financial performance in petroleum industry. Specific emphasis was on examining the effect of internal control environment, internal control activities and internal audit function on financial performance in Vivo energy Uganda. The study adapted a case study design to address those issues, primary data was utilized in obtaining evidence of the study from the selected Vivo energy Uganda.

Based on the findings of the study, it is concluded that the institution has an effective internal control system as supported by the study findings of separation of roles, supervision, training, and commitment of management. However, there are challenges in the implementation of controls especially considering that the internal audit function is understaffed to cover the entire organization which has clearly affected their efficiency as revealed by this study.

On financial performance of the organization, the study concludes that accountability and financial reporting procedures are both not appropriate, details of which are directly in the study.

The final conclusion of the study is that there is a significant positive effect of internal control system (internal control environment, internal control activities and internal audit function) and financial performance (timely accountability, reliable financial reporting and compliances with laws, regulations and policies).

5.6 Recommendations

Since it was evident in the study, that staffing level of internal audit department is not adequate to cover the entire organization setup, evidenced by not conducting regular audit activities, not operating efficiently as well as their reports not being regular, the study therefore recommends competence profiling which should be based on what the institution expects the internal audit to do and what appropriate number of staff would be required to do this job.

The study also recommends that the institution establishes a strategy for improving the generation of additional finances for the operation of the institution. This could be done through writing projects, other competitive endeavors which are directly aimed at winning funds for the institution.

Finally, the study recommends that there should be a deliberate attempt to conduct a study which establishes the relationship of management commitment based on factors that are external to the organization such as behavioral issues of the employees and information technology.

5.7 Suggested areas for further research

1. The influence of ICT on the effectiveness of internal control system.

2. The effect of cultural, and behavioral factors on the performance of organizations.

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APPENDICES

Appendix One: Questionnaire:

Dear respondent:

I am Alamye Jonathan pursuing a Degree of Masters of Business Administration at Kyambogo University. I am undertaking a study on the Internal Control System and Financial Performance in petroleum industry; a case of vivo energy Uganda. You have been selected as a resourceful person to provide data on this study. The information you provide will be treated in the strictest confidence and the findings from your questionnaire will be used for academic purposes only. Thank you for accepting to provide the data needed to analyze this topical issue.

Section A

RESPONDENT'S BACKGROUND

1. Gender (Please tick appropriately)
    1. Male
    2. Female

2. What is your highest level of education?
    1. Certificate/Diploma
    2. Bachelor
    3. Masters
    4. PhD
    5. Other (Specify)……………………………………………………………………...

3. In what age bracket do you fall? (Circle where appropriate)
    1. 18-25
    2. 26-35
    3. 36-45
    4. 46-55
    5. 56+

4. For how long have you served in your organization/Institution?
    1. 1-3 years
    2. 4-6 years
    3. 7-10 years
    4. 10+ years

5. **Your department** …………………………………………..

Section B:

To examine the functionality of Internal Control systems of Vivo energy Uganda

Please rank the following statement on Likert scale ranging from strongly disagree to strongly Agree

Where;

1= strongly disagree

2= disagree

3= not sure

4= agree

5= strongly agree

Statements	**1**	**2**	**3**	**4**	**5**
Control environment	**1**	**2**	**3**	**4**	**5**
Our institution has an accounting and financial management system					
Management is committed to the operation of the system					
Management closely monitors implementation of Internal control systems in our institution					
Management provides feedback to the junior officers about the operation of the system					

Appropriate measures are taken to correct misfeasance in operation of our Accounting & Finance Management System					
Management acts with a great degree of integrity in execution of their roles					
Ethical values are upheld in all management decisions					
Our governing board and its committees are independent of management					
Internal audit	**1**	**2**	**3**	**4**	**5**
Our internal audit is sufficiently staffed					
Internal audit staff conduct regular audit activities in our institution					
Internal audit report address weaknesses in our internal control system					
Internal audit reports are produced regularly					
Management discusses internal audit reports frequently					
Internal auditor makes appropriate recommendations for management to improve					
Internal auditor performs his duties with a greater degree of autonomy and independence from management					
Control activities	**1**	**2**	**3**	**4**	**5**
Our institution has clear separation of roles					
Every employee's work check on the others					

There is appropriate supervision by senior staff on the work of their juniors					
Corrective action is taken to address weaknesses					
Staff are trained to implement the accounting and financial management system					
Our Institution has a well-developed Chart of Account					
It is impossible for one staff to have access to all valuable information without the consent of senior staff					
Controls are in place to exclude incurring expenditure in excess allocated funds					
Our security system identifies and safeguard Institutional Assets					
Financial performance	**1**	**2**	**3**	**4**	**5**
Our institution has enough cash to meet its obligations effectively (as and when they fall due)					
Our Institution's Accounting system adequately identifies the receipts and expenditure of grant contracts					
The institution's asset base has greatly increased over time					

Appendix Two: Interview Guide

Effect of internal control systems on financial performance in petroleum industry; a case of Vivo energy Uganda.

Introduction

The purpose of the interview is to gather personal views on the effect of internal control system on financial performance in petroleum industry

1. What management level do you occupy by virtue of your position in the Institution?
2. In your opinion, does the Institution operate systems of internal controls? If so how does your role support it?
3. Are the systems of internal controls referred to in 3 above functioning as they are intended to?
4. In your opinion, what would you consider to be the main measures of financial performance in an Institution of higher learning?
5. In your opinion is having enough money the best measure of performance of an institution? What would be the other measures you would consider appropriate?
6. In your opinion, do you think your follows the laid down financial laws, policies and procedures? Any reasons to explain the situation.
7. In your opinion, is the Accountability process adequate in your organization? Give reasons.
8. How would you rate the reporting process in your organization?

Thanking you for your participation.