

**INTERNAL CONTROL SYSTEM AND EDUCATION SERVICE DELIVERY IN
BUSIA MUNICIPAL COUNCIL**

BY

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DECLARATION

I, Wycliff Banura hereby declare that this dissertation is my original work and has never been submitted for any academic award or publication in any institution or University. Due acknowledgement has been made for the work of others in this report, through quotation and references

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APPROVAL

This is to certify that this dissertation has been completed by Wycliff Banura under our supervision and it is submitted for examination with our approval as his University supervisors.

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DEDICATION

This work is dedicated to my parents and wife for the encouragement they offered me during the course of study.

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I would like to express my thanks and gratitude to various people who contributed to the completion of this work. It is not possible to name all those who supported me but I am greatly indebted to everyone. I wish to express my sincere gratitude to my supervisors Dr.Mukokoma Maurice and Dr. Kasigwa Gerald for their constructive criticism, support, guidance and commitment to supervise this research to its completion.

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ACRONYMS AND ABBREVIATIONS

| | |
|-------------|--|
| MC- | Municipal Council |
| SAP- | Structural adjustment programs |
| PSRCC- | Public Service Review and Reorganization Commission |
| LGFAM- | Local Government Financial and accounting Manual |
| LGFAR- | Local Government Financial and accounting Regulations |
| PFMA- | Public finance and management Act |
| OAG- | Office of the Auditor General |
| UPE- | Universal Primary Education |
| SOCO | Committee of Sponsoring Organizations of the Treadway Commission |
| PLE- | Primary Leaving Examinations |
| SERVI-QUAL- | Service Quality |
| SA- | South Africa |
| SAI- | Supreme Audit Institution |
| CVI- | Content Validity Index |
| SPSS - | Statistical Package for Social Sciences |
| MEO- | Municipal Education Officer |

ABSTRACT

The purpose of the study was to examine the relationship between internal control system and education service delivery in Busia Municipal Council. The objectives of the study focused on establishing the relationship between control environment, risk assessment, monitoring and education service delivery in Busia Municipal Council. A case study design adopting both quantitative and qualitative approaches was used. The study population consisted of an accessible population of 138 Busia municipal council officials at the level of Town clerks, municipal education office staff, and senior education assistants or teachers. Data was collected using questionnaire, interview guide and documents review, data was analysed using descriptive statistics of mean and standard deviation, correlation and regression analysis. The study found a moderate positive significant relationship between internal control environment and education service delivery ($r = 0.351^{**}$, $p = 0.001$). There was a high positive significant relationship between risk assessment and education service delivery ($r = 0.351^{**}$, $p = 0.001$). The study finding indicate a positive significant relationship between internal controls monitoring and education service delivery ($r = 0.291^{**}$, $p = 0.007$). The study concludes that there is a positive and significant relationship between risk assessment and education service delivery in Uganda. To enhance education service delivery, the study recommends that the town clerk in conjunction with functional units in the municipal council should train education department officials, head teachers and senior teachers in basic financial, personnel and procurement management suitable for their levels. The municipal's internal audit unit should regularly use educational workshops, existing records, and interviews among other ways to identify risk and develop a risk register detailing strategic, operational and project risk which may affect education service delivery.

CHAPTER ONE

INTRODUCTION

1.1.Introduction

This study set out to examine the effect of internal control system on education service delivery in urban local authority, Busia Municipality. This chapter presents the background to the study, the statement of the problem, the purpose of the study, objectives of the study, the research questions, the scope of the study, the significance of the study, limitation, and operational definitions of terms and concepts.

1.2. Background to the study

The public sector in Africa experienced significant service delivery gaps associated with weaknesses in the internal control systems that lead to structural adjustment programs (SAP) in the 1990s to early 2000 (Benington, 2009; Heidhues & Obare, 2011). In Uganda, the public service review and reorganization commission (PSRRC. 1989/90) noted that the public service was over clogged with poor leadership and management style, unethical conduct significant of weak internal controls leading to wide acts of corruption which constrained service delivery (Olum, 2004; Heidhues & Obare, 2011). To date a number of sector specific legal and policy instruments as well as circular standing instructions in the public service of Uganda have been issued to strengthen internal controls for enhanced service delivery. These include the Local Government Financial and accounting Manual (LGFAM 2007) and the Local Government Financial and accounting Regulations (LGFAR 2015).

However, the Office of the Auditor General (OAG) report has over time faulted Local

Government authorities on the ground that they possess weak internal controls. In Busia Municipal Council-MC the OAG report (2016) notes a lack of a Risk Management Policy in Busia MC contrary to Section 2.4.1 of the Local Governments Financial and Accounting manual, (2007) which requires the Head of Finance to be responsible for advising on risk management and effective systems of internal control. This role is expected to be carried out in collaboration with the Internal Audit function. The lack of a risk management policy weakens the Internal Control Systems.

The OAG on Busia MC further noted that whereas it has an approved staff establishment of 418, only 286 positions (68%) were filled. A total of 132 (38%) posts are still vacant. Understaffing overstretches the available staff beyond their capacity, creates job-related stress to the fewer staff and negatively affects the level of public service delivery to the community (OAG, on Busia MC, 2016).

The report also noted significant weaknesses in salary administration, a personnel functional issue, where it was observed that the Municipal Council had outstanding salary arrears amounting to UGX.11,878,656 during the financial year 2015/2016. This is contrary to Section 25 & 27 of the Public Service Standing Orders,(2010) which requires that salary arrears that accrue to a Public Officer within a financial year shall be paid through the payroll within the same financial year. Non-payment of salary de-motivates staff and subsequently affects service delivery.

The Government white paper on education provides for internal control environment governance system ranging from national, district, school and community level governance structures. The Government white paper also provides for issues of ethics,

segregation of administrative and accounting responsibilities, information and communication, control environment and monitoring.

However, the internal control system in education service delivery revealed mixed results constraining education service delivery in decentralized government agencies. In Busia, the Auditor General in his 2016 report noted the failure to meet the minimum standards of UPE Schools in the MC. For example, the audit on Buchicha Primary School revealed a desk to pupil ratio of 1:4 way above the standard of 1:3; classroom to pupil ratio was 1:105 way above the 1:55 standard while latrine stance to pupil ratio was 1:105 way above the 1:50 standard. The inadequacy in the school infrastructure negatively impacts on education service delivery. Indeed the decentralized primary education service delivery reveals significant under-performance as shown in table 1.1 below.

Table 1.1: PLE performance in Busia municipality

| Year | DIV 1 | % | DIV 2 | % | DIV 3 | % | DIV 4 | % | DIV U | DI VX | Total |
|-------------|------------------|----------|------------------|----------|------------------|----------|------------------|-----------|------------------|------------------|--------------|
| 2017 | 130 | 9% | 828 | 57% | 207 | 14.3% | 110 | 7.6% | 131 | 40 | 1446 |
| 2016 | 127 | 8.7% | 760 | 52.1% | 237 | 16.3% | 175 | 12.1 % | 128 | 30 | 1458 |
| 2015 | 117 | 9.3% | 672 | 53.2% | 203 | 16.1% | 130 | 10.3 % | 114 | 28 | 1264 |

Source: UNEB results 2015-2017

Table 1.1 shows less than 10% of the pupils in Busia MC passing in first grade for three consecutive years. 20% passed in lower grade 3 and 4 while a significant number of them

were ungraded. Some dropped out and did not sit exams (Div X). Unless, the internal controls in Busia MC are strengthened, the delivery of education services in the MC will continuously be constrained.

1.3. Statement of the Problem

An organisation's internal control system is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance for enhanced service delivery (IIA, 2012; COSO, 2013; Babatunde, 2013). The Government of Uganda has put in place general and sector specific legal and policy guidelines on internal control providing for control environment, risk assessment, information and communication, control activities, and monitoring (LGFAM 2007, Public Finance Management Regulations 2016; Government White Paper on Education, 1992). Despite the internal control system in place, education service delivery in Busia MC is mediocre. In 2015 for example only 9.3% of the pupil in Busia municipality passed with in Division I. That percentage declined to 8.7% in 2016 and stagnated at 9% in 2017. On the contrary, those who passed in lower grades of Division 3 and 4 constituted 26.4%, 28.4% and 21.9% in the 2015, 2016, and 2017 FY respectively (PLE Results 2015-2017). The OAG report on Busia MC faults the municipal administration for failure to meet the minimum standard on primary education on infrastructure with a desk ratio of 1:4 way above the standard of 1:3; classroom ratio was 1:105 way above the 1:55 standard while toilet ratio was 1:105 way above the 1: 50 standard. A World Bank report on Uganda reveals that teacher absenteeism is disastrous and corrupt with 11% to 30% of primary teachers absenting themselves from duty.

The same report notes that 27% of the teachers who are present are not actually teaching. Another specialized report attributed poor education services to weaknesses in the internal control system in the education sector where teachers are not properly supervised, there is also lack of risk management policy in the education system (OAG Report on Busia MC, 2016). The failure to address the challenge of poor performance is disastrous as it leads to poor education quality and failure to attain value for money from public expenditure on education. Studies focusing on internal controls and education service delivery in the public sector are still scarce (Nyarombe et al., 2015; Makgatho, 2013; Korir & Kipkebut, 2016) .This has created a knowledge gap which needs to be filled. This study therefore sets out to investigate the relationship between internal control systems and education service delivery in Busia MC.

1.4. Purpose of the study

The purpose of the study was to examine the relationship between internal control system and education service delivery in Busia Municipal Council.

1.5. Objectives of the Study

- i. To establish the relationship between control environment and education service delivery in Busia Municipal Council
- ii. To assess the relationship between risk assessment and education service delivery in Busia Municipal Council
- iii. To establish the relationship between internal control monitoring and education service delivery in Busia Municipal Council

1.6. Research Questions

The research questions below guided the study:

- i. What is the relationship between control environment and education service delivery in Busia Municipal Council?
- ii. What is the relationship between risk assessment and education service delivery in Busia Municipal Council?
- iii. What is the relationship between internal control monitoring and education service delivery in Busia Municipal Council?

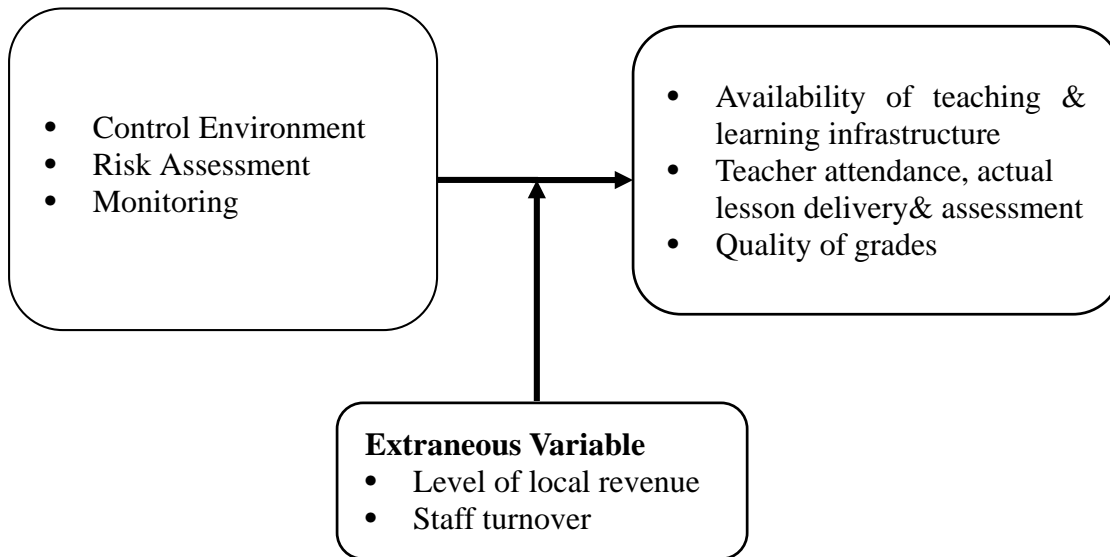
1.7. Research Hypotheses

- i. There is a significant positive relationship between control environment and education service delivery in Uganda
- ii. There is a significant relationship between risk assessment and education service delivery in Uganda
- iii. There is a significant relationship between internal control monitoring and education service delivery in Uganda

1.8. Conceptual Framework

I.V – Internal Control system

D.V – Education service delivery



Source: Adapted from COSO (2013) and modified by researcher

Figure 1.8.1: Conceptual Framework

Figure 1.8.1 above is a conceptual framework that shows the relationship between internal control systems and education service delivery. It is conceptualized that education service delivery depends on internal control system as means to improve. Education service delivery has indicators of availability of teaching & learning infrastructure, teacher attendance, teacher actual lesson delivery & assessment and the resulting quality of grades in the National Examinations. The internal control system has dimensions of control Environment, Risk assessment, Control Activities, Information and communication, Monitoring. It is therefore hypothesized that a well-functioning internal control environment positively contributes to enhanced education service delivery by the

local government. Similarly, the framework suggests that efforts to conduct risk assessment positively contribute to enhanced education service delivery by the local government. Moreover, it is conceptualized that a well-functioning internal control monitoring system positively contributes to enhanced education service delivery by the local government.

On the converse, weak internal control environment, risk assessment, and monitoring constrain education service delivery by a Local Government. Thus, any efforts to enhance education service delivery should focus on strengthening internal control environment, risk assessment and monitoring.

1.9. Scope of the Study

The scope of the study included the content scope, Geographical scope and the time scope.

1.9.1. Content Scope

The study investigated the internal control system dimensions of control environment, risk assessment and monitoring as the independent variable influencing education service delivery under the indicators of availability of teaching and learning infrastructure, teacher attendance and actual role performance and the resultant quality of grades as observed in the OAG report on Busia MC, 2016.

1.9.2. Geographical Scope

The study was carried out in Busia Municipal Council Local Government located in Eastern Uganda. The Municipal Council was selected because it had significant education

service delivery and internal control system gaps. It was therefore considered a vital source of information for this study on Internal Controls and education service delivery.

1.9.3 Time Scope

This study considered the period 2016-2018, this is the period in which Busia MC was implementing its 5-year strategic plan which includes strengthening quality of education but was constrained in chancing better grades among PLE graduates.

1.10. Significance of the Study

The study may be useful in the following ways:

To the management of Busia MC, the study will help evaluate the functionality of the internal control system in the department of education services and help develop managerial recommendations to strengthen the internal control system for enhanced education quality in the Municipality.

To the Ministry of education, the study will help point out policy and implementation gaps that should be plugged to strengthen internal controls and education service delivery

To the academia, the study will help fill knowledge and literature gaps on the relationship between internal control system and education service delivery in the public sector of a developing country.

1.11. Justification of the study

Primary education has over the last decade taken a lion's share in the government education sector budget taking up to 40% in the 2016/17 FY. However this has not translated into improved quality of education in rural and peri-urban primary schools

given the low grades from those schools. Unconfirmed management and audit reports associate the under performance of the decentralized primary education to weak internal controls where teachers and school management are not adequately supervised to gain the necessary results (OAG, 2016). Studies focusing on internal controls and education service delivery in the public sector are still insufficient to guide implementation of internal control systems in the public sector (Nyarombe et al., 2015; Makgatho, 2013; Korir & Kipkebut, 2016). This study therefore serves to fill the knowledge gap by examining the relationship between internal control and education service delivery in an urban local government council.

1.12. Operational definition of key terms and concepts

Internal control system in this study refers to the control environment, risk assessment, and control monitoring.

Internal control environment in this study refers to the ethical consideration and observance of functional policies such as HR, procurement, finance and the like

Risk assessment in this study refers to the efforts to identify, assess and provide for risk mitigation mechanisms.

Risk monitoring in this study refers to use of management reports, audits and special investigations to establish if the risk management framework meets its objectives

Education service delivery in this study refers to the availability of teaching & learning infrastructure; Teacher attendance, actual lesson delivery & assessment and Quality of grades.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

Chapter two reviews internal control system studies and service delivery outcomes with a view of providing theoretical answers to the study research questions based on previous studies and identifying literature gaps to be filled. The first section presents the theoretical and conceptual reviews. The empirical themes are based on the study objectives of control environment, risk assessment, monitoring and service delivery.

2.2. Theoretical Review

The study was underpinned by the Jensen and Meckling (1976) Agency Theory. The theory asserts that in principal agent relationship, the agent tends to act with opportunistic behaviors to maximize benefits at the expense of the principals' objectives or interest. This arises because the principal delegates its responsibility to one with specialized knowledge, skills or assets to fulfil his objectives. There is need therefore to control the behaviors of the agent by putting in place controls related to control environment, risk assessment, control activities, information and communication and control monitoring to ensure the principals objectives are achieved.

The Agency theory is therefore applicable to local service delivery where the District or Municipal Council being the supreme body takes the position of principal and the management represents the agent. The Council as principal engages management as a delegated agent with some powers to make decisions in service delivery. The management is expected to perform the delegated function and report to the principal

about the service delivery. The council relies on the functionality of the internal control environment, risk assessment and internal control monitoring to control the behaviours of management and ensure education service delivery.

The study was also underpinned by the Service quality (SERVQUAL) model proposed by Parasuraman et al. (1988) which asserts that service quality has five dimensions of tangibility, empathy, reliability, assurance and responsiveness. Tangibility of a service focuses on an evaluation of the physical facilities, appearance of personnel, tools or equipment used to provide service; reliability examines the ability to perform the promised service dependably and accurately; responsiveness focuses on the willingness to help and provide prompt service, responding immediately to requests and solving site problems; assurance focuses on the skill, knowledge and courtesy of service providers and the level of confidence that they convey while delivering the service; empathy focuses on the care and personalized attention the firm provides for its customers. Service quality therefore is a measure of how well a delivered service matches the customers' expectations and the main reason to focus on quality is to meet customer needs while remaining economically competitive at the same time (Parasuraman et al., 1988).

The SERVI-QUAL model therefore underpins this study as it suggests key indicators of service quality which is synonymous with service delivery evident in the tangibility, reliability, responsiveness, assurance and empathy attributes used to evaluate the education services offered by the Municipal council.

2.3. Conceptual Review

This subsection defines the key concepts of internal control system and its components and education service delivery and its associated indicators and how they are used in the study.

2.3.1 Internal control systems

The COSO (2013. p.2) define internal control as:

“a process effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance”

The COSO (1992; 2002; 2013) spells out five components of control environment to include risk assessment, control activities, information and communication and monitoring activities however this study considers the control environment, risk assessment and monitoring.

The Institute of Internal Auditors- IIA (2012) defines control environment as the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The board of directors and senior management establish the tone at the top regarding the importance of internal control including expected standards of conduct. Management reinforces expectations at the various levels of the organization. The control environment comprises the integrity and ethical values of the organization; the parameters enabling the board of directors to carry out its governance oversight responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals;

and the rigor around performance measures, incentives, and rewards to drive accountability for achievement of organizational mandate. Control environment according to the COSO framework provides the backbone for effecting the internal controls by setting out the standards, processes, and structures (COSO, 2013; Babatunde, 2013).

This study equally borrows from the above definition and conceptualises internal control environment to include two indicators of commitment to ethics in doing business and compliance to functional units' policies by the local government.

Collier et al (2007) highlights that risk assessment involves the identification and analysis of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed. He equally explains that risk assessment is the determination of quantitative or qualitative value of risk related to a particular event if it happens thereby forming the basis for determining where internal control activities are needed. Theofanis, et al (2011) views risk assessment as the process of identifying and analyzing management relevant risks to the preparation of financial statements that would be presented fairly in conformity with general accepted accounting principles. In this situation, management must determine the level of risk carefully to be accepted, and should try to maintain such risk within determined levels. Therefore, management of the local government through its internal audit function need to frequently identify and assess the level of risk they are experiencing in order to take necessary actions for enhanced decentralized education service delivery.

Internal control monitoring component of internal control includes on-going evaluations, separate evaluations, or some combination of the two used to ascertain whether each of the five components of internal control, including controls to affect the principles within each component, is present and functioning (Douglas, 2011; COSO, 2013). On-going evaluations, built into business processes at different levels of the entity, provide timely information. Separate evaluations, conducted periodically, will vary in scope and frequency depending on assessment of risks, effectiveness of on-going evaluations, and other management considerations (Douglas, 2011; COSO, 2013). This study equally conceptualised monitoring to include three indicators of on-going management reports and audits on the education department of the municipality.

2.3.2 Educational service delivery

Service delivery is a broad concept but in a public entity perspective, it generally relates to the level of responsiveness, quality of service, and cost effectiveness of the service or public goods and works (Carmen, Enrique & Maria, 2005). Responsiveness demands that the public entity should endeavour to meet the aspirations, expectations and needs of the community served (Walker & Keniger, 2002) while quality is defined as the measure of the fitness of the service or product to fulfil the purpose defined or conformance to established requirements (Carmen, et al., 2005).

A service is therefore of good quality if it is satisfactory. Cost effectiveness on the other hand demands that the public resources invested should bring value for money at a lesser or realistic cost from the limited government budget (Carmen, et al., 2005). In this study

service delivery is conceptualised to include three indicators of reliability, responsiveness and quality of education services.

2.4. Empirical Review

2.4.1. Control environment and Educational Service Delivery

The role of internal control environment in promoting organizational outcomes has long been highlighted in the literature albeit in the private sector. For example, Pollitt (2011) reports of significant impact of on the job training on sales growth while Firend and Sofyan (2013) attribute employee commitment and overall firm performance to compliance with recruitment policy. Furthermore, Korir and Kipkebut (2016) in their Kenyan study find a high positive predictive impact of reward policy to organizational performance in Nakuru County. In a Ugandan study Ntongo (2012) the results indicate a significant positive relationship between internal control environment and health service delivery and there was a more significant predictor of service delivery than financial accountability.

In the education services internal controls, Montri et al (2015) using factor analysis on internal control in secondary schools, it was found that the internal control system yielded components of philosophy and working norms, ethics, standard and knowledge and skills for teaching and administrative personnel, school structure ornamentation, empowerment and task assignment, personnel policy and performance management. The study attributes secondary education quality outcomes to how best the internal control environment is functional.

In a related study on institutions of higher learning in Vihiga County, Kisanyanya (2015) found control environment to have a positive and significant effect on the financial performance of the institutions under study. In support, a South African study, Makgatho (2013) examined the internal control system in South Africa education department and

found support for effective implementation of internal control environment mechanisms and education financial accountability and service delivery in Gauteng Department of Education. Enhanced education service delivery was gained through promotion of efficient monitoring of resource use. The study concluded that implementation of internal control in the education department is influenced by the factors such as the human capital or human resources, technological systems and participation of the key stakeholders. The Makgatho (2013) South African study however observed that although the internal control environment provided for ethics in conducting business, unethical managers deliberately failed to implement the ethical expectations, a factor which constrained education service delivery.

Adagye (2015) examines the internal control environment in Nasarawa State Polytechnic and found that the right people are not assigned to the right job in the department. Budget and management accounting were never used in the institution's operations and checking of subordinates by their superior officers is not regular rendering the current internal control structure of the Polytechnic as ineffective and weak.

2.4.2. Risk assessment and Educational Service Delivery

Risk assessment practices of risk identification, assessment and mitigation have been reported to yield significant organizational outcomes. Kasiva (2012) in a Kenyan study attributes insurance firm's financial profitability and sustainability to efforts to identify and monitor financial risk on mitigation of fraud. In the same line Lutta (2012) associates attainment of desired performance among Kenyan firms to the use of risk management

approach, while Odoyo, et al (2014) associates functional internal controls and attainment of strategic objectives to the use of risk assessment among Kenyan firms.

In the education services internal controls, Montri et al (2015) using factor analysis on internal control in secondary schools found that the risk assessment yielded five components of specification of school objective, specification of each working group objectives, event identification, risk analysis and risk response. The study found secondary education quality outcomes efforts to undertake risk assessment as part of the internal control system in the school.

A related study on institutions of higher learning by Kisanyanya (2015) in Vihiga County-Kenya, found that risk assessment had a positive significant effect on the financial performance in institutions of higher learning in the study area. The study established that the institutions had effective control environment. A South African study by Makgatho (2013) found support for effective implementation of internal control environment mechanisms and education service delivery in Gauteng Department of Education.

The adoption of risk assessment in the public sector may be constrained by lack of the risk assessment competencies, unclear ERM framework and tools (Nyarombe et al., 2015). The Makgatho (2013) South African study in a detailed interview noted less implementation of risk assessment in the education department of planning and projects a factor which constrained education service delivery.

To enjoy the benefits of risk assessment, Nyarombe et al (2015) recommends capacity building among government auditors to effect risk assessment for enhanced service delivery.

2.4.3. Control monitoring and Educational Service Delivery

The role of control monitoring activities of management reporting, audits and special investigations in enhancing service delivery has attracted increased research with most empirical studies offering support for a positive relationship. To begin with on management reporting, it has been generally noted that an effective internal control system is of serious strategic importance to many organizations as it tends to ensure that risk that jeopardizes organisational performance is well managed and internal controls achieve their objectives usually through regular management reports (Arwinge 2013). The COSO framework also points that the efforts to conduct self-review, peer review and supervisory review as part of the on-going management action significantly contribute to organisational performance (COSO 2013) since it provides an opportunity to take prompt corrective actions on performance deviation.

Ijeoma and Nwifo (2015) opined that timely external audits carried out on the public entities played a significant role in ensuring that public resources are put to the right use. Effective utilization of public resources was attained when the external audits by SAI addressed the need to impartially verify the credibility of the financial report from the public entity.

In the education sector internal controls, Montri et al (2015) using factor analysis on internal control in secondary schools found that internal control monitoring yielded three

components of control assessment, control assessment by external assessors and internal control improvement. The study findings attributed secondary education quality outcomes to internal control monitoring as part of the internal control system in the school. A related study on institutions of higher learning by Kisanyanya (2015) in Vihiga County-Kenya, found that internal control monitoring had a positive significant effect on the financial performance in higher institutions of learning in the study area.

A South African study by Makgatho (2013) found significant contribution of control monitoring mechanisms on education service delivery at Gauteng Department of Education. Enhanced education service delivery was gained through promotion of efficient monitoring of resource use. The Makgatho (2013) study however found that top managers in SA restricted lower education department officials from submitting authentic reports highlighting irregularities in the education department monthly reports, a factor which constrained education service delivery.

However, Gideon and Tawanda (2012) notes that despite the fact that SAI financial reviews are imperative for upgrading public service delivery, vote controllers and managers are reluctant to implement audit recommendations, a problem attributed to weak government enforcement mechanisms. A related study by Loke et al (2016) equally finds low commitment to implement audit recommendations especially in entities where corruption thrived. This made external audits to be perceived as ineffective in guaranteeing value for money to the citizens.

In the same line Mzenzi and Gaspar (2015) in a Tanzanian study found a marginal contribution of external compliance audits to accountability among Tanzanian local

government authorities.

2.5 Gap in the Literature Reviewed

The review of existing literature reveals an increasing interest in examining internal control environment in the public sector as studies find a positive predictive effect on internal control environment and service delivery including education services. However, the findings are based on institutions of higher learning and education administrative departments. Studies on internal control environment and decentralized primary education service delivery by urban local governments are still scanty.

Similarly, the studies on risk assessment aspect of internal control and its outcome are largely dependent on public sector entities. Studies focusing on education service delivery especially for primary educations under a decentralized administrative urban council are still limited.

Moreover, the literature on internal control monitoring and its outcomes are majorly in the private sector which are profit oriented. Studies which have been conducted on control monitoring in the education sector have either tended to focus on higher education or secondary education with few studies focusing in internal control monitoring activities in primary education service delivery under decentralized governance system.

To fill the knowledge and practice gap, this study examined the relationship between internal control environment, risk assessment, control monitoring and education service delivery in an urban local government authority of Uganda.

2.6. Summary of Literature Review

This chapter reviewed existing studies on internal control components of control environment, risk assessment, monitoring and its outcomes generally in the both the private and public sector generally and specifically in the education sector. The literature points to a positive organizational and educational outcome while others point to a no relationship. The literature also points out significant challenges in implementing internal control a problem which limits the effectiveness of internal controls in achieving their objectives. Congnisant of the afore literature findings, this study strived to examine the status of internal control environment, risk assessment, monitoring, associated challenges and their influence on education service delivery in an urban local government council in Uganda.

CHAPTER THREE

METHODOLOGY

3.1. Introduction

This chapter presents the research design, population, Sample Size and technique, data collection methods and instruments, reliability and validity of the study instruments, data collection procedure, data analysis.

3.2. Research Design

The study used a case study design where both quantitative and qualitative approaches were adopted to determine the relationship between internal controls and service delivery. Yin (2009) argues that case study research strategies are appropriate for in-depth investigation and when the concern is to study contemporary issues over which the researcher has no control. The case study design also enables in-depth analysis, extraction of data and information specific to an organization to help answer the research questions and test the study hypotheses (Yin, 2009). The quantitative approach was used to quantify findings on the study variables using majorly the measures of central tendency correlation and regression techniques while the qualitative approach was used to draw explanation (Amin, 2005) on internal control and service delivery.

3.3. Study Population

The study was carried out on an accessible population of 138 Busia municipal council officials Town clerks and deputies, municipal education office staff, and senior education assistants who are the teachers (see table 3.1). This population was considered basing on the relevant experiences they possess on internal controls in education office and

education services delivery as the Accounting Officer, education office managers and teachers who deliver the education services and the internal auditor who advise on the internal control system in the sector.

3.4. Sample Size

The study selected 105 respondents based on Krejcie and Morgan (1970) sampling guidelines (See appendix III). Table 1 below shows the summary of the sample size of the respondents and the sampling techniques.

Table 2.1: Sample size of the respondents

| Population category | Population | Sample | Sampling technique |
|-------------------------------------|-------------------|---------------|---------------------------|
| Town Clerk | 3 | 3 | Census |
| Municipal Education Office | 3 | 3 | Census |
| Auditors | 2 | 2 | Census |
| Senior Education Officers- Teachers | 130 | 97 | Simple random |
| Total | 138 | 105 | |

Source: Busia Municipal Council Education Records, JUNE 2018

3.5. Sampling Techniques and Procedures

This study used purposive sampling to select town clerks, education office staff and internal audits staff. In using purposive technique, the researcher relied on knowledge of the organisational structure to municipal education services administrative hierarchy to select managers who were familiar with the control system in the education subsector and could be missed if randomly selected as supported by Guest, Namey, and Mitchel (2013).

The study used a probability sampling of simple random sampling using the lottery approach where names were written on a tag and one name picked at a time until the required number was reached. Simple random sampling was applied on the teachers since they were many and listed.

3.6. Data Collection Methods

The study used a survey approach where both qualitative and quantitative data was collected using questionnaire interview guide and document review methods as detailed below.

3.6.1. *Questionnaire survey*

The questionnaire was used basing on the fact that the respondents could read and write effectively and therefore understand the language used in the questionnaire. Similarly, the questionnaires can be used to collect vast amount of data from a large sample in a short time and at a low cost (Creswell, 2015). The questionnaires were issued to District Education officials, Teachers and Town Clerks.

3.6.2. *Interviewing method*

Interviewing was used to gain qualitative data to help explain the status-quo on internal controls and education service delivery. In this method the study interviewed the two internal audit officers face to face to obtain in depth information on internal controls in the education department in Busia municipality.

3.6.2. *Document review*

The study reviewed secondary data on internal controls on the education department of the municipality with a view of gaining any relevant information on control environment, risk assessment, monitoring. The documents reviewed included audit reports, management reports and any incidental sources of information.

3.7. Data Collection Instruments

3.7.1 Self-Administered Questionnaire

A self-administered close-ended questionnaire focusing background information, internal control environment, risk assessment, monitoring and education service delivery was developed for this purpose. The study questionnaire was scored on a 5-point Likert scale ranging from 5= strongly agree, 4= agree, 3 = not sure, 2= disagree and 1= strongly disagree.

3.7.2. Interview schedule

The interview schedule consisted of semi structured questions on internal control environment, risk assessment, monitoring from which the study sought to gain qualitative data internal control system in the education sector. Face to face interviews with Auditors were conducted. This helped in obtaining data that could not be collected by the use of questionnaires. More so, interviews were used to help the researcher fully understand the respondents' experiences as well as learning more about the answers provided in the questionnaires. This complemented information obtained from questionnaires. According to Mugenda & Mugenda (1999), interviews are advantageous in that they provide in-depth data, which cannot be got using questionnaire. The interview schedule was prepared in accordance with the objectives of the study to facilitate the interview sessions. The researcher used structured interviews to ensure reliability and consistency of the information obtained.

3.7.3. Document checklist

The document checklist focused on a set of key areas of ethics, functional policies, risk assessment, and control monitoring to be recorded to complement the primary data. The documents reviewed include internal and external audit reports, management report,

Education statistical Abstract, School Inspection reports and any incidental sources of information. Most of this information was obtained from the Municipal or Ministry

3.8. Data Quality Control

Data quality control involved testing for validity and reliability as explained below.

3.8.1. Validity of the study instrument

The validity of the instrument measures the relevance of the questionnaire items in measuring what they are supposed to measure (Creswell, 2015). There are many techniques of testing validity however in this study the Content Validity Index (CVI) using expert judgment taking only variables scoring above 0.70 accepted for Social Sciences (Creswell, 2015) was used. The Content Validity Index (CVI) was arrived at using the following formula.

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

3.8.2 Reliability of the study instrument

Reliability measure indicates the extent to which it is without bias and therefore ensures consistent measurement across time and across the various items in the statement suggesting that the finding would be consistently the same if the study was done over again (Creswell, 2015). In this study a Cronbach's alpha coefficient was computed to show how reliable the data is using Statistical Package for Social Sciences (SPSS) considering only variables scoring above 0.70 accepted for social sciences (Nunnally & Bernstein, 1994; Rovai, et al., 2014).

Table 3.2: Validity and Reliability Results

| Variable | CVI | Cronbach's Alpha | Items |
|------------------------------|------------|-------------------------|--------------|
| Internal control environment | .700 | .723 | 13 |
| Risk assessment | .778 | .746 | 09 |
| Monitoring | .778 | .751 | 09 |
| Education service delivery | .768 | .773 | 13 |

Source: Primary data

Table 3.2 above shows that all variables yielded CVI and Cronbach's Alpha which is greater than 0.70 suggesting the instrument was relevant and consistent in measuring internal controls and education service delivery

3.9. Measurement of variables

Internal control was measured based on the COSO (2013) guidelines while service delivery was measured based on the reliability, responsiveness and quality of education services offered by Busia Municipal Council based on modified Servi-qual measures of the Parasuraman et al. (1988).

3.10. Data collection procedure

An introduction letter was obtained from KYU to conduct the study and was used to seek permission to conduct the study from management of Busia Municipality to authorize the study. Two research assistants were trained and used for data collection. The data collected was edited, coded and later entered into the SPSS in preparation for analysis.

3.11. Data Processing and Analysis

Filled questionnaire were edited, checked for consistency, completeness, and accuracy after which they were entered into SPSS while interview data was proof read and typed out. Quantitative and qualitative data analysis details are presented below.

3.11.1 Quantitative Analysis

Quantitative data was analysed using descriptive statistics of frequency and percentages, mean and standard deviations for each of the dimensions of the independent variable. Pearson's correlation coefficients and significance was used to identify the relationship between variables and significance levels at the 99 and 95 confidence levels in the correlation analysis (Rovai, et al., 2014)). Multiple Regression analysis was used to show the influence of the independent variables on the dependent variable. The adjusted R^2 , t values, beta, and significance values were used to measure the influence of the independent variables on the dependent variable.

3.11.2 Qualitative Analysis

Qualitative data was analysed using the content analysis where data obtained from the interviews was arranged into themes based on patterns identified. The recurrent themes, which emerged in relation to each guiding question from the interviews was presented using narrative analysis. Qualitative analysis further involved identification of implications, or inferences and commonalities with the quantitative findings on internal control system in the education department

3.12. Ethical Considerations

As part of the ethical consideration the study recognised all the works of other scholars. Anonymity and confidentiality of the respondents were observed by not asking the respondents to include their names on the questionnaires. Similarly, participation was voluntary. An independent data analysis expert handled the analysis to eliminate biasness. Finally, the dissertation is depended in a viva voce and the results of the study were discussed with the management of education department for adoption of its recommendations.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

The study set out to examine the relationship between internal control system dimensions of control environment, risk assessment, monitoring and education service delivery. This chapter presents field findings on internal controls and education service delivery in Busia MC. The response rate, characteristics of the respondents and a presentation of the empirical findings in relation to the specific objectives of controls environment, risk assessment, monitoring and education serviced delivery are the themes of this chapter.

4.2 Response Rate

A total of 105 questionnaires were administered but 84 completed questionnaires were returned and considered in the study. This indicates an 80% response rate which is considered a high representation of the study population from which the sample was selected. Two interviews were targeted and were all conducted giving it 100% response rate for interview. The overall response rate was therefore 80%.

4.3 Background information of respondents

This sub-section handles the profile of respondents accessed in the study in relation to gender, managerial position, level of education and time worked with Busia MC as tabulated in table 4.1 below.

Table 3.1: Characteristics of the respondents

| Item | Description | Frequency | Percentage |
|---------------------------|--------------------|------------------|-------------------|
| Gender | Male | 53 | 63.1 |
| | Female | 31 | 36.9 |
| | Total | 84 | 100.0 |
| Managerial position | Town clerk | 1 | 1.2 |
| | Education Dept. | 3 | 3.6 |
| | Auditors | 2 | 2.4 |
| | Teacher | 78 | 92.8 |
| | Total | 84 | 100.0 |
| Level of education | Masters | 1 | 1.2 |
| | Degree | 12 | 14.3 |
| | Diploma | 46 | 54.7 |
| | Certificate | 25 | 29.8 |
| | Total | 84 | 100.0 |
| Time worked with Busia MC | < 1Yr | 3 | 3.6 |
| | 1-3 Yrs | 4 | 4.8 |
| | 4-6Yrs | 7 | 8.3 |
| | 7-10 Yrs | 15 | 17.9 |
| | 10+ | 55 | 65.5 |
| | Total | 84 | 100.0 |

Source: Primary data (2018)

The finding in table 3.1 shows that respondents were predominantly male representing 63.1% of the total number of respondents while the female represented 36.9%. Among the male and female respondents, 92.8% were teachers while municipal education department staff represented 3.6%, 2 auditors and a town clerk. The views presented here are therefore based on stakeholders in the delivery of education services. These are deemed to be experienced in internal controls in the education department. They include teachers, education department administrators and accounting officer responsible for implementation of internal controls and education service delivery.

Majority (54.7%) of the respondents had a diploma as their highest level of education while 29.8% had attained a certificate, 14.3% had attained a degree and only one had attained a Master degree. The implication was that the respondents had attained the

minimum qualification for delivery of primary education in compliance with the minimum internal control requirement of competence for a primary teacher. This therefore put them in best position to contribute to education service delivery in Busia Municipality

Majority (65.5%) of the respondents had worked with Busia MC for over 10 years while only 3.6% had worked for less than one year. The implication was that the respondents had reasonable experience in internal controls in the education department and education service delivery since 96.5% had worked with municipal for more than one year.

4.4. Internal control Environment and education service delivery.

The first objective of the study was to establish the relationship between control environment and education service delivery in Busia Municipal Council. Data was collected using questionnaire and interview methods. Internal control environment was measured using 13 items scored on 5 point Likert scale 1= strongly Disagree, 2= Disagree, 3= Not decided, 4= Agree and 5= Strongly agree. Table 4.2 below shows the descriptive results for internal control environment. A mean result more than 3 meant that the control indicator was effectively observed in the education department while a mean result of less than 3 meant that the control activity was not effectively observed-thus a significant weakness.

Table 3.2: Internal control environment

| Statements | Min | Max | Mean | S.D |
|--|-----|-----|------|-------|
| The management of education department in Busia MC manifests a high level of integrity in their work | 1 | 5 | 4.08 | .881 |
| The head teachers in Busia MC manifests a high level of integrity in their work | 1 | 5 | 3.90 | 1.071 |
| The education services staff in Busia MC have signed a code of conducts in conducting their roles and responsibilities | 1 | 5 | 4.18 | .779 |
| The town clerk take full responsibility for internal controls in the Busia MC by supervising the education department team | 1 | 5 | 3.83 | .980 |
| The Education officer take full responsibility for internal controls by supervising head teachers | 1 | 5 | 3.93 | .979 |
| The management style of education department contributes to promotion of effective internal controls | 1 | 5 | 3.92 | 1.039 |
| The education department organizational structure in Busia MC supports education service delivery | 1 | 5 | 3.69 | 1.108 |
| Staff have the appropriate authority and responsibilities in the education department organizational structure | 1 | 5 | 3.91 | .991 |
| Staff have appropriate reporting lines in Busia MC education organizational structure | 1 | 5 | 3.90 | .991 |
| The personnel policies in the education department are always complied with | 1 | 5 | 2.15 | 1.256 |
| The procurement policies in the education department are always complied with | 1 | 5 | 2.20 | 1.039 |
| The finance and accounts policies in the education department are always complied with | 1 | 5 | 2.08 | .921 |
| All education department employees have the desired competencies for their job | 1 | 5 | 2.33 | 1.175 |

Source: Primary data(2018) n = 84

Table 4.2 findings show that the respondents agree with the manifestation of high level of integrity by education department staff in the MC (mean = 4.08), integrity among head teachers (mean = 3.90) and signed of code of conducts in conducting their roles and responsibilities (mean = 4.18). The findings suggest commitment to ethical considerations of the internal controls environment which should be commended as it fosters strengthening the internal controls in the education department.

Similarly, table 4.2 shows that the respondents agreed with the town clerk taking full responsibility for internal controls in the Busia MC by supervising the education department team (mean = 3.83) while they also agreed with the Education officer taking full responsibility for internal controls in the Busia MC by supervising head teachers (mean = 3.93). The findings suggest management commitment to effect internal controls through supervision of subordinates and management styles which contributes to functional internal control environment.

In an interview, interviewee I from the education department when asked on internal controls in the department noted:

“The municipal education officer (MEO) reports to the Town clerk while the municipal education department supervises both private and government schools totaling to around 50schools. Of these it is fully responsible for the government schools. That is 7primary and 3 secondary schools.”

Furthermore, table 4.2 shows that the respondents agreed with organizational structure in Busia MC being supportive of effective education service delivery (mean = 3.69) while they also agreed with staff having appropriate authority and responsibilities (mean = 3.91) and reporting lines (mean = 3.90) in the education department organizational structure. These findings suggest well-functioning internal controls in the organizational structure where staffs have appropriate responsibilities and reporting lines as provided for in the education department organizational structure. This serves to strengthen the internal controls in the education services thereby fostering education service delivery. However, the respondents disagreed with compliance with personnel (mean = 2.15), procurement (mean = 2.20), finance and accounts (mean = 2.08) policies in the education department of Busia Municipality. These findings reveal internal control weaknesses in the accounts, personnel and procurement functional units which constrains effective education service delivery by the department. These need to be addressed to strengthen the internal control environment in the education department of the municipality.

Asked to comment on functional units' policies in internal control environment consideration, interviewee II from Audit noted:

“There were quite a number of issues relating to payments; like delays in payment of salaries i.e. the salary for September 2018 was received in mid-October of the same year. Some staff missed salary as a result of irregular deletions from the payroll. There were also cases of underpayments resulting from either errors or inaccurate computation of deductions. These payroll issues

were most pronounced in the education department despite the MEO reviewing payrolls before they are processed.”

Interviewee I equally responded:

“There are delays in the procurement process for example in the construction of the 2 classroom block, the engineer delayed to come up with the BOQ thus delaying the bid document and the initiation of the procurement. Some suppliers for desks have delivered poor quality items in the past. Desks made from poor quality timber. The classroom block constructed has not been well painted. The latrine constructed has developed cracks already and lacks a hand washing facility.”

The interview findings agree with quantitative findings as they point to weaknesses in the personnel, finance and procurement functions. Any efforts to strengthen the internal control environment should focus on improving compliance with functional policies for enhanced education service delivery.

4.5. Education service delivery in Busia MC

Education service delivery was the dependent variable and was measured using 13 items scored on 5 point Likert scale of 5 for strongly agree to the other extreme of 1= strongly disagree and the findings are tabulated below.

Table 5:4.3: Education service delivery

| Statements | Min | Max | Mean | S.D |
|---|-----|-----|------|-------|
| 1. Busia MC primary schools have adequate classroom infrastructure | 1 | 5 | 2.45 | 1.186 |
| 2. Busia MC primary schools have adequate classroom benches | 1 | 5 | 2.18 | .996 |
| 3. Busia MC primary schools have adequate library facilities | 1 | 5 | 2.37 | 1.138 |
| 4. Busia MC primary schools have adequate sanitation facilities separating girls and boys | 1 | 5 | 2.24 | 1.025 |
| 5. Teachers in Busia MC always sign in the staff arrival & departure book | 1 | 5 | 3.83 | .942 |
| 6. Teachers in Busia MC are always in class as per on the expected time | 1 | 5 | 3.93 | .967 |
| 7. Teachers in Busia MC always deliver a full planned lesson | 1 | 5 | 4.05 | .904 |
| 8. Teachers Busia MC compensate for lessons missed | 1 | 5 | 2.31 | 1.172 |
| 9. The teachers undertake to give class exercises | 1 | 5 | 4.10 | .873 |
| 10. The teacher in this school undertake to issue homework and tests | 1 | 5 | 2.32 | 1.099 |
| 11. Teachers undertake to mark all pupils | 1 | 5 | 2.13 | .941 |
| 12. Teachers undertake to participate in co-curricular activities | 1 | 5 | 3.88 | 1.034 |
| 13. Pupils from Busia MC schools pass with good first grade | 1 | 5 | 2.10 | .887 |

Source: Primary data,(2018); n = 84

Table 4.3 findings reveal significant gaps in education service delivery aspects of classroom infrastructure, desks, library and gender sensitive sanitation facilities. On teacher related attributes of education service delivery, the findings reveal that most

teachers were able to meet the school attendance requirement and signed staff arrival & departure books, were in class on time as expected, delivered a full lesson, issued class exercises and participated in co-curricular activities.

Table 4: 4. 4 .Correlation results between control environment and education service delivery

| | | Control Environment | Education service delivery |
|--|---------------------|---------------------|----------------------------|
| Control Environment | Pearson Correlation | 1 | |
| | Sig. (2-tailed) | | |
| | N | 84 | 84 |
| Education service delivery | Pearson Correlation | .351** | 1 |
| | Sig. (2-tailed) | .001 | |
| | N | 84 | 84 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | |

P < 0.05

Source: Primary data,(2018)

The correlation matrix result in table 4.4 the internal control environment has a statistically positive but moderate significant relationship ($r = 0.351^{**}$, $p = 0.001$) with education service delivery implying that the two variables are positively related. The managerial implication was that education service delivery by an urban council is significantly affected by the functionality of internal controls in the Education department especially in areas of ethics, organizational

structure and compliance to functional policies. In other words, the gaps in education service delivery in Busia MC are associated with weaknesses in the internal control environment.

4.6. Risk assessment and education service delivery

The second objective of the study was to establish the relationship between risk assessment and education service delivery in Busia Municipal Council. Risk assessment was measured using 9 items scored 5 point Likert scale 1= strongly Disagree, to 5= Strongly agree. Table 4.5 below shows the descriptive results for risk assessment.

Table 5: 4.5: Risk assessment

| Statements | Min | Max | Mean | S.D |
|---|-----|-----|------|-------|
| 1. Management undertakes to use records in identifying potential risk or events that if they occur will affect education service delivery in the municipality | 1 | 5 | 2.26 | 1.043 |
| 2. Management undertakes to use interviews identifying potential risk the many affect education service delivery | 1 | 5 | 2.45 | 1.113 |
| 3. Workshops are used to identify potential risk the many affect education service delivery in the municipality | 1 | 5 | 2.20 | 1.015 |
| 4. Internal audit reports are used to identify potential risk that may affect education service delivery in the municipality | 1 | 5 | 3.95 | 1.005 |
| 5. External audit reports are used to identify risk that may affect education service delivery in the municipality | 1 | 5 | 3.77 | 1.196 |
| 6. The education department has a comprehensive risk register | 1 | 5 | 2.18 | 1.204 |
| 7. Effort is undertaken to adequately assess the likelihood of identified risks occurring | 1 | 5 | 2.29 | 1.013 |
| 8. Effort is undertaken to adequately establish the impact of identified risk on education service delivery in the municipality | 1 | 5 | 2.00 | .905 |
| 9. The education department has put in place a risk response mechanism to mitigate for risk exposure | 1 | 5 | 2.38 | 1.129 |

Source: Primary data, (2018) ; n = 84

The findings in table 4.5 show that whereas the respondents agreed with use of Internal audit reports (mean = 3.95) and external audit reports (mean =3.77) for risk identification, they disagreed with use of use records (mean = 2.26), interviews (mean =

2.45), workshops (mean = 2.20), to identify risk that may affect education service delivery in the municipality. The findings suggest a high reliance on internal and external audits to identify risks at the compromise of other risk identification mechanisms such as records, interviews, and workshops. The management of the education department needs to explore the use of records reviews, interviews, and workshops to identify risks for consideration into a comprehensive risk register for the education department.

Similarly, the findings in table 4.5 shows that the respondents disagreed with assessing risk likelihood (mean = 2.29), impact (mean = 2.00) and instituting a risk response mechanism to mitigate risk exposure (mean = 2.38). The findings reveal failure to conduct a risk assessment to establish risk likelihood, impact and mitigations factors; an omission which exposed the education department to strategic and operational risks. Inadequate risk identification adversely affects education service delivery in the municipal.

In an interview when asked to describe risk assessment in the education department, interviewee I from the education department noted:

“There is no formal exercise of risk identification, assessment and mitigation conducted. However due diligence and environmental risk assessments are made on the ownership of the land before sitting of projects for school construction.”

The interview findings are in agreement with the questionnaire findings as they suggest material weaknesses in conducting risk assessment which exposes the education department to strategic, operational and project risks there by constraining education service delivery following risk exposure of unidentified risks.

Table 6: 4.6: Correlation results between risk assessment and education service delivery

| | | Risk assessment | Education service delivery |
|--|---------------------|-----------------|----------------------------|
| Risk assessment | Pearson Correlation | 1 | |
| | Sig. (2-tailed) | | |
| | N | 84 | 84 |
| Education service delivery | Pearson Correlation | .694** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 84 | 84 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | |

P < 0.05

Source: Primary data, (2018)

The correlation matrix result in table 4.6 indicates that risk assessment has a statistically high positive significant relationship ($r = 0.694^{**}$, $p = 0.001$) with education service delivery implying that the two variables are positively related. The managerial implication was that education service delivery by an urban authority is significantly affected by the functionality of risk assessment activities in the Education department especially in areas of risk identification, analysis and provision of mitigation and response mechanisms. In other words, the gaps in education service delivery in Busia MC are highly associated with inadequate risk assessment by the management of the municipal education departments.

4.7. Internal Control Monitoring and education service delivery.

The third objective of the study was to establish the relationship between internal control monitoring and education service delivery in Busia Municipal Council. Internal control monitoring was measured using 9 items scored on 5 point Likert scale 1= strongly Disagree, to 5= Strongly agree. Table 4.6 below shows the descriptive results for monitoring of internal control.

Table 7: 4.7: internal control monitoring

| Statements | Min | Max | Mean | S.D |
|--|------------|------------|-------------|------------|
| 1. Effort is undertaken to monitor activities to evaluating whether responsibilities are being executed effectively | 1 | 5 | 3.86 | .880 |
| 2. All required reports at the different levels of education services delivery are promptly produced. | 1 | 5 | 3.95 | .877 |
| 3. Regular management reporting has been useful in improving on education service delivery in the municipality | 1 | 5 | 3.98 | 1.018 |
| 4. Performance management is used to enhance education service delivery in the municipality | 1 | 5 | 2.29 | 1.208 |
| 5. Internal audits reports recommendations are promptly acted up on by the responsible persons in education services | 1 | 5 | 2.40 | 1.272 |
| 6. External audits reports recommendations are promptly acted up on by the responsible persons in education services | 1 | 5 | 2.38 | 1.231 |
| 7. Special investigations are conducted on education services delivery in the municipality | 1 | 5 | 3.90 | .926 |
| 8. Prompt action is taken on special investigations in the education department | 1 | 5 | 3.98 | .969 |
| 9. Prompt action is taken detected fraud is in the education department | 1 | 5 | 3.92 | .934 |

Source: Primary data, (2018) ; n = 84

Table 4.7 findings show that the respondents agreed with efforts to monitoring activities (mean = 3.86) on whether responsibilities are being executed effectively while they also agreed with prompt generation of required reports (mean = 3.95), and use of regular management reporting (mean = 3.98). However, the respondents disagreed with the use of performance management (mean = 2.29). The efforts to monitor responsibilities, use of reports and special investigations as part of the risk monitoring framework should be commended as it helps assess if the risk management system fulfills its objectives and corrective actions taken for enhanced education service delivery arising from such report findings. However there is need to strengthen performance management in the education department using the Results oriented performance management framework in the public service of Uganda for enhanced education service delivery.

Conversely, the respondents disagreed with taking of prompt actions on internal audit reports (mean = 2.40) and external audit reports (mean = 2.38) but only agreed that prompt action was taken on special investigation reports (mean = 3.98) and detected fraud (mean = 3.92). The findings reveal selective action taking on internal control corrective actions in the education department, a practice which constrains the effectiveness of internal control monitoring system in meeting its objective of ensuring effective service delivery.

In an interview when asked to comment on internal control monitoring, interviewee I from the education department noted:

“We inspect schools and recommend actions however, we experience significant challenges especially political interference where tough decisions such as closing private schools which are substandard. Our schools reports reveal high drop outs as pupils are attracted by business opportunities in the border area. There are also challenges of pupils not having mid-day meals, illegal boarding sections in Madibira PS, lack of library facilities, misuse of school facilities like classrooms and desks by the community, late coming of staff and absenteeism.”

The interview findings suggest use of inspection reports carried out by the education department and regular management reports especially on enrollment, teaching and learning facilities. However, taking of corrective action was constrained by lack of political support.

Table 8: 4.8: Correlation results between risk assessment and education service delivery

| | | Internal control monitoring | Education service delivery |
|--|---------------------|-----------------------------|----------------------------|
| Internal control monitoring | Pearson Correlation | 1 | |
| | Sig. (2-tailed) | | |
| | N | 84 | 84 |
| Education service delivery | Pearson Correlation | .291** | 1 |
| | Sig. (2-tailed) | .007 | |
| | N | 84 | 84 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | |

P < 0.05

Source: Primary data, (2018)

The correlation matrix result in table 4.8 shows that internal control monitoring has a statistically moderate positive significant relationship ($r = 0.291^{**}$, $p = 0.007$) with education service delivery implying that the two variables are positively related. The managerial implication was that education service delivery by a decentralized urban council is significantly affected by the functionality of internal control monitoring system in the Education department especially by use of regular management reporting, internal and external audits, conducting of special investigations, use of self and peer reviews. In other words, the weaknesses in education service delivery in Busia MC are highly associated with inadequacies in the internal control monitoring system in the municipal education department

4.8. Multiple regression of internal control system and education service delivery

To establish if the relationship between internal control and education service delivery and which among the dimensions of internal control was a more significant predictor, of education services delivery in Busia Municipality, a multiple regression was conducted and the results are tabulated below.

Table 9: 4.9: Multiple regression results between internal control system and education service delivery

| Model Summary | | | | | | |
|---|---------------------|-----------------------------|-------------------|----------------------------|--------|-------------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | | |
| 1 | .760 ^a | .578 | .562 | .34906 | | |
| ANOVA | | | | | | |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 13.358 | 3 | 4.453 | 36.546 | .000 ^b |
| | Residual | 9.747 | 80 | .122 | | |
| | Total | 23.105 | 83 | | | |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .716 | .313 | | 2.288 | .025 |
| | Control Environment | .138 | .096 | .129 | 1.446 | .152 |
| | Risk Assessment | .652 | .074 | .762 | 8.832 | .000 |
| | Monitoring | .284 | .066 | .325 | 4.268 | .000 |
| a. Dependent Variable: Education service delivery | | | | | | |
| b. Predictors: (Constant), Monitoring, Risk Assessment, Control Environment | | | | | | |

P ≤ 0.05

Table 4.9 shows adjusted $R^2 = 0.562$ which is the variance in education service delivery accounted for by internal control system dimensions of control environment, risk assessment and monitoring. Thus the control environment, risk assessment and monitoring account for 56.2% ($0.562*100$) of the variance in education service delivery by the municipal council. Other variables account for the remaining variance of 44.4% in education service delivery.

The ANOVA results of $F = 36.546$ and $\text{sig } 0.000^a$ suggests that the internal control system components under study were significant predictors of the variance in education service delivery.

Risk assessment was the most significant predictor of the variance in education service delivery by the municipality as per the coefficient statistics ($\beta = 0.762$, $t = 8.832$, $\text{Sig} = 0.000$) which is less than the lowest significance level of 0.05. This implies that a significant change in internal control environment would result into a greatest significant change of 0.762 units in education service delivery by Busia MC which is significant going by the sig value of 0.000.

Internal control monitoring was the second most significant predictor of the variance in education service delivery by the municipality as per the coefficient statistics ($\beta = 0.325$, $t = 4.268$, $\text{Sig} = 0.000$) which is less than the lowest significance level of 0.05. This implies that a significant change in internal control monitoring would result into a significant change of 0.325 units in education service delivery by Busia MC which is significant going by the sig value of 0.000.

The internal control environment however had no statistically predictive impact on education service delivery going by the coefficient statistics of ($\beta = 0.129$, $t = 1.446$, $\text{Sig} = 0.152$) which is more than the lowest significance level of 0.05. Thus the internal control environment does not impact on education service delivery. Its other internal control system components notably risk assessment and monitoring which impact on education service delivery.

However, the teachers in Busia MC rarely compensated missed lessons, rarely issued homework and tests and were constrained to mark all pupils in time for issued assignments. The Busia Municipal schools were also constrained to attain the desired targets for first grade.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents the summary, discussions, conclusions and recommendations of the study on internal control system and education service delivery in Busia MC based on the study findings. The first section presents the summary of the study findings internal control system and education service delivery in Busia MC. It also presents the discussion, conclusions recommendations, limitations, contributions, and areas for further study.

5.2. Summary of the Study Findings

5.2.1. Internal control Environment and education service delivery in Busia MC

The study found that there was commitment to ethical considerations of the internal controls environment in the education department. There was management commitment to effect internal controls through supervision of subordinates and management styles which contributes to functional internal control environment. The findings however reveal internal control weaknesses in the finance and accounts, personnel and procurement functional units.

There was a statistically positive moderate significant relationship between internal control environment and education service delivery ($r = 0.351^{**}$, $p = 0.001$). The multiple regression however suggests that internal control environment does not account for the variance in education service delivery ($\beta = 0.129$, $t = 1.446$, $\text{Sig} = 0.152$).

5.2.2. Risk assessment and Education service delivery in Busia MC

The study found a high reliance on internal and external audits to identify risks at the compromise of other risk identification mechanisms such as records, interviews, and workshops. There was inadequate risk assessment to establish risk likelihood, impact and mitigations factors; an omission which exposed the education department to strategic and operational risks.

The correlation analysis revealed a statistically high positive significant relationship between risk assessment and education service delivery ($r = 0.351^{**}$, $p = 0.001$). The multiple regression suggests that risks assessment was the most significant predictor of the variance in education service delivery ($\beta = 0.762$, $t = 8.832$, $\text{Sig} = 0.000$).

5.2.3. Internal control monitoring and education service delivery in Busia Municipal Council

There were efforts to monitor responsibilities, use of reports and special investigations as part of the risk monitoring framework. These should be commended as they help assess if the risk management system fulfills its objectives and corrective actions taken for enhanced education service delivery arising from such report findings. However performance management in the education department using the results oriented performance management framework was not enforced.

There was selective action taking. More prompt action is taken on special investigation reports and detected fraud as compared to internal and external audit report recommendations

The correlation analysis reveals a statistically high positive significant relationship between internal controls monitoring and education service delivery ($r = 0.291^{**}$, $p =$

0.007). The multiple regression suggests that risks assessment was the second most significant predictor of the variance in education service delivery ($\beta = 0.325$, $t = 4.268$, $\text{Sig} = 0.000$).

5.3. Discussion of the Study Findings

5.3.1. Internal control Environment and education service delivery

The study found positive significant relationship between internal control environment and education service delivery suggesting that that education service delivery by an urban authority is significantly affected by the functionality of internal control environment in ethics, organizational structure and compliance to functional policies. This study finding supports the Jensen and Meckling (1976) Agency theory which suggests that controlling the opportunistic behaviors of management through mechanisms such as ethics, definition of responsibilities for accountability and functional policies enhances the achievement of the objective of the principal which in this case is education service delivery by the decentralized urban authority.

Empirical studies such as Montri et al (2015) study in secondary schools, Kisanyanya (2015) study on higher institutions of higher learning in Vihiga County kenya, and Makgatho (2013) study on internal control system in South Africa education department equally lend support for the relationship between internal control environment and education service delivery outcomes. On the basis of the study findings and support by the literature, this study qualifies the hypothesis that there is a significant positive relationship between control environment and education service delivery in Uganda.

5.3.2. Risk assessment and Education service delivery in Busia MC

The study found high positive significant relationship between risks assessment and education service delivery suggesting that education service delivery by an urban authority is significantly affected by risk assessment activities in the Education department especially in areas of risk identification, analysis and provision of mitigation and response mechanisms. This study finding support the Jensen and Meckling (1976) Agency theory which suggest that controlling the opportunistic behaviors of management through mechanisms such as risk identification, analysis and provision of mitigation and response mechanisms enhances the achievement of the objective of the principal which in this case is education service delivery by the decentralized urban authority.

Empirical studies such as Kisanyanya (2015) in Vihiga County-Kenya, found that risk assessment had a positive significant effect on the financial performance in higher institutions of learning in the study area while Montri et al (2015) attributes secondary education quality outcomes efforts to undertake risk assessment as part of the internal control system in the school. Makgatho (2013) South Africa study reports of less implementation of risk assessment in the education departmental planning and projects a factor which constrained education service delivery.

On the basis of the study findings and support by the literature, this study qualifies the hypothesis that there is a significant positive relationship between risk assessment and education service delivery in Uganda.

5.3.3. Internal control monitoring and education service delivery in Busia Municipal Council

The study found a positive significant relationship between internal control monitoring and education service delivery suggesting that education service delivery by an urban authority is significantly affected by the functionality of internal control monitoring system in the Education department especially by use of regular management reporting, performance management, internal and external audits, conducting of special investigations, use of self and peer reviews. This study finding support the Jensen and Meckling (1976) Agency theory which suggests that controlling the opportunistic behaviors of management through mechanisms such as use of regular management reporting, performance management, internal and external audits, conducting of special investigations, use of self and peer reviews enhances the achievement of the objective of the principal which in this case is education service delivery by the decentralized urban authority.

Empirical studies such as Ijeoma and Nwifo (2015) opine that timely external audits carried out on the public entities played a significant role in ensuring that public resources are put to the right use. In education sector, Montri et al (2015) attributes secondary education quality outcomes to internal control monitoring as part of the internal control system in the school while Kisanyanya (2015) Kenya study found that internal control monitoring had a positive significant effect on the financial performance in higher institutions of learning.

A South African study by Makgatho (2013) study however found that top managers in SA restricted lower education department officials from submitting authentic reports on

highlighting irregularities in the education department monthly reports a factor which constrained education service delivery.

On the basis of the study findings and support by the literature, this study qualifies the hypothesis that there is a significant positive relationship between internal control monitoring and education service delivery in Uganda.

5.4. Conclusions of the Study

5.4.1. Internal control Environment and education service delivery in Municipal Council

The study concludes that there was a significant positive relationship between internal control environment and education service delivery in Uganda. Thus, education service delivery by an urban authority is significantly affected by the functionality of internal controls especially in areas of ethics, organizational structure and compliance to functional policies. Significant weaknesses in the internal control environment aspects of compliance with functional unit policies of finance and accounts, personnel and procurement adversely affect education service delivery.

5.4.2. Risk assessment and Education service delivery in Busia Municipal Council

The study concludes that there is a significant positive relationship between risk assessment and education service delivery in Uganda. Thus, education service delivery by an urban authority is significantly affected by the functionality of risk assessment activities in the Education department especially in areas of risk identification, analysis and provision of mitigation and response mechanisms. Constraints in education service

delivery in Busia MC are mostly associated with inadequate risk assessment by the management of the municipal education department.

5.4.3. Internal control monitoring and education service delivery

The study concludes that there is a significant positive relationship between internal control monitoring and education service delivery in Uganda. Thus, education service delivery by a decentralized urban authority is significantly affected by the functionality of internal control monitoring system in the Education department especially by use of regular management reporting, internal and external audits, conducting of special investigations, and use of self and peer reviews.

5.5. Recommendations of the Study

5.5.1. Internal control Environment and education service delivery

To enhance education service delivery, the study recommends that the town clerk in liaison with the functional units in the municipal council should:

1. Train education department officials, head teachers and teachers in personnel management for non-personnel managers to enhance compliance with personnel policies and regulations. This will go a long way in strengthening personnel policy compliance at the different levels which was found to be non-complaint.
2. Train education department officials, head teachers and senior teachers in procurement management for non-procurement managers to enhance compliance with procurement regulations and operations. This will go a long way in

strengthening procurement policy compliance at the different levels which was found to be non-complaint.

5.5.2. Risk assessment and Education service delivery in Busia Municipal Council

To enhance education service delivery, the study recommends that the municipal internal audit unit should:

1. Regularly use education stakeholders' workshops, existing records, and interviews among others to identify risk which may affect education service delivery in the municipality.
2. The internal audit unit should assess the risk likelihood and impact and compile a risk register detailing strategic, operational and project risks that may affect education service delivery.

5.5.3. Internal control monitoring and education service delivery

To enhance education service delivery, the study recommends that the town clerk in liaison with the functional units in the municipal council should:

Enforce the Result Oriented Management performance management system in the public service by setting annual functional unit and individual staff performance targets, measure the level of attainment of performance targets through performance appraisal and reward performance. This will go a long way in providing results accountability at the unit and individual staff in the delivery of education services.

5.6. Contributions of the Study

The study has helped develop internal controls system managerial recommendations by suggesting use of records, meetings and workshops to entrench risk assessment, and

enforcement of performance management as part of internal control monitoring system to strengthening internal controls in an education department. Adoption of the suggested recommendations will go a long way in enhancing education service delivery by the urban authority. The study has also helped to fill knowledge and literature gaps on internal controls and decentralized education service delivery.

5.7. Limitations of the Study

The study used a case study design which limits the generalization of results to other urban authorities. Consideration of selected urban local government would enhance the generalization of results.

5.8. Areas for further research

The multiple regression reveals that control environment, risk assessment, and monitoring dimensions of internal control predicted 56.2% of the variance in education service delivery by the municipal council. Other studies could examine the relationship between information and communication and control activities dimensions of internal control not covered in this study on education service delivery in urban authorities.

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APPENDICES

Appendix I: Study Questionnaire

Dear Respondent,

I am a student at Kyambogo University pursuing a Master’s degree of Business Administration. I am interest in examining the internal control systems in education services delivery in Busia Municipality. You have been selected in your department to participate in this study by furnishing us your experiences on internal control system and education service delivery. So feel free to answer diligently as your responses will be used for achieving academic objectives.

SECTION A: BACK GROUND INFORMATION (Tick as appropriate)

1. Managerial position: Town Clerk [] Education department [] Teacher [] Auditor []
2. Your highest level of education: Masters [] Degree [] Diploma [] Certificate [] Others []
3. Time worked with Busia MC: Less than 1 Year [] 1-3 years [] 4-6 years [] 7-10 years [] 10+ []

SECTION B: INTERNAL CONTROL SYSTEM

Indicate the extent to which you agree with the following positions on the internal control system in Busia MC on a scale of 5-Strongly agree, 4-Agree, 3-Not decided, 2-Disagree, 1-Strongly disagree.

| Statements | 1 | 2 | 3 | 4 | 5 |
|-------------------------------------|---|---|---|---|---|
| <i>Internal Control Environment</i> | | | | | |

| | | | | | |
|--|---|---|---|---|---|
| 8. The management of education department in Busia MC manifests a high level of integrity in their work | 1 | 2 | 3 | 4 | 5 |
| 9. The head teachers in Busia MC manifests a high level of integrity in their work | 1 | 2 | 3 | 4 | 5 |
| 10. The education services staff in Busia MC have signed a code of conducts in conducting their roles and responsibilities | 1 | 2 | 3 | 4 | 5 |
| 11. The town clerk take full responsibility for internal controls in the Busia MC by supervising the education department team | 1 | 2 | 3 | 4 | 5 |
| 12. The Education officer take full responsibility for internal controls in the Busia MC by supervising head teachers | 1 | 2 | 3 | 4 | 5 |
| 13. The management style of education department in Busia MC contributes to promotion of effective internal controls | 1 | 2 | 3 | 4 | 5 |
| 14. The education department organizational structure in Busia MC supports effective education service delivery | 1 | 2 | 3 | 4 | 5 |
| 15. Staff have the appropriate authority and responsibilities in the education department organizational structure | 1 | 2 | 3 | 4 | 5 |
| 16. Staff have appropriate reporting lines in Busia MC education organizational structure | 1 | 2 | 3 | 4 | 5 |
| 17. The personnel policies in the education department are always complied with | 1 | 2 | 3 | 4 | 5 |
| 18. The procurement policies in the education department are always complied with | 1 | 2 | 3 | 4 | 5 |
| 19. The finance and accounts policies in the education department are | 1 | 2 | 3 | 4 | 5 |

| | | | | | |
|--|---|---|---|---|---|
| always complied with | | | | | |
| 20. All education department employees have the desired competencies for their job | 1 | 2 | 3 | 4 | 5 |
| <i>Risk assessment</i> | | | | | |
| 21. Management undertakes to use records in identifying potential risk or events that if they occur will affect education service delivery in the municipality | 1 | 2 | 3 | 4 | 5 |
| 22. Management undertakes to use interviews identifying potential risk the many affect education service delivery | 1 | 2 | 3 | 4 | 5 |
| 23. Workshops are used to identify potential risk the many affect education service delivery in the municipality | 1 | 2 | 3 | 4 | 5 |
| 24. Internal audit reports are used to identify potential risk that may affect education service delivery in the municipality | 1 | 2 | 3 | 4 | 5 |
| 25. External audit reports are used to identify risk that may affect education service delivery in the municipality | 1 | 2 | 3 | 4 | 5 |
| 26. The education department has a comprehensive risk register | 1 | 2 | 3 | 4 | 5 |
| 27. Effort is undertaken to adequately assess the likelihood of identified risks occurring | 1 | 2 | 3 | 4 | 5 |
| 28. Effort is undertaken to adequately establish the impact of identified risk on education service delivery in the municipality | 1 | 2 | 3 | 4 | 5 |
| 29. The education department has put in place a risk response mechanism to mitigate for risk exposure | 1 | 2 | 3 | 4 | 5 |

| <i>Monitoring</i> | | | | | |
|---|---|---|---|---|---|
| 30. Effort is undertaken to monitor activities to evaluating whether responsibilities are being executed effectively | 1 | 2 | 3 | 4 | 5 |
| 31. All required reports at the different levels of education services delivery are promptly produced. | 1 | 2 | 3 | 4 | 5 |
| 32. Regular management reporting has been useful in improving on education service delivery in the municipality | 1 | 2 | 3 | 4 | 5 |
| 33. Performance management is used to enhance education service delivery in the municipality | 1 | 2 | 3 | 4 | 5 |
| 34. Internal audits reports recommendations are promptly acted up on by the responsible persons in education services | 1 | 2 | 3 | 4 | 5 |
| 35. External audits reports recommendations are promptly acted up on by the responsible persons in education services | 1 | 2 | 3 | 4 | 5 |
| 36. Special investigations are conducted on education services delivery in the municipality | 1 | 2 | 3 | 4 | 5 |
| 37. Prompt action is taken on special investigations in the education department | 1 | 2 | 3 | 4 | 5 |
| 38. Prompt action is taken detected fraud is in the education department | 1 | 2 | 3 | 4 | 5 |

SECTION C: Education service delivery

Instructions

Indicate the extent to which you agree with the following positions on education service delivery in Busia MC on a scale of 5-Strongly agree, 4-Agree, 3-Not decided, 2-Disagree, 1-Strongly disagree.

| | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| 1. Busia MC primary schools have adequate classroom infrastructure | 1 | 2 | 3 | 4 | 5 |
| 2. Busia MC primary schools have adequate classroom benches | 1 | 2 | 3 | 4 | 5 |
| 3. Busia MC primary schools have adequate library facilities | 1 | 2 | 3 | 4 | 5 |
| 4. Busia MC primary schools have adequate sanitary facilities separating girls and boys | 1 | 2 | 3 | 4 | 5 |
| 5. Teachers in Busia MC always sign in the staff arrival & departure book | 1 | 2 | 3 | 4 | 5 |
| 6. Teachers in Busia MC are always in class as per on the expected time | 1 | 2 | 3 | 4 | 5 |
| 7. Teachers in Busia MC always deliver a full planned lesson | 1 | 2 | 3 | 4 | 5 |
| 8. Teachers Busia MC compensate for lessons missed | 1 | 2 | 3 | 4 | 5 |
| 9. The teachers undertake to give class exercises | 1 | 2 | 3 | 4 | 5 |
| 10. The teacher in this school undertake to issue homework and tests | 1 | 2 | 3 | 4 | 5 |
| 11. Teachers undertake to mark all pupils | 1 | 2 | 3 | 4 | 5 |
| 12. Teachers undertake to participate in co-curricular activities | 1 | 2 | 3 | 4 | 5 |
| 13. Pupils from Busia MC schools pass with good first grade | 1 | 2 | 3 | 4 | 5 |

Appendix II: Interview guide

Introduction: self-introduction

Functionality of internal control environment in the education department especially in areas of:

- organisational structure
- ethics
- personnel
- finance & accounts policy compliance
- personnel policy compliance
- procurement policy compliance
- management reporting

Challenges in control environment of the education department

Risk assessment practices in relation to:

- Risk identification
- Risk assessment
- Mitigation

Challenges in risk assessment in the education department

Risk monitoring in the education department in relation to:

- Regular management reporting
- Self-reviews
- Peer reviews

- Internal audit
- External audits
- Special investigations

Challenges in internal control monitoring