INTERNAL CONTROL SYSTEMS AND ORGANIZATIONAL PERFORMANCE

BY

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2011/U/HD/354/MBA

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A DISSERTATION SUBMITTED TO GRADUATE SCHOOL IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF KYAMBOGO UNIVERSITY

DECEMBER, 2014

DECLARATION

I **KABUGHO PATIENCE** declare that to the best of my knowledge, the information presented in this report is as a result of research carried out at Uganda Telecom as one of the requirements for the fulfillment of the award of a Master Degree in Business administration. This information is my original work and has not been presented to any education institution.

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(Student)

Signature..... 16/12/2014

APPROVAL

This report will be presented to the University through my University Supervisor.

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Signature……

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Signature……

DEDICATION

I would like to dedicate this study to my dear parents Mr. and Mrs Mutabazi Wilson for the tireless support and encouragement, my husband Mr. Byamukama Stuart and my son Mr. Muhirwe treasure for allowing me time to do this training in addition to the Two year class room training they endured and offered me their support and encouragement. May God richly bless them.

ACKNOWLEDGEMENT

It's difficult to mention specific people in this acknowledgement because all people around me had a role to play in the successful completion of this study. There are however some very special people who cannot go without mention.

I express my gratitude and indebtedness to my respected Supervisor Dr. **Ndandiko Charles** for his continuous guidance, important advice, encouragement and suggestion during this study and preparation of the report. I thank him for sparing his time whenever I need him.

Then, I express my gratitude to the staff in Uganda Telecom for the time rendered in helping me carry out my research. I also would like to thank my work collogues Finance department, credit section for the endless prayers and support while exercising my Duties as well as carrying out this study and making sure I accomplish it in the assigned time.

Finally I am grateful to my Family (My Parents, Husband, and son) for the prayers, encouragement and other forms of support they extended to me during this study.

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LIST OF ACRONYMS/ ABBREVIATIONS

UTL .....Uganda Telecom Limited.

ASOBAC.....Committee on Basic Auditing Concepts.

APC..... Auditing Practices Committee.

ABSTRACT

The study was set to examine the impact of internal controls on organizational performance using a case study of Uganda Telecom Limited (UTL). The main problem of the study was that although internal controls were put in place to mitigate the occurrence of fraud, embezzlement, theft, misrepresentation, concealment and manipulation of data, UTL still experience such and this is what the study aimed at putting right. The study was aimed at achieving three specific objectives that is, to examine the influence of control environment on organizational performance, to examine the influence of risk assessment on organizational performance and to find out the influence of information and communication on organizational performance.

A cross sectional study design was used to carry out the study and questionnaires and interview were employed to collect data from the sample of 104 respondents. Collected data was analyzed using correlation co efficiency and regression analysis for quantitative data and thematic anaylsis for qualitative data.

The findings of the study indicated that internal controls together with its attributes of control environment, risk assessment and information and communication have a direct bearing on the performance of Uganda Telecom Limited. The study indicated that control environment account for 4% variation in organizational performance, risk assessment account for 3.5% variance in organizational performance and Information and communication account for 3% variance in organizational performance. The study recommends that there is a need to evaluate the control environment in which the business operates, risk assessment strategies and communication and information low within the organization since such components play

a great part towards the performance of the organisation. It can therefore be concluded that internal control systems affect greatly the performance of an organization.

CHAPTER ONE

INTRODUCTION

1.0 Background to the study

Internal control is defined as a process effected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives (Messier, 2007).

In agreement with the Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal control, is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: Effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations, and safeguarding of assets against unauthorized acquisition, use or disposition. (Rick, Roger, Arnold & Philip (2005).

Internal control systems is a topical issue following global fraudulent financial reporting and accounting scandals in both developed and developing countries (Lewis, 2005). A proactive preventive approach to the problem requires a critical evaluation of existing internal control structures in organizations to determine their capacity to ensure that the organization's activities are carried out in accordance with established goals, policies and procedures. Internal control is broadly defined 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 in the following categories: effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations (Bostley and Drover 2002).

However with limited management support, neglect and an outdated focus on pre-audit activities, organisation's internal control systems are neither efficient nor effective which in turn affect

adversely the organizational performance (Berna, 2008). Generally shareholders entrust the management with the day to day operations, custody and efficient utilisation of their funds (Lewis, 2005). Management has control over the accounting systems of the enterprises. Management is not only responsible for the financial reports to investors, but also has the authority to determine the precise nature of the representations that go into those reports. (Rick, Roger, Arnold & Philip (2005). However, with rapid growth and expansion of organisations, managers find it hard to observe and maintain strong controls of all the operations within the organization which in turn creates chances for fraudulent staff to commit acts of embezzlement (Foulks 2006).

Uganda Telecom Limited (UTL), is an information and communication technology network company in Uganda. The company was formed following the passage of the Communications Act. To improve on service delivery, in June 2000, UTL was privatized when the Government divested 51% of its shares to Ucom, a consortium formed by Detecon, of Germany, Telecel International of Switzerland and Orascom Telecom of Egypt. The Ugandan Government retained 49% ownership in UTL. As of July 2011, Uganda Telecom is a joint venture between a LAP Green of Libya, which owns 69% of UTL, and the Ugandan Government, which owns the remaining 31%.

Basing on the Financial Assessment Report of Uganda Telecom (2012), the company has experienced a wave of fraud cases to the tune of 237 since it started its operations. Ninety five percent (95%) of these cases were reported having been championed by some of the employees of the company. The assessment report noted that of all these fraud cases, 209 (hence 88%) of them happened between January 2007 and September 2012 when the organization had internal controls in place. These statistics reflect that the introduction of internal controls must have had a

reduction impact on the occurrence of frauds engineered by the staff of Uganda Telecom but possibly something is missing to completely do away with the fraud cases. This study therefore sought to analyze the impact of internal controls on organizational performance.

1.1 Statement of the problem

Internal controls are put in place to mitigate fraudulent acts and to ensure that the business is run in an orderly manner so that it can register good performance (Berna, 2008). However, since 2007 to date, Uganda Telecom Limited has been experiencing cases of embezzlement, theft, misrepresentation, concealment and manipulation of data. This can also be seen from the rate at which staffs are dismissed due to such cases (interviews and Peoples views about dismissal rates). To overcome such problems Uganda Telecom has been enhancing its internal controls to mitigate such acts. Although this was done still cases of misappropriation of assets in form of cash, falsification of documents, and other forms of fraud continue to exist (Financial Assessment Report of Uganda Telecom, 2012). There is no empirical evidence which has been put forward by various researchers to explain why fraudulent acts exist in Uganda Telecom yet the organization revised its internal controls. This is what the study sought to investigate in order to fill the knowledge gap.

1.2 Purpose of the study

The purpose of the study was to examine the effect of internal control systems on organizational performance using a case study of Uganda Telecom Limited (UTL).

1.3 Objectives of the study

i. To establish the effect of control environment on organizational performance
ii. To establish the effect of risk assessment on organizational performance
iii. To assess the effect of information and communication on organizational performance

1. 4 Research questions

iv. What is the effect of control environment on organizational performance?

v. What is the effect of risk assessment on organizational performance?

vi. What is the effect of information and communication on organizational performance

1.5 Scope of the study

Subject scope

The study is focused on the internal controls and organizational performance in UTL.

Geographical scope

The study was carried out at UTL' head office Telephone House located in Kampala.

Content: the study was focused on Internal control systems as independent variable looking at control environment, risk assessment and information and communication. These controls were picked purposely because this is where the problem of the study stems and thus it was of great importance examine them and link them to the performance of the Uganda Telecom. Further the study looked at organizational performance as the dependent variable by looking at the level of achieving organizational goals and objectives, attaining targets and the level of reduced fraud, mistakes and errors.

Time: The study was carried out for three months covering people's view and looking at records covering a period of six years from 2007 to 2012 since cases of frauds and misappropriation of company's assets has been more pronounced.

1.6 Significance of the study

This study is expected to provide a platform for further research since this particular one assumed a cross-sectional nature (design) and took a case study of the main Branch of the

company. Further studies could be directed to conduct longitudinal or comparative studies focusing on other institutions or organizations.

The study will fill the gap in the existing literature and will be useful to future researchers and academicians in identifying the challenges in internal control systems. This will also help offer ways of improving the internal control systems of organizations so that the organization can register good performance.

1.7 Definition of key terms

Internal control is defined as a process effected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives (Messier, 2007). While all of an organization's people are an integral part of internal control, certain parties merit special mention (Messier, 2007). These include management, the board of directors, among others.

Control environment mean the overall attitude, awareness and actions of directors and management regarding the internal control system and its importance to the entity. It encompasses management style, corporate culture, values and philosophy and operating style, the organisational structure, personnel policies and procedures. (Rick, Roger, Arnold & Philip (2005)

Risk assessment is part of designing and reporting internal controls to minimise error and irregularities

Control activities are those established to achieve the entity's specific objectives. These objectives in an accounting context for example include the proper authorisation, timely and accurate recording of transactions in the correct period, the safeguarding of assets and ensuring

the existence of assets recorded. They include particular procedures to prevent, detect and correct errors. (Rick, Roger, Arnold & Philip (2005)

Monitoring activities deal with ongoing or periodic assessment of the quality of internal control performance by management to determine that controls are operating as intended and that they are modified as appropriate for changes in conditions (Rick, Roger, Arnold & Philip (2005)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the related literature about internal control systems and organizational Performance. This chapter presents a theoretical review, conceptual framework and lastly reviews the study objectives basing on scholarly work done by various writers and academician.

Internal Control

The term was adopted by the Anglo-Saxons ("Internal Auditing") and refers to the unit of Internal Control which aims at the evaluation of the sufficient functioning of the Internal Control System, that is the secondary functions (Controls) and suggests that there is room for improvements in cases where weaknesses are being discovered (Financial Postman magazine, 2004). What is indicative of the importance of Internal Control is the sum of the definitions that have been given by different scholar/ Writers.

According to the AICPA, (1963) a system of internal control extends beyond those matters which relate directly to the functions of accounting and the financial statements. In addition, based on the ASOBAC (Committee on Basic Auditing Concepts, 1973), internal control is a systematic procedure which will lead to evaluate the degree of correlation between those established criteria and the real results of the business.

Internal Control, as defined from the APC (Auditing Practices Committee, 1980), is an independent examination and certification from an inspector appointed by the business to control the finances according to the legal framework established each time. Furthermore, according to Miller and Bailley (1989), internal control is a systematic review and a subjective investigation

of one element and encompasses the verification of the specific information as these are determined from the general practice.

The internal control helps the company to achieve its goals using a systematic approach of assessing the effectiveness of handling dangers (IIA, 1999). Internal control, as defined from the Hellenic Institute of Internal Auditors (H.I.I.A., 2004) is an independent, objective, adequately designed and organized procedure, which through the technical and the scientific approaches, assess how adequately the system of internal control functions. From the above definitions, it is clear that the internal control is not just an one-sided tool for controlling the order and rightness of certain situations, but it is a method of detecting the value added up to a company, achieving the index of effectiveness and profitability of the company (Nagy and Cenker, 2002) (Goodwin, 2004). Besides, the purpose of this control is the intentional, the programmed and focused effect of the company on the current situation, so as this situation to be reformed in the future and become the one that ought to exist (Mcnamee and Mcnamee, 1995). The deviation between the already achieved and the programmed situation can also become possible through controlling the parameter of correct handling of danger situations. Bounton and KellerWalter (1996) claimed that the objective purpose of Internal Control is, on the one hand, the allowance of specific and high level of services offered towards the management, and on the other hand, the allowance of assistance towards the members of the organization for the most effective practicing of their duties. The Internal Control Systems are being implemented in businesses as tools that add up value to the company. In this way, we can achieve a systematic approach towards the most effective operation of the organization, as a unity (Schleifer and Greenwalt, 1996).

Finally, as mentioned by the COSO report (Committee of Sponsoring Organizations of the Treadway Commission, 1992), Internal control is defined as a procedure which offers fundamental security to the business concerning the credibility of financial affairs. The report defines internal control and describes a framework for internal control. But the difference of this report is that it also provides criteria for the management to utilize so as to evaluate controls. (Aldridge and Colbert, 1994)

Organizational performance on the other hand is actual output or results of an organization as measured against its intended outputs (or goals and objectives).

According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.).

Specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development.

In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as: Financial performance (e.g. shareholder return), customer service, social responsibility (e.g. corporate citizenship, community outreach), employee stewardship

According to (Carter McNamara, MBA, PhD, Authenticity Consulting, LLC.) Organizational performance involves the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently.

Organizational performance is the ultimate dependent variable of interest with just about any area of management. This broad construct is essential in allowing managers to evaluate firms over time and compare them to rivals. In short, organizational performance is the most important criterion in evaluating organizations, their actions, and environments. This importance is reflected in the pervasive use of organizational performance as a dependent variable. March and Sutton (1997) found that of 439 articles in the *Strategic Management Journal*, the *Academy of Management Journal* and *Administrative Science Quarterly* over a three year period, 23% included some measure of performance as a dependent variable. In contrast to the dominant role that organizational performance plays in management fields, is the limited attention paid by researchers to what performance is and how it is measured.

2.2 Theoretical Review

2.2.1 Systems Theory

The study adopted Systems Theory to explain the concept of internal control and organizational performance. System theory is the trans disciplinary study of the abstract organization of phenomena, independent of their substance, type, or spatial or temporal scale of existence. It investigates both the principles common to all complex entities, and the (usually mathematical) models which can be used to describe them (Littlejohn, 2001). A system can be said to consist of four things. The first is objects – the parts, elements, or variables within the system. These may be physical or intangible or both, depending on the nature of the system. Second, a system consists of attributes – the qualities or properties of the system and its objects. Third, a system had internal relationships among its objects. Fourth, systems exist in an environment. A system, then, is a set of things that affect one another within an environment and form a larger pattern that is different from any of the parts.

The Internal Control System refers to an organized amalgamation of functions and procedures, within a complete system of controls established by the management and whose purpose is the successful function of the business (Cheung, 1997). The Internal Control System is all the methods and procedures followed by the management in order to ensure, to a great extent, as much successful cooperation as possible with the director of the company, the insurance of the capital, the prevention and the detection of fraud, as well as the early preparation of all the useful financial information (Meigs, 1984 ; Papadatou, 2005). According to Cook and Wincle (1976), the Internal Control System resembles the human nervous system which is spread throughout the business carrying orders and reactions to and from the management. It is directly linked to the organizational structure and the general rules of the business (Cai, 1997).

For purposes of this study the systems theory approach was used as a guiding theory because it explains how the existence of any fault in a system can affect the functioning of the whole system. This theory illustrates the need for well functioning systems if efficiency is to be maximized in execution of duties. Viewed in analogous terms, this theory can be used to explain how an internal control system affects the organizational performance.

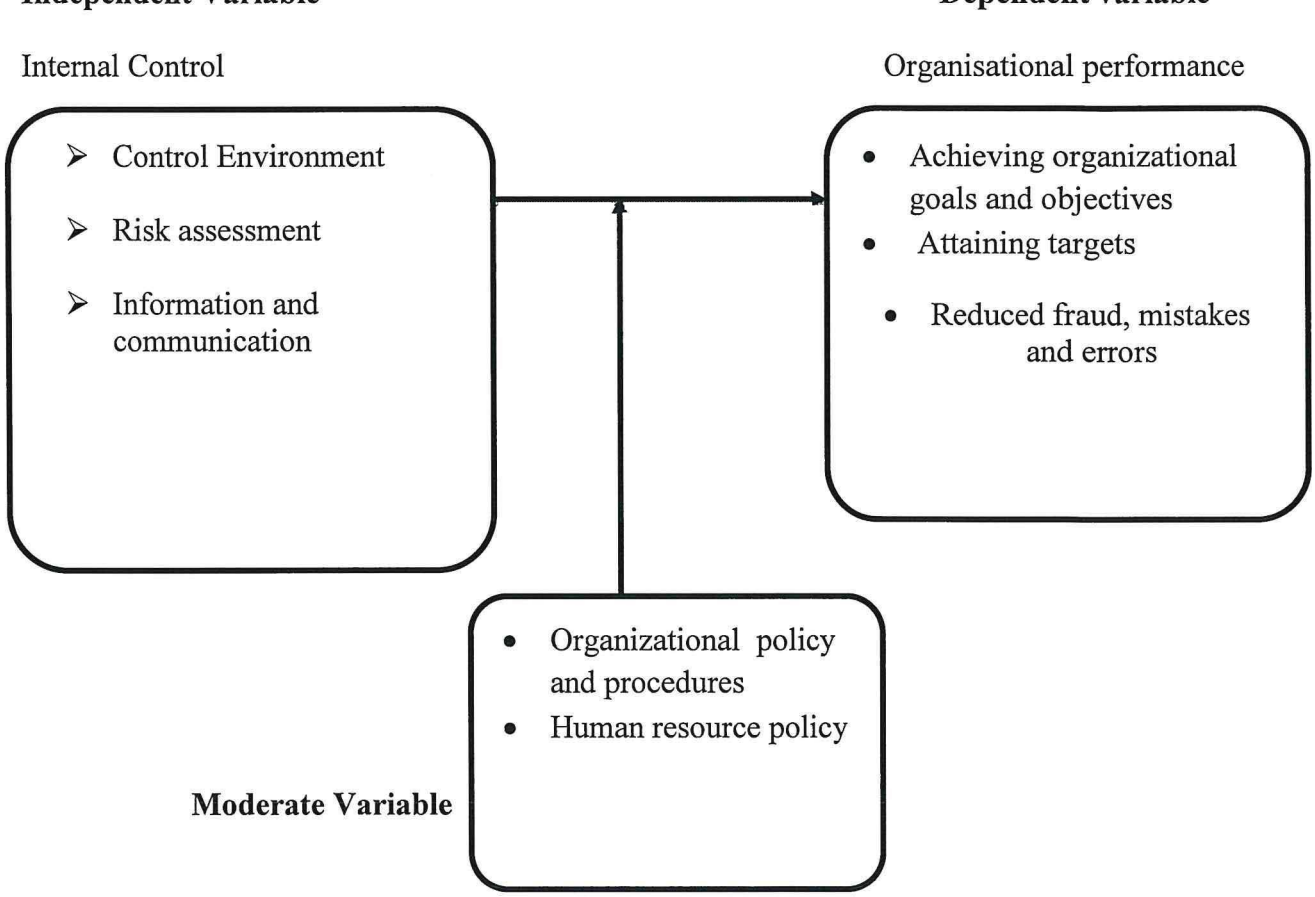
Ludwig Von Bertalanaffy developed the Systems theory in the 1940's and based his thinking on an interdisciplinary approach which attempts to fit together different aspects of society. His theory specifically dealt with the complex nature in systems, society, and science, and proposed a framework which one can use to investigate and/or describe any group of objects that work together to produce some result (Bertalanaffy, 1968).

This study was approached from a systems perspective, analyzing and trying to link the different aspects of the internal controls systems and how these should interlink to create efficient positive outcomes in organizational performance. Orgnaisational performance is an outcome of many

components of internal control systems ranging from the control environment, the entity's risk assessment process, the information system, including the related business processes, relevant to financial reporting and communication, control activities and monitoring of controls. This study adopted this approach in order to try and establish the key vulnerable points that affect organizational performance.

2.3 Conceptual Framework

Figure 1: Showing the conceptual framework



The conceptual framework developed to examine the impact of internal controls on organizational performance. It should be noted that internal controls together with its components such as Control Environment, Risk assessment, Information and communication,

Control activities and Monitoring of controls have a direct bearing on organizational performance. However, organizational performance can be hindered by organizational policy and procedures and human resource policy. Therefore, managers have to ensure that internal controls in place are strong to enable the organization to register the desired performance level. (Rick et al., 2005).

2.3.1 Control Environment influence on organizational performance

The newest revision of ISA 200 spells out that, a number of risks should be looked at in mitigation of loss or prevention against fraud. Risk in Financial Statements, Transactions, Account Balances and Disclosures to determine whether financial statements are materially misstated at the overall financial statement level, one of the key factors to consider is the entity's control environment. This overall risk involved in may be especially relevant for consideration of fraud which in the end affects organizational Performance. (Rick, Roger, Arnold & Philip (2005)

According to Dropkins and Allyson (2001), spending the proper amount of time and money to prevent control failures is very cheap insurance against loss from fraud, theft and error. Developing a secure operating environment requires that a comprehensive, practical and integrated internal control structure be put in place to protect all vulnerable operations and functions, not just cash flow if the organization is to register good performance.

The IIA (2011) indicates with increased significance placed on the control environment, the focus of internal control has changed from policies and procedures to an overriding philosophy and operating style within the organization (De Marta, 2000). Emphasis on these intangible aspects highlights the importance of top management's involvement in the internal control system.

How authority and responsibility are assigned throughout the organization and the associated lines of reporting has an impact on controls Computer users are only allowed to access certain parts of the accounting system. Responsibility and delegation of authority should be clearly assigned. How responsibility is distributed is usually spelled out in formal company policy manuals. (Rick et al., 2005).The IIA (2011) indicates that if internal control is not a priority for management, then this can affect adversely the performance of the organization. It should be noted that one challenge facing internal auditors will be the increased need to view the business from the top-down. The recent headline frauds that initiated the Sarbanes-Oxley Act of 2002 (SOX) legislation have involved major weaknesses in the tone at the top and the control environment (Biegelman, 2002). Many audits of the past focused on transactions within departments at various business units, while acts of fraud were being committed by executives at corporate headquarters. Looking at the big picture will require an increase in the types and extent of reviews at corporate offices, including not only day to day transactions, but specific monthly, quarterly, and yearly processes that can have severe effects on the financial statements (De Marta, 2000).

Being a component of Control environment, the integrity and ethical values of the people who create, administer, and monitor controls determines their effectiveness. The communication of company integrity and ethical values to employees and reinforcement in practice affects the way in which employees view their work. Setting a good example is not enough. Top management should verbally communicate the entity's values and behavioral standards to employees. (Rick et al., 2005).

2.3.2 The influence of risk assessment on organizational performance

Due to recent types of frauds, it appears that the risk assessment processes that many companies use will require additional input from management, the board of directors, and the audit committee (Nwankwo, 2010). The penalties that have been defined for non-compliance with recent legislation should provide additional incentives for employees to contribute input and take a proactive approach to reduce the risks of fraud within their organizations (Leach, 2003). With an increase in awareness and interest in corporate governance, the audit function may become stressed with increases in the number of special requests (Ekechi, 2010). In addition to this increase in demand for services, implementing a system to evaluate and prioritize the nature and timing of services will provide performance measurement for an organization.

In accordance with current legislation and regulation, many of the internal controls in place today are specifically designed to protect Personally Identifier Information (PII), and consumer data in the possession of businesses. In today's business environment, consumer and information protection are paramount. Internal controls can be strengthened through departmental fraud risk assessments, audits, and an examination of policies and procedures, particularly those that involve employees who have direct interaction with consumers and their PII so that the organization register good performance. The methods in which data's gathered, handled, stored, and destroyed in conjunction with the company's data retention practices should be examined in detail. Additionally, an assessment of the information and physical security practices, protection methods and controls surrounding the consumers and their PII data should be conducted to find the vulnerabilities and take corrective actions surrounding these internal controls.

Providing self assessment check lists to department managers and requiring a semi- annual review of policies, practices and procedures is an effective method for assessing key controls and ensuring that they are adequate for preventing fraud. Additionally, fraud risk assessments safeguard company assets, protecting the company from added liability and financial exposure (Foulks, 2006). Oversight for semi annual review usually comes from either the compliance or audit departments. While PII is a major concern for privacy reasons and data breaches, there are a variety of critical business processes and procedures that could be examined in fraud risk assessments depending on the type of business, the industry and the regulation or oversight of the business. Oversight for fraud risk assessments is typically the responsibility of the company's audit department.

It is therefore essential to differentiate fraud risk assessments from control testing. The primary purpose of fraud risk assessments is gathering information about processes, procedures and controls while control testing determines whether the controls are working as intended or not so that performance indicators in the organization can be evaluated.

2.3.3 The influence of Information and communication on organizational performance

One way to strengthen internal controls is by improving the communication process.Communication protocols must be established and agreed upon enterprise wide (Holmes and Burn, 1997). Critical incident event distribution notification processes and procedures must be in place to ensure everyone is aware of an incident and understands what their defined roles are when the incident occu

If the fraud event occurred because an employee(s) simply failed to follow the internal control policies, then there are corrective measures that business units may take to ensure policies are followed in the future (Jared, 2003). These include communication to employees regarding

increased awareness, correct handling processes and policy adherence. It may simply be that employees performed as expected under the circumstances but there were insufficient internal control policies in place to guide their behavior. Lessons learned here will strengthen internal controls through the creation of new ones.

While technology enables us to perform essential business functions, there are direct correlations between technology, fraud events and the internal control process (Bostley and Drove, 2002). Technological applications are probably the single greatest sources of risk and exposure that businesses face. Robust internal controls, including platform and network access controls, remote usage and password protection policies, are needed to regulate the entire computing platform.

Additionally, there must be internal controls in place for all mobile computing applications and company telecommunication devices like personal computers and smart phones (Bostley and Drover 2002). Given how quickly technology is changing, strengthening internal controls in this area revolves around fluid processes as the technology is not static.

A great example of the evolving technology, risk and demand for internal controls involves cloud computing. While cloud computing is viewed as a way to reduce computing costs, the need for strengthened internal controls is significant as your company's information is not under your direct oversight and control. As indicated earlier, this is a significant reason why information security professionals are one of the teams responsible for internal control oversight.

To manage the process effectively, individual departments work together in an interactive manner (Jared, 2003). Working together increases issue awareness, strengthens communication, reduces opportunity for fraud and ensures a more comprehensive and robust

internal control process. Failure to work together may have consequences as indicated by this example: A finance company utilizing more of an individually owned internal control process discovered an employee theft. Before making other key stakeholders aware of the theft, the department immediately acted on the information and confronted the suspect employee. While the employee ultimately admitted to the theft as was known at the time, the failure to bring other departments into the equation had significant long term impact. Post-investigation research and forensic analysis ultimately determined that the employee was part of an organized ring. Not only were funds stolen, but so was personally identifiable information (PII) which may have been used to commit identity theft outside the corporation. While the investigation should have been driven exclusively by the investigations department, the magnitude and scope of the operation would have been identified earlier had the appropriate individuals been involved at the outset of the incident under a uniform internal control group with clear lines of responsibility and authority.

2.4 Conclusion

In this chapter a number authors have expressed their views for strengthening internal controls. One thing is certain: Given the ever changing business and regulatory environment and the number and diversity of types of frauds being committed against companies globally, internal controls must be reviewed, evaluated, tested and strengthened regularly in order to stimulate organizational performance. However, it is sad to note that all authors have not addressed the problem in detail which calls for further investigation to determine the impact of internal controls on organizational performance in order to fill the existing gap. It should be noted that it is insufficient to create internal controls and expect them to stand the test of time without periodically modifying them to meet current conditions.

CHAPTER THREE

3.1 Introduction

This section presents a detailed plan and methods of systematically obtaining data for the research. Therefore this section covers; the research design to be used, area of study, the research population, sampling techniques and tools, data collection methods and tools, data quality control methods, data analysis and presentation, ethical issues, and the anticipated study limitations.

3.2 Research design

A cross sectional study design was used to examine the effect of internal control on organizational performance. This involved the use of qualitative and quantitative techniques for data collection that was collected at a single point in time from a sample of respondents selected at Uganda Telecom Limited to get primary facts.

3.3 Area and the study population

The study was carried out at UTL' head office Telephone House in Kampala. The area was chosen because the head office had more and richer data as far as the problem is concerned. The target population of the respondents at UTL Headquarters was approximately 104 and these include staff from Finance, Operations and Auditing, which categories affects internal auditing and control in the organisation.

3.4 The sample size and sampling technique

The sample size of the study was 120 respondents which was calculated basing on Krejcie and Morgan (1970) tables. The tables indicate that a randomly chosen sample for a given finite population of 140 cases requires a sample proportion of 120 to be within .05 of population proportion with a 95% level of confidence as seen below. However, the researcher was able to

gather findings from 104 respondents broken down as per table for response rate in chapter four.

Table 1: Showing target population

Departments	Target population	Sample size
Finance	45	40
Operations	80	66
Audit & Risk management	15	14
Total	140	120

Two sampling techniques were used to select the sample size of the study. Departmental heads were selected using purposive sampling technique. Purposive sampling technique was used to minimize on the research costs and time. Furthermore, lower level staff in the selected departments were selected using stratified sampling technique from which simple random was applied. This technique was used to make sample selection without any prejudice and to enable every employee in such departments to have the same chance to be part of the study.

3.5 Data Sources

3.5.1 Primary Data

Primary data was collected from the employees of UTL including the managers and the ordinary workers. This was done through the use of interviews and questionnaires. The questionnaires were self administered among the respondents in order to collect all the completed responses within a short time and provide clarification to the research objectives.

3.5.2 Secondary Data

Secondary data was collected from the company records and other studies related to this particular one.

3.6 Data collection instruments

Self administered questionnaires were used to collect data from the support staff of UTL. Open and closed ended questions focused on internal controls and performance were used to obtain primary data. Questionnaires were used because they are simple to administer and offered support staff a convenient time to answer them. The questionnaires were formulated in a way that covers the objectives of the study.

The researcher also used interviews to gather data for the study. Departmental heads were asked questions relating to the internal controls focusing mainly on control environment, risk assessment and information and communication and their impact on the organizational performance in UTL. This tool was used to solicit first hand information and it was the quickest method of gathering data since it enabled the research to get immediate feedback.

3.7 Validation and reliability of data

Research instruments were pre-tested in MTN before collecting data from UTL. The main reason for this was to ensure that the instruments collect reliable and accurate data for the study. This assisted the researcher to detect ambiguous questions, interview instructions and questionnaire length. The pre-testing exercise gave the researcher some insights of how the interview should be carried out and how to entice respondents to be part of the study and appropriate length of each interview.

Reliability of the instrument was determined by the Cronbach's alpha coefficient test because the instrument has multiple items. If the alpha reliabilities for scales are above 0.5 then the standards for the research will be accepted.

3.8 Procedure

The researcher obtained a letter of introduction from the research coordinator, photocopied it and attached it on questions, proceeded to the field, met respondents and briefed them about the study significance so as to be allowed to collect data. The raw data obtained was sorted for processing and analysis. Results were completed in a report draft and submitted for examination to the supervisor. Corrections were made accordingly and submitted for examination.

3.9 Data processing and analysis

Data collected was coded, edited and entered in the computer system for analysis. **Quantitative data analysis:** Quantitative data was analyzed using coefficient of determination and regression analysis to explain results of study findings. Pearson Correlation analysis was used to analyze quantitative data to attain purpose of this study (Creswell, 2003). In this study, data was analyzed at a confidence interval of 95% (or $\acute{\alpha} = 0.05$ level of significance) and the degree of freedom depending on the particular case was determined. The value of $\acute{\alpha} = 0.05$ was chosen because the sample size was adopted from figures calculated based on 95% confidence interval.

Analysis of **qualitative data** was done using thematic method where data was collected from the field grouped according to different themes based on research objectives. Further content analysis was used by looking at the available content from the field and placing it under relevant themes under the objectives of the study. The main reason for using this type of analysis was to present issues as they exist on ground without subjecting the research findings to statistical tests.

3.10 Limitations of the study

Accessing documents that were deemed confidential as well as getting restricted facts from them. As common practice, there are difficulties being trusted with confidential information and documents by private organizations. The researcher had anticipated that this challenge

will be faced since some business documents and information is always regarded discreet yet it will be vital for this study.

Securing some appointments especially with managers was a challenge as they tend to be busy. This mostly dragged-on the study which costed the researcher in so many ways including financial issues.

CHAPTER FOUR

ANALYSIS, PRESENTATION, INTERPRETATION OF RESULTS

4.0 Introduction

This chapter is divided into four sections and presents, analyzes and interprets results of the study. The first section presents demographic data about respondents. The second section presents, analyzes and interprets the results about the influence of control environment on organizational performance. The third section covers the results about the influence of risk assessment on organizational performance. The fourth section presents the findings about the influence of information and communication on organizational performance.

Table 1: The Response Rate

Nature of Response	**Frequency**	**Percentage**
Finance Staff		
Response	39	87%
Non response	6	13%
Total	**45**	100%
Operations staff		
Response	70	88%
Non response	10	12%
Total	**80**	100%
Audit & Risk management		
Response	10	67%
Non response	5	33%
Total	**15**	100%

Source: Field data, 2013

4.1 Demographic Characteristics of Respondent

In analyzing the demographic data, the researcher relied on a number of variables including; sex, age structure, education background and time spent by the respondents working with Uganda Telecom. The findings collected are presented as follows:-

4.1.1 Gender of the respondents

Table 2: Shows Gender of the respondents that participated in the study

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	74	71.2	71.2	71.2
	Female	30	28.8	28.8	100.0
	Total	104	100.0	100.0	

Source: Field data, 2013

As reflected in table 1 above, the majority (71%) of the respondents in the study were male. This implies that the study was not gender balanced since majority of the respondents in study were male. From the foregoing it should be noted that although male respondents comprised the majority in the study, the views of both sexes about control environment, risk assessment and information and communication on organizational performance were represented well in the study.

4.1.3 Level of Education

Table 3: Level of Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Others	6	5.8	5.8	5.8
	secondary	9	8.7	8.7	14.4
	certificate	11	10.6	10.6	25.0
	Diploma	16	15.4	15.4	40.4
	bachelors	43	41.3	41.3	81.7
	Masters	19	18.3	18.3	100.0
	Total	104	100.0	100.0	

Source: Field data, 2013

The findings in figure 3 above reflect that 41.3% of respondents were bachelors' degree holders, 15.4% were holding ordinary diplomas, 10.6% had certificates and 18.3% had masters degrees, secondary 8.7% and others .8%. From this analysis therefore, it should be noted that the study was dominated generally by elite group and thus were well conversant with the control environment in Uganda Telecom, risk assessment in Uganda Telecom and information and communication in Uganda Telecom and how these influences the performance of Uganda Telecom.

4.1.4 Tenure

Table 4: Duration of work

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-1 years	15	14.4	14.4	14.4
	1- 2 years	23	22.1	22.1	36.5
	more than 2 years	66	63.5	63.5	100.0
	Total	104	100.0	100.0	

Source: Field data, 2013

From the table above, 14.4.0% of the respondents had worked with Uganda Telecom for a period of 0-1 years, 22.1% had worked with Uganda Telecom between 1-2 years, 63.50% had worked with Uganda Telecom for more than 2 years .This creates a good judgment that employees in one way or another are aware of the control environment in Uganda Telecom depending on the duration at the organisation, conversant with how risk is assessed and thus understand the effects of information and communication on the performance of Uganda Telecom Limited. In the end its good to note that majority of the employees had worked in the organization for more than a year (85.6%) which gives a good impression about company operations, culture and environment.

Table 5: Duration and gender

			QN1		
			Male	Female	Total
QN4	0-1 years	Count	11	4	15
		% within QN1	14.9%	13.3%	14.4%
	1- 2 years	Count	14	9	23
		% within QN1	18.9%	30.0%	22.1%
	more than 2 years	Count	49	17	66
		% within QN1	66.2%	56.7%	63.5%
Total		Count	74	30	104
		% within QN1	100.0%	100.0%	100.0%

Source: Field data, 2013

From table 3 above 14.9% male respondents had worked with the organisation for less than a year, 18.9% for 1-2 years while 66.2% worked with the organisation for 2 years and above. 13.3% female respondents had worked with the organisation for less than a year, 30 % for more than 1year but less than 2 years while 56.7% worked with the organisation for 2 years and above. This shows majority of the respondents had two years experience with the organisation a key aspect which shows longevity and retainer ship of employees something positive for the organisation.

4.3 Empirical findings

The purpose of the study was to examine the effect of internal controls on organizational performance using a case study of Uganda Telecom Limited (UTL).The findings were got from questionnaires and interviews. They are discussed below.

4.3.1To examine the influence of control environment on organizational performance.

This sub section answers the questions of the study it was therefore important to first present descriptive statistics and qualitative data for each of the variables before presenting inferential statistics (that is results of statistical test). This is because the descriptive statistics are helpful in interpreting exactly how the variables under study relate or affect another. Thus, this approach is adopted in this section and subsequent sections in this chapter as shown below.

The first objective of the study was to examine the influence of control environment on organizational performance. The findings of this objective were gathered from questionnaires and interviews from UTL staff and were measured using 9 items scored on five point Likert scale of 1=strongly disagree, 2= Disagree, 3=Neutral, 4=Agree, 5= strongly agree. The lower their mean rating, the higher their disagreement level where as the higher the mean rating the higher the agreement. (Clason & Dormody,1994). From this data, an interpretation of the results was arrived at using mean and standard deviation. This statistical tool was used because questions were designed to give a combined measure of a particular element in internal control systems and Organizational performance. These procedures were done for all descriptive results for all the objectives in this study. The results from the process there of are displayed in the table below and response from the interviews given.

Table 6:UTL Staff view on control environment on organizational performance

	N	Mean	Std. Deviation	Minimum	Maximu
Upholding ethical values in Uganda Telecom's operations is a very cheap insurance against loss from fraud	104	3.83	0.675	1	5
The way authority and responsibilities are assigned throughout enables Uganda telecom to protect all vulnerable operations and functions	104	2.94	1.44	1	5
Control environment provides reasonable assurance about the performance of UTL	104	3.42	1.103	1	5
4. the tone set by senior management is the most important factor contributing to the integrity of the financial reporting process	103	2.85	1.389	1	5
The accounting procedure followed by UTL enables it to register good performance	103	3.36	1.282	1	5
It is important for managers to exhibit high level of integrity	102	3.23	1.25	1	5
Effective monitoring and evaluation of internal controls has helped UTL to meet its performance standards	104	3.45	1.051	1	5
In UTL the management closely monitors implementation of Internal control which enables the company to meet its performance targets	104	3.26	1.149	1	5
The management of UTL perform their tasks with high level of integrity which enable UTL register good performance	104	3.5	1.27	1	5

Source: *Primary Data*

From the Table 6 above, the influence of control environment on organizational performance is averagely high with a grand mean (3.31). This is because there are attributes which scored low and need to be improved upon and some which scored high and need to be upheld as shown below. This shows that UTL has some cut out work to do to enhance its performance in the fields of apportioning of responsibilities and financial reporting.

The key indicators in the to work upon include;

From Table 6 above, the respondents were asked whether the way authority and responsibilities are assigned throughout enables Uganda telecom to protect all vulnerable operations and functions. The results from the study revealed that, the respondents were not in approval as per the above statistics (M=2.94, SD=1.44). From the interview held with head of accounting, it emerged that;

The operating environment in which the business of Uganda Telecom Limited operates needs to be protected. Every function within the organistion should have strong controls in place and the management must ensure that activities of their subordinates are monitored and controlled to mitigate indecent behavior of some employees such as theft, pilferage and fraud. Basing on the above findings it should be argued that control environment is an important component of internal control systems since it can help Uganda Telecom Limited to protect all its vulnerable operations and functions. However, there is no strong emphasis which has been put in place to protect all vulnerable operations and functions within Uganda Telecom Limited.

From table 6, the respondents were asked whether the tone set by senior management is the most important factor contributing to the integrity of the financial reporting process the results from the study revealed that, the respondents were not in approval with the statistics of (M=2.85, SD=1.389) above which is a week score. This visibly confirms that to enhance performance this indicator should be improved upon.

The factors which should be upheld include;

From table 6 above; the respondents were asked whether Upholding ethical values in Uganda Telecom's operations is a very cheap insurance against loss from fraud. Respondents were in agreement as shown by the statistics of (M=3.83,SD=0.675). In an interview held with the head

of audit and risk management, had this to say, We need to spend reasonable amount of time and money in promoting ethical values. Failure to promote proper ethical behavior enables unscrupulous staff to commit acts of theft, embezzlement and fraud. We need to critically evaluate the existing internal control structures in organizations to determine their capacity to ensure that the Uganda Telecom Limited's activities are carried out in accordance with established goals, policies and procedures. This will enable Uganda Telecom Limited to close all the gaps if the company is to eliminate all chances of misappropriation of funds.

This attribute should be upheld in management practice because it is one on which the organization completion depends on thus enhancement of performance of the UTL.

Also the respondents were asked whether Control environment provides reasonable assurance about the performance of UTL respondents were relatively in agreement as shown by the statistics of (M=3.42, SD=1.103), this is a good attribute to keep in check if success in the organization should be realized. The findings from the interview revealed that;

Control environment is an important element of internal control and, therefore, can minimize the risk of fraud. From the foregoing, it should be argued that control environment provides reasonable assurance against fraud. This is because staff performance is monitored and weaknesses are addressed.

Also the respondents were asked whether the accounting procedure followed by UTL enables it to register good performance majority of the respondents were in agreement as shown by the statistics of (M=3.36, SD=1.282).this is a good attribute to be upheld. This is because to register consistent performance in UTL accounting procedures should properly be followed. From the interview it was noted that;

Uganda Telecom Limited follows its accounting procedures to ensure accuracy and effective accountability of funds and to enhance the integrity of financial reporting. It was stated that failure to follow the accounting procedures and to maintain books of accounts implies lack of transparency but since the Uganda Telecom Limited ensures proper maintenance of books of accounts, it should be assumed that there is some level of transparency in its operations

It should therefore, be noted that there are accounting procedures that must be followed by Uganda Telecom Limited to ensure that there is effective control environment which can be translated into good performance.

From Table 6 above, the respondents were asked whether It is important for managers to exhibit high level of integrity. The results from the study revealed that, the respondents were agreeable that managers should exhibit high level of integrity with the statistics of (M=3.23, SD=1.25) above. In an interview with the head of Finance, it emerged that;

The issue of management integrity is impaired by non-adherence to existing internal controls. Trust and honesty in management of the business is paramount. Honesty is an important substantive value with a close connection to trust. In Uganda Telecom Limited, honesty implies both truth-telling and responsible behavior that seeks to abide by the rules. One may trust another person to behave honestly, but honesty is not identical to trustworthiness. A person may be honest but incompetent and so not worthy of trust. Nevertheless, interpersonal relationships are facilitated by the belief that the other person has a moral commitment to honesty or has an incentive to tell the truth. Corruption is dishonest behavior that violates the trust placed in the management. It involves the use of a managerial position for private gain.

From the above view it should be clearly stated that integrity of the management is central in control environment.

The respondents were asked whether Effective monitoring and evaluation of internal controls has helped UTL to meet its performance standards, the study revealed that; the respondents were in agreement with the statement above as shown with the statistics of (M=3.45, SD=1.051) above. The results from the interview, it emerged that;

Management controls and procedures, Training of employees, asset verification, procurement controls are generally revised every year to adopt the changes in the working environments. The monitoring and evaluation of internal controls are centered on the financial controls over organisational cash receipts, cash payments. Non financial monitoring and evaluation of controls are centered on the personnel section and it operation, laid down policies and procedure which must be followed, and use of non cash assets like fixed assets. That in case of violation of the policies set, the culprits are punished by warning, dismissal or apprehended in case it proves fatal to the Uganda Telecom Limited.

This is a clear indication on the positive direction which visibly confirms that to enhance performance this indicator should be improved upon.

The respondents were asked whether in UTL the management closely monitors implementation of internal control which enables the company to meet its performance targets, respondents were asked to state the degree to which they concurred with the above. The respondents were in agreement with the above statement with the statistics of M=3.26, SD=1.149) above. This is key as it guides to enhance performance of the organization hence other subsequent activities. From the interview it was stated that;

The internal audit is part of an organization's management control structure. The internal audit department audits lower-level units on behalf of management and closely monitors the implementation of internal control. Among its most important functions the management are to

assists senior management in assessing risks and in developing more cost-effective controls that can enhance accountability and effective utilization of resource and prosper transparency when performing Uganda Telecom Limited duties.

From the foregoing therefore, it should be argued that although Uganda Telecom Limited management closely monitors the implementation of internal control, there are still some gaps to mitigate the occurrence of fraud in the organization.

From Table 6 above the respondents were asked whether the management of UTL performs their tasks with high level of integrity which enable UTL register good performance. The results from the study revealed that, respondents were in agreement with the statistics of (M=3.50, SD=1.270) above which points to a positive direction in the performance of the organization.

4.2.3 The relationship between control environment and organizational performance

The coefficient of determination and regression analysis were used to examine the influence of control environment on organizational performance. Findi ngs are thus presented as per the table below: -

Table 7: Correlation between control environment and organizational performance

Correlations			
		Control Environment	Organization performance
Control Environment	Pearson Correlation	1	.222*
	Sig. (2-tailed)		0.026
	N	100	100
Organization performance	Pearson Correlation	.222*	1
	Sig. (2-tailed)	0.026	
	N	100	110
*. Correlation is significant at the 0.05 level (2-tailed).			

Source: Field data, 2013

The results in table 7 above shows that there is positive correlation between control environment on organizational performance (r = .222) .These findings were significant (p < .05). Thus, the statement answers the question which states "What is the effect of control environment on organizational performance?" The implication of this finding is that there is a positive relationship between control environment and organizational performance.

From the findings in table 7 above therefore, it should be stated that effective control environment boosts organizational performance. However, it was important to establish the regression of control environment on organizational performance. Findings are presented in the following table:

Table 8: Regression of control environment on organizational performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.111	.175		23.457	.000
	Control Environment	.117	.052	.222	2.253	.026

a. Dependent Variable: organization performance

Source: Field data, 2013

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.222[a]	.049	.040	.29152	.049	5.077	1	98	.026

a. Predictors: (Constant), control Environment

Source: Field data, 2013

From the tables above, In order to determine the effect of control environment on organizational performance, control environment was regressed on organizational performance. A standardized regression coefficient (Beta) was statistically determined significant by Beta=0.222. t=2.253, P=0.026 with an R square of 0.040. This factor explains 4% of the organizational performance. This shows that change in control environment leads to a positive change in the performance of UTL at 4%. This is in agreement with Dropkins and Allyson (2001), that spending the proper amount of time and money to prevent control failures is very cheap insurance against loss from fraud, theft and error. Developing a secure operating environment requires that a comprehensive, practical and integrated internal control structure be put in place to protect all vulnerable operations and functions, not just cash flow if the organization is to register good performance. From the foregoing therefore it should be stated that effective control environment boosts organizational performance.

4.3 To examine the influence of risk assessment on organizational performance

This section discusses questions about the designing and reporting internal controls that help minimize error and irregularities. The findings of this objective were gathered from questionnaires and interviews. Results are presented as per below.

Table 9: The influence of risk assessment on organizational performance

	N	Mean	Std. Deviation	Minimum	Maximum
Risk assessment detects vulnerable areas in UTL's internal controls and this has enabled it to mitigate fraud and thus register good performance	102	3.92	0.93	1	5
There is lack of risk assessment strategy and control of key priorities of the overall strategy in UTL	102	3.47	1.474	1	5
Ineffective evaluation of risk management strategies affects adversely the attainment of performance targets of UTL	102	3.26	1.421	1	5
There is no way good performance can be registered in UTL without risk assessment	102	3.36	1.326	1	5
In UTL there is a need to conduct an extensive risk assessment of financial reporting processes if UTL is to register good performance	102	3.32	1.394	1	5
Failure to respond to risky areas in UTL is the root cause of poor performance	102	3.4	1.229	1	5
There is a need to describe the key risks facing the business activities within the scope of the audit of UTL so as to attain the performance standards	102	3.52	1.311	1	5

Source: Field data, 2013

From the table above, influence of risk assessment on organizational performance is averagely high with a grand mean (3.46). This is because all the attributes were scored average and need to be improved upon as shown below.

From table 9 above; the respondents were asked whether Risk assessment detects vulnerable areas in UTL's internal controls and this has enabled it to mitigate fraud and thus register good performance majority of the respondents were in agreement as shown by the statistics of (M=3.92,SD=0.930),this attribute should be upheld because it enhances good performance of UTL.. In an interview with the head of operations had this to say,

Risk assessment can prevent losses and reduce the cost of losses while creating a safer environment for businesses. It involves methods that reduce the severity of the loss of the likelihood of the loss from occurring.

From the foregoing therefore, risk assessment detects vulnerable areas in UTL's internal controls and this can enable it to mitigate fraud and thus register good performance.

Also the respondents were asked whether there is lack of risk assessment strategy and control of key priorities of the overall strategy in UTL the respondents were in agreement as shown by the statistics of (M=3.47, SD=1.474), this is a good attribute to keep in check if success in UTL should be realized.

Also the respondents were asked whether Ineffective evaluation of risk management strategies affects adversely the attainment of performance targets of UTL the respondents were in agreement as shown by the statistics of (M=3.26, SD=1.421). The findings from the interview indicated that;

Uganda Telecom Limited need to must strengthen its risk management strategies as a means of limiting or eliminating opportunities for loss. This has to be accomplished by reducing the number of activities or exposures to loss. It can also be accomplished by the complete alteration or cessation of human activities and functions which are vulnerable to risk. In this way Uganda Telecom will register the desired performance standards.

From the foregoing therefore, it should be argued that if risk management strategies in practice really matters to Uganda Telecom, then it should significantly contribute to high profits to enhance shareholder value.

From Table 9 above, the respondents were asked whether there is any way good performance can be registered in UTL without risk assessment. The results from the study revealed that, the respondents were in agreement that there is no way good performance can be registered in UTL without risk assessment with the statistics of (M=3.36, SD=1.326) above.

The respondents were asked whether In UTL there is a need to conduct an extensive risk assessment of financial reporting processes if UTL is to register good performance as part of the management practice, the study revealed that; the respondents were in agreement with the statement above as shown with the statistics of (M=3.32, SD=1.394) above. In an interview held with the head of Audit and Risk Management, he said that;

The integrity in financial reporting is centered on the management's attitude toward internal control. This is significant because when accountants are asked to evaluate risk assessment of financial reporting processes. A more important issue, however, is whether these internal control factors are actually related to misrepresented financial information. In summary, fairly reported financial information is of paramount importance; however, financial accountants often feel pressure to misstate financial statements and this in turn compromise the performance of Uganda Telecom.

From the foregoing therefore, it should be argued that Uganda Telecom Limited has to conduct an extensive risk assessment of financial reporting processes and thus need to describe the key risks facing the business activities within the scope of the audit of Uganda Telecom Limited so as to attain the performance standards.

This is a clear indication on the positive direction which visibly confirms that to enhance performance this indicator should be improved upon.

The respondents were asked whether the Failure to respond to risky areas in UTL is the root cause of poor performance, respondents were asked to state the degree to which they concurred with the above. The respondents were in agreement with the above statement with the statistics of M=3.40, SD=1.229) above. The results from the interview held with the head of Operations it was revealed that;

Ineffective risk assessment strategy is the reason for the escalation of high fraudulent cases in Uganda Telecom. That if there was strong risk assessment strategy and control of key priority areas such as cash management, assest verification, investment appraisal among others, Uganda Telecom wouldn't have experience cases of theft, pilferage, misappropriation of funds to mention but a few.

It should therefore be argued that ineffective risk assessment strategy is one of the reasons for the occurrence of fraudulent acts and financial performance of Uganda Telecom Limited.

The respondents were asked whether, There is a need to describe the key risks facing the business activities within the scope of the audit of UTL so as to attain the performance standards; the respondents were in agreement with the statistics of (M=3.52, SD=1.311) as above.

The above factors should be enhanced at large because they retain the business customers at the same time improving the performance of the UTL.

4.3.2 The influence of risk assessment on organizational performance

The coefficient of determination and regression analysis were used to examine the influence of risk assessment on organizational performance. Findings are presented in the following table accompanied with analysis and interpretation of the results.

Table 10: Correlation between risk assessment and organizational performance

Correlations			
		Risk assessment	Organization performance
Risk assessment	Pearson Correlation	1	.211*
	Sig. (2-tailed)		0.033
	N	102	102
Organization performance	Pearson Correlation	.211*	1
	Sig. (2-tailed)	0.033	
	N	102	110
*. Correlation is significant at the 0.05 level (2-tailed).			

Source: Field data, 2013

Table 10 above shows a positive correlation between risk assessment and organizational performance ($r = .211$). These findings were statistically significant ($p < .05$). Which answers the question that states "What is the influence of risk assessment on organizational performance" The implication of this finding is that there is a positive relationship between risk assessment and organizational performance. It should therefore be stated that effective assessment of risk is strongly associated with good organizational performance and vice versa. However, it was important to establish the regression of risk assessment on organizational performance. Findings are presented in the following table accompanied with an analysis and interpretation of the findings.

Table 11: Regression of risk assessment and organizational performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.175	.151		27.702	.000
	Risk assessment	.092	.043	.211	2.158	.033

a. Dependent Variable: organization performance

Source: Field data, 2013

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.211[a]	.045	.035	.28560	.045	4.658	1	100	.033

a. Predictors: (Constant), Risk assessment

Source: Field data, 2013

The results in table above shows a linear relationship between risk assessment and organizational performance . In order to determine the effect of risk assessment on organizational performance, risk assessment was regressed on organizational performance. A standardized regression coefficient (Beta) was statistically determined significant by Beta=0.211. t=2.158, P=0.033. with an R square of .035. This factor explains 3.5% of the organizational performance. This shows that change in control environment leads to a positive change in the performance of UTL at 3.5%.Thus, Risk assessment contributes positively contributes to the organizational performance of UTL. The implication of this finding is that there is a positive relationship between risk

assessment and organizational performance. Further the regression analysis indicated that there is a linear relationship between risk assessment and organizational performance.Risk assessment account for 3.5% variance in organizational performance. This is in agreement with Nwankwo (2010) that mitigation of fraud is centered on effective risk assessment processes that many companies use. Ekechi (2010), adds that risk assessment provide performance measurement for an organization. It should therefore be stated that effective assessment of risk is strongly associated with good organizational performance and vice versa.

4.4 The influence of information and communication on organizational performance

The third objective of the study was to establish the influence of information and communication on organizational performance . The findings of this objective were also measured using 6 items scored on five point Likert scale of 1=strongly disagree, 2= Disagree, 3=Neutral, 4=Agree, 5= strongly agree. The results from the process there of are displayed in table below.

Table 12:The influence of information and communication on organizational performance

	N	Mean	Std. Deviation	Minimum	Maximum
Timing of information flow has played a great part in stimulating the performance of UTL	102	3.71	1.059	1	5
There is no way good performance can be attained without disclosing relevant information in UTL	102	3.08	1.303	1	5
Technological applications are probably the single greatest sources of risk and exposure that businesses of UTL face	102	2.81	1.326	1	5
Communication reduces the chances of fraud and this enables UTL to attain the desired performance standards	101	2.97	1.276	1	5
In UTL It is impossible for one staff to have access to all valuable information without the consent of senior staff and this has mitigated chances of fraud	102	3.08	1.256	1	5
Proper presentation of information is often seen as the road map towards the success of the business	101	3.5	1.324	1	5

Source: *Primary Data*

The study looked at the information and communication and various questions were presented to the respondents who were requested to indicate their level of agreement. Results are presented in the following table accompanied with an analysis and interpretation of the results in the paragraphs after the table.

From table 12 above, influence of Information and communication on organizational performance is averagely low with a grand mean (3.19). This is because there are all attributes were scored average and need to be improved upon as shown below.

From table 12 above; the respondents were asked whether Technological applications are

probably the single greatest sources of risk and exposure that businesses of UTL faces the respondents were in disagreement as shown by the statistics of (M=2.81,SD=1.326), In an interview held with one of the head audit and risk management however had this to say,

Technology is a threat to our business, many cyber-crimes are committed via the internet and we have lost considerable sums of money due to internet crimes committed by our staff and people outside the organization. we are trying our best to close all those gaps so that we bring back the glory of Uganda Telecom

From the above view it should be argued that technological applications has directly affected the performance of Uganda Telecom since the risks attached to it are great. this attribute should be worked upon in enhancement of performance of the UTL as it closes loopholes of losses through technology..

Also the respondents were asked whether Communication reduces the chances of fraud which enables UTL to attain the desired performance standards the level of agreement was average as shown by the statistics of (M=2.97, SD=1.276) The results from the interview emerged that;

When people communicate regularly chance of one to defraud the organization are lessened. Employees can alert managers about the indecent behaviours of their fellow staff in case one plan to involve in acts of theft, misappropriation of funds and embezzlement (Head of Operations)

It should therefore be argued that to a great extent communication reduces the chances of fraud and this enables UTL to attain the desired performance standards, this is a good attribute to keep in check if success in UTL should be realized.

The respondents were asked whether Timing of information flow has played a great part in stimulating the performance of UTL.Rrespondents were strongly in agreement as shown by the

statistics of (M=3.71, SD=1.059). The findings from the interview held with the head of Operations had this to say

Good performance is instilled through information sharing and communication. When there is good communication, employees will get to know what is expected of them and they will strive to meet the standards set. People need feedback on how well they are performing their task and corrective action is taken to address weaknesses if there is adequate information flow and communication.

It should therefore be argued that the most effective ways of meeting performance targets is through effective communication and information sharing. This is because managers and employees get to know what is expected of them and they always aim to achieve organizational aims and goals.

From Table 12 above, the respondents were asked whether There is a way good performance can be attained without disclosing relevant information in UTL The results from the study revealed that, the respondents were agreeable to this attribute with the statistics of (M=3.08, SD=1.303) above. The findings from the interview held with the head of Operations had this to say;

We instill performance through information sharing and communication. When there is good communication, employees will get to know what is expected of them and they will strive to meet the standards set. People need feedback on how well they are performing their task and corrective action is taken to address weaknesses if there is adequate information flow and communication.

It should therefore be argued that the most effective ways of meeting performance targets is through effective communication and information sharing. This is because managers and employees get to know what is expected of them and they always aim to achieve organizational

aims and goals.

The respondents were asked whether In UTL It is impossible for one staff to have access to all valuable information without the consent of senior staff and this has mitigated chances of fraud, the study revealed that; the respondents were in agreement with the statement above as shown with the statistics of (M=3.08, SD=1.256) above. The findings from the interview were that;

Not all employees should know everything, some information is classified and we need to secrets of the company. Industrial espionage is on increase. Some people pretend to be part of us yet, they were planted by competitors to learn the secrets of the business. Therefore, we let employees to know what they are supposed to know at different stages of organizational hierarchy. This has helped us much to stay in the business for long time without being swallowed up by the strong competitors (Head of Finance)

Basing on the above view it should be argued that employees in Uganda Telecom access information depending on their level. Senior managers are expected to know more than junior staff about the organization and thus not all employees can access valuable information for the company.

The respondents were asked whether the Proper presentation of information is often seen as the road map towards the success of the business, respondents were asked to state the degree to which they concurred with the above. The respondents were in agreement with the above statement with the statistics of M=3.50, SD=1.324) above. From the interview it was stated that;

Central to the whole of success of the business is the information flow and communication. People in the organization must interact and share ideas on how to perform task. Weak employees are assisted and this stimulates the performance of the organization.

From the foregoing therefore, it should be argued that communication acts as a catalyst towards

good performance of the organization.

The above factors should be enhanced at large because they retain the business customers at the same time improving the performance of the UTL.

4.4.2 The relationship between Information and Communication and Performance

The coefficient of determination and regression analysis were used to determine the relationship between information and communication and performance. Results are presented as per table below;

Table 13: Correlation between information and communication and performance

Correlations

		Information and communication	Organization performance
Information and communication	Pearson Correlation	1	.175*
	Sig. (1-tailed)		.041
	N	100	100
Organization performance	Pearson Correlation	.175*	1
	Sig. (1-tailed)	.041	
	N	100	110

* Correlation is significant at the 0.05 level (1-tailed).

Source: Field data, 2013

The findings in table 13 above shows a positive correlation between information and communication and organizational performance ($r = .175$). These findings were statistically significant ($p < 0.05$). Thus answering a question which states "What is the influence of

information and communication on organizational performance"? The implication of this finding is that there is a positive relationship between information and communication and organizational performance. It should therefore be argued that effective communication accompanied with good information flow is strongly associated with good organizational performance and vice versa.

It was also important to establish the regression of information and communication on organizational performance. Findings are presented in the following table.

Table 14:Regression of information , communication and organizational performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.242	.145		29.238	.000
	Information and communication	.078	.045	.175	1.756	.082

a. Dependent Variable: organization performance

Source: Field data, 2013

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.175[a]	.030	.021	.28885	.030	3.082	1	98	.082

a. Predictors: (Constant), Information and communication

Source: Field data, 2013

In order to determine the effect of information , communication on organizational performance,

information , communication was regressed on organizational performance. A standardized regression coefficient (Beta) was statistically determined significant by Beta=0.175. t=1.756, P=0.082 with R square of .030. This factor explains 3% of the organizational performance. This shows that change in control environment leads to a positive change in the performance of UTL at 3%.

Table 15: summary of correlations

Correlations					
		Control Environment	Risk assessment	Information and communication	Organization performance
Control Environment	Pearson Correlation	1	.744**	.727**	.222*
	Sig. (1-tailed)		0	0	0.013
	N	100	98	96	100
Risk assessment	Pearson Correlation	.744**	1	.759**	.211*
	Sig. (1-tailed)	0		0	0.017
	N	98	102	100	102
Information and communication	Pearson Correlation	.727**	.759**	1	.175*
	Sig. (1-tailed)	0	0		0.041
	N	96	100	100	100
Organization performance	Pearson Correlation	.222*	.211*	.175*	1
	Sig. (1-tailed)	0.013	0.017	0.041	

**. Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.05 level (1-tailed).

From the table 21 above the results indicate that Control Environment has a significant influence on the performance of UTL.

(0.222**, p<.013)

The results indicated that Risk assessment positively influences on the of performance of UTL. (0.211**, p<0.017)

The results indicated that Information and communication has an influence on the of performance of UTL (0.175**, p<0.041).

A significant value of p=0.01 is generally accepted conventional level in social science research and it indicates that 90 times out of 100 we are sure that the correlation between the two variables is statically significant.

From the table above, the results show that Control Environment, Risk assessment and Information and communication all the three variables have an impact on performance of UTL. With correlation levels of 0.222, 0.211 and 0.175 respectively it shows that for UTL to perform holistically on the two variables Risk assessment and Information and communication should not hold up on Control Environment which is the factor which contributes most in respect to the logical framework.

Table 16: Summary of overall regression analysis

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.036	0.185		21.808	0
	Control Environment	0.133	0.089	0.245	1.502	0.137
	Risk assessment	0.028	0.075	0.064	0.372	0.71
	Information and communication	-0.025	0.076	-0.054	-0.328	0.744

Dependent Variable: organization performance

From the above table 22, Y= a+bX1+cx2+dx3; where Y= performance of UTL and X Internal controls Therefore UTL performance = 4.036+0.133 Control Environment + 0.028 Risk

assessment -0.025 Information and communication. On overall significance F (0.000) is less than 0.05 confirming the relationship between performance of UTL and Internal controls. From table 22, coefficient (b), (c) and (d) are positive which means that improvement in Control Environment, Risk assessment and Information and communication would increase the quality of performance of UTL.

From the table above its shows with a unit change of dependent variable (performance of UTL) it results in 4.036 of the independent variables (Internal controls i.e. Control Environment, Risk assessment and Information and communication) and this shows that the effect is significant that is a change in internal controls will greatly affect the performance of UTL . This implies that UTL has to strongly uphold internal controls so that UTL performance in not affected

CHAPTER FIVE

DISSCUSION, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussion of findings, summary of findings, conclusions and recommendations of the study. The four sections are presented as:, The first section presents the discussion of findings, the second section covers the summary of findings according to the objectives. The third section presents conclusions and fourth section presents recommendations.

5.1 Discussion of findings

The first objective was to examine the influence of control environment on organizational performance and the findings of the study were that;

i. There is positive correlation between control environment on organizational performance (R square = .040) .These findings were significant ($p < .05$). Thus *answering the question which states "What is the influence of control environment on organizational performance"?* The implication of this finding is that there is a positive relationship between control environment and organizational performance.

This is in agreement with Dropkins and Allyson (2001), that spending the proper amount of time and money to prevent control failures is very cheap insurance against loss from fraud, theft and error. Developing a secure operating environment requires that a comprehensive, practical and integrated internal control structure be put in place to protect all vulnerable operations and functions, not just cash flow if the organization is to register good performance. From the foregoing therefore it should be stated that effective control environment boosts organizational performance.

The second objective of the study was to examine the influence of risk assessment on

organizational performance and the findings collected were that;

There is a strong positive correlation between risk assessment and organizational performance (R square = .0.035). These findings were statistically significant ($p < .05$). Thus, *answering the question which states "What is the influence of risk assessment on organizational performance?* The implication of this finding is that there is a strong positive relationship between risk assessment and organizational performance. This is in agreement with Nwankwo (2010) that mitigation of fraud is centered on effective risk assessment processes that many companies use. Ekechi (2010), adds that risk assessment provide performance measurement for an organization. It should therefore be stated that effective assessment of risk is strongly associated with good organizational performance and vice versa.

The third objective of the study was to establish the influence of information and communication on organizational performance and the findings collected were that;

There is a show of a positive correlation between information and communication and organizational performance (R square = .03). These findings were statistically significant ($p < 0.05$).

Thus, answering the question which states "*what is the influence of information and communication on organizational performance?"*

This is in agreement with Holmes and Burn (1997) that one way to strengthen internal controls is by improving the communication process. Communication protocols must be established and agreed upon enterprise wide. Critical incident event distribution notification processes and procedures must be in place to ensure everyone is aware of an incident and understands what their defined roles are when the incident occurs. The implication of this finding is that there is a positive relationship between information and communication and organizational performance. It

should therefore be argued that effective communication accompanied with good information flow is strongly associated with good organizational performance and vice versa.

5.2 Summary of the major Findings

5.2.1 Control Environment

The Findings on Control environment show that Upholding ethical values in Uganda Telecom's operations is a very cheap insurance against loss from fraud. That the way authority and responsibilities are assigned throughout enables Uganda telecom to protect all vulnerable operations and functions. That control environment provides reasonable assurance against fraud. That control environment is focused on the integrity of the financial reporting process. That there are accounting procedures that must be followed by UTL. It is important for managers to exhibit high level of integrity. That monitoring and evaluation of internal controls has helped UTL to meet its targets. That in UTL the management closely monitors the implementation of Internal control.

Thus there is a positive relationship between control environment and organizational performance. It was highlighted that improving the control environment requires comprehensive, practical and integrated internal control structure to be in place to protect all vulnerable operations and functions in order to register good performance.

5.2.2 Risk assessment

The findings show that risk assessment detects vulnerable areas in UTL's internal controls and this has enabled it to mitigate fraud and thus register good performance. That there is lack of risk assessment strategy and control of key priorities of the overall strategy in UTL. That ineffective evaluation of risk management strategies affects adversely the attainment of performance targets of UTL. That there is no way good performance can be registered in UTL

without risk assessment. That in UTL there is a need to conduct an extensive risk assessment of financial reporting processes if UTL is to register good performance. That failure to respond to risky areas in UTL is the root cause of poor performance. That there is a need to describe the key risks facing the business activities within the scope of the audit of UTL so as to attain the performance standards.

It was discovered that there is a positive correlation between risk assessment and organizational performance. It was further noted that mitigation of fraud is centered on effective risk assessment processes and that it provide performance measurement for an organization. It should therefore be summarized that effective assessment of risk is strongly associated with good organizational performance and vice versa.

5.2.3 Information and communication

The findings on information and communication on performance of Uganda telecom show that Information flow has played a great part in stimulating the performance of UTL. That there is no way good performance can be attained without effective communication in UTL. That technological applications are probably the single greatest sources of risk and exposure that businesses of UTL face. That communication reduces the chances of fraud and this enables UTL to attain the desired performance standards. That in UTL It is impossible for one staff to have access to all valuable information without the consent of senior staff. That information flow is often seen as the roadmap towards its success in business.

Thus the study highlighted that there is a positive correlation between information and communication and that one way to strengthen internal controls is by improving the communication process. It should therefore be summarized that effective communication

accompanied with good information flow is strongly associated with good organizational performance and vice versa

5.3 Study conclusions

The study was designed to examine the effect of internal controls on organizational performance using a case study of Uganda Telecom Limited (UTL). The study indicated that internal controls together with its attributes of control environment, risk assessment and information and communication have a direct bearing on the performance of Uganda Telecom Limited. The study indicated that control environment account for 4% variation in organizational performance, risk assessment account for 3.5% variance in organizational performance and Information and communication account for 3% variance in organizational performance.

5.4 Recommendations

Based on the findings, discussion and conclusions, it is recommended in this study that;

There is a need to evaluate the control environment in which the business operates since control environment plays a great part towards the performance of the organisation.

Further the study recommends that risk assessment strategies adopted by the organization need to regularly be examined in order to mitigate occurrence of fraudulent acts. This evaluation process should involve all key employees in key functional areas of the organization so that there is a reap of benefits from the controls in place.

Lastly the management must ensure that there is effective communication and information low within the organization so that people get to know what is expected of them by the organization

5.5 Areas for Further Research

The researcher recommends that investigations should be done on the different loop holes of revenue loss and ways to close such gaps in telecommunication organizations.

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APPENDIX ONE

QUESTIONNAIRE

Dear Sir/Madam,

I am Kabugho Patience conducting a study on "**Internal control and organizational performance in Uganda Telecom"** as a partial fulfillment of the requirement for award of a Masters of Business Administration of Kyambogo University. The information given will be treated with maximum sincerity and for academic purposes only. Your contribution will be highly appreciated. Please spare some time to answer the following questions.

INSTRUCTIONS:

Please tick or fill in the blank space with what is most appropriate to you.

Part A: Bio Data

1. Sex: Male ☐ Female ☐

2. Age in year < 20 ☐ 21-30 ☐ 31- 40 ☐ 41-50 ☐ 51+ ☐

3. Level of Education

   a) Masters ☐

   b) Bachelors ☐

   c) Diploma ☐

   d) Certificate ☐

   e) Secondary ☐

f) Others ☐

4. Tenure.....

Part B: The influence of control environment on organizational performance

Using the 5 likertscale of ranking (SA- Strongly agree, A-Agree, N- Not sure, D-Disagree, SD-Strongly disagree) indicate what is most appropriate to you.

		SD	D	N	A
1	**Upholding ethical values in Uganda Telecom's operations is a very cheap insurance against loss from fraud**				
2	**The way authority and responsibilities are assigned throughout enables Uganda telecom to protect all vulnerable operations and functions**				
3	Control environment provides reasonable assurance about the performance of UTL				
4	the tone set by senior management is the most important factor contributing to the integrity of the financial reporting process				
5	The accounting procedure followed by UTL enables it to register good performance				
6	It is important for managers to exhibit high level of integrity				
7	Effective monitoring and evaluation of internal controls has helped UTL to meet its performance standards				
8	In UTL the management closely monitors implementation of Internal control which enables the company to meet its performance targets				
9	The management of UTL perform their tasks with high level of integrity which				

	enable UTL register good performance					

Part C: The influence of risk assessment on organizational performance

Using the 5 likert scale of ranking (SA- Strongly agree, A-Agree, N- Not sure, D-Disagree, SD-Strongly disagree) indicate how of risk assessment influences the performance of UTL.

		SD	D	N	A	S.
1	Risk assessment detects vulnerable areas in UTL's internal controls and this has enabled it to mitigate fraud and thus register good performance					
2	There is lack of risk assessment strategy and control of key priorities of the overall strategy in UTL					
3	Ineffective evaluation of risk management strategies affects adversely the attainment of performance targets of UTL					
4	There is no way good performance can be registered in UTL without risk assessment					
5	In UTL there is a need to conduct an extensive risk assessment of financial reporting processes if UTL is to register good performance					
6	Failure to respond to risky areas in UTL is the root cause of poor performance					
7	There is a need to describe the key risks facing the business activities within the scope of the audit of UTL so as to attain the performance standards					

Part D: The influence of Information and communication on organizational performance(please indicate your agreement or disagreement on a 5 point scale ranging from "SD-strongly disagree" (1) to "SA – strongly agree" (5)

		SD	D	N	A	
1	Timing of information flow has played a great part in stimulating the performance of UTL					
2	There is no way good performance can be attained without disclosing relevant information in UTL					
3	Technological applications are probably the single greatest sources of risk and exposure that businesses of UTL face					
4	Communication reduces the chances of fraud and this enables UTL to attain the desired performance standards					
5	In UTL It is impossible for one staff to have access to all valuableinformation without the consent of senior staff and this has mitigated chances of fraud					
6	Proper presentation of information is often seen as the road map towards the success of the business					

END

Thank you for your cooperation

APPENDIX TWO

QUALITATIVE DATA COLLECTION TOOL

(KEY INFORMATION INTERVIEW GUIDE)

1. What do you understand by the term internal control in UTL?

2. How do control environment affect the performance of UTL?

3. It is believed that the overall effectiveness of the control environment is routinely evaluated. Do you agree? Please support your answer

4. How does risk assessment affect the performance of UTL?

5. Do you think risk assessment strategies adopted by UTL are effective to enhance good performance? Please support your answer.

6. Do you think the current controls in information and communications are effective to mitigate the occurrence of fraud, embezzlement and misappropriation of funds?

7. If yes, how do information and communication affect the performance of UTL?

8. What are the possible strategies that can be adopted to improve internal control systems in place so as to register good performance?

Thank you for taking time to participate in this interview