THE EFFECTS OF INTERNAL CONTROL SYSTEM ON THE PERFORMANCE OF UGANDA REVENUE AUTHORITY: A CASE STUDY OF CYANIKA AND BUNAGANA CUSTOMS, KISORODISTRICT, UGANDA

BY

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A RESEARCH DISSERTATION SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT SCIENCES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE AWARD OF A BACHELORS DEGREE IN BUSINESS ADMINISTRATION OF KAMPALA INTERNATIONAL UNIVERSITY

MAY, 2013
DECLARATION

I NZABANDORA MOSES declare that this is my original work and has never been presented to any other university or institution for award of any academic qualification. Where work and ideas or concepts these have been taken or adapted from other authors have been properly cited and referenced.

Signed...

NZABANDORA MOSE

DATE 08/05/2013
Approval

This is to certify that this report entitled "The effects of internal control system on performance of Uganda revenue authority" of Chanika and Bunagana customs has been done under my supervision and is submitted for examination with my approval.

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(SUPERVISOR)

Signature ........................................

Date ...........................................
DEDICATION

This report is dedicated to my beloved parents Mr. Bamenya David and Mrs. Nyirasafari Apophia Bamenya, My Uncle Mr. Nzita Richard for their continuous financial and moral support. Also to all my beloved brothers and sisters, Cousins more especially Mr. Bizimana, Samuel, Mr Ngaruye Innocent and Hafashimana Willison Ndabangutse Kagilima, Kabami Night and Munezero Happy
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ACRONYMS

URA: Uganda Revenue Authority

IFRS: International Financial Reporting Standards

IAS: International Accounting Standards

CPA: Certified Public Account
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ABSTRACT

The study was conducted to examine the effects of internal control system and performance of URA with a case study of Chananika and Bunagana custom which has a total population of 50 employees in all departments from which the sample size of 44 respondents was randomly selected. The study was quantitative since the major findings from the field were descriptively presented through the use of tables and graphs for easy understanding and interpretation.

The study had five objectives which included, to determine and find out the components of internal control system in organizations, to determine the mode of operation of Internal Control system in organizations, to explore the effect of the internal control system on the performance of organizations, to determine the relationship between internal control system and financial performance of URA, to determine the significance relationship between internal control system and financial performance of URA.

Using a cross-sectional survey design in which the survey questionnaire and interview guide were used to collect the required data, the study was able to make the following findings.

The research revealed that males is highest with 68.2%, 45.5% of the respondents were in the age group 30-39 and 63.6% of the respondents were degree holders, that internal control system are very important to the performance of as indicated by 90.1% of the respondents uses internal control system in the improvement of day to day financial management, The researcher also found out that most respondents has no appreciable knowledge to use computer for originating, maintaining and recording transactions accurately.

The researcher therefore recommended the management to train workers on how to use computer application micro soft, ward, excel and access and PowerPoint. The management should also leave old system of presenting financial statement using GAAP and adopt new system of presenting financial statement such as using IFRS and IAS, they should also employ workers with experience and first train and orient fresh graduate at work place to improve the efficient and effectiveness in collection of revenues within the URA.
CHAPTER ONE

1.0 INTRODUCTION
In this chapter, special attention were given to the background of the study, problem statement, purpose of the study, research objective research questions, scope of the study while also acknowledging the significant of the general body of the knowledge.

1.1 BACKGROUND OF THE STUDY
A growing number of laws and regulations have related to internal control system because of some company failures and scandals where investors and other stakeholders suffered tremendous loss (Luthy and Forcht, 2006). Laws and regulations was one of external corporate governance mechanisms. This laws and regulations are protecting rights and benefits of shareholders and other stakeholders (Ekanayake, Perera, and Perera, 2009). In this research, compliance with laws and regulations refers to the acceptance and implementation of laws and regulations involved that deal with regulatory changes and problems raised from the enforcement of laws and regulations (Jokipii, 2010). Compliance with laws and regulations is a representative the effectiveness of internal control which complies with the objectives of internal control. The compliance with laws and regulations such as adopting the rules to corporate governance including preparedness with regulatory changes.

The organization drive, civil and public services reforms that began with early 1990s in Uganda laid foundation for the increasing number of organizations in Kampala. By 2002 organizations were employing approximately 2,000,000 and serving about 6,000,000 people at the business and house hold sector. Organizations today present one of the most promising innovative developments. In Kampala, the performance of organizations is increasingly asking their role in the creation of employment and income generation among the youth who view it as the only source of employment.

In recent years many organizations has attempted to manage organizational performance using balance score card methodology where performance is tracked and measured in multiple
dimensions as financial performance, customer service, employee stewardship and social responsibly for example corporate citizenship and community out research

According to Richard et al (2009) organizational performance encompasses three specific areas of firm outcome, Financer performance (profit, return on assets and return on investment) Product market performance (sales, market share) share holders return (total share holders return, economic value added)

Organizational performance is quite simply the way in which the people who comprise the organization work together, are they working to maximum capacity and are they highly motivated? If they are, it makes dairy business life much easier and for more effective, the organization should be well structured in order to improve on their performance.

Internal accounting controls govern your financial system. “Management is responsible for developing and maintaining effective internal control,” reports the United State. Whitehouse Office of Management and Budget, Internal controls provide quality assurance and keep an eye on weaknesses in your operation. This allows you to stop problems before they start and keep your business operations running smoothly. The analysis, implementation and design go side by side with a system of control. Accounting controls provide feedback for the system, making sure that everything is working correctly. Without methods of monitoring your procedures, you cannot determine the system’s effectiveness.

Internal control system which involves management accounting and accounting records was cited to be one of major reasons determining the level of performance of the organization in Kampala Monitor publication (March 2010). Kansime (1999) contends that organizational business in Kampala continues to be conducted in the informal sector with limited records which greatly affect their level of performance.

According to AWE (2005), Internal control system are the policies, procedures, practices and organizational structures implemented to provide reasonable assurance that an organization's business objectives will be achieved and undesired risk event will be prevented or detected and corrected, based on either compliance or management initiated concerns. Weak or ineffective internal control system cause losses in many organizations and has contributed to the failure of
others around the world. Some of these could have been prevented or discovered through effective internal control system mechanism before the losses actually occurred by URA Uganda revenue authority viewing the facts of increasingly importance of the effective internal control system.

Mayo and BPP (1998) defined internal control system as measures taken by the organization for the purpose of protecting its resources against wastes, fraud, efficiency, ensuring accuracy and reliability in accounting and operating data, securing compliance within the organization polices and evaluating the in all divisions of the organizations. However on the other hand ineffective leading to declining or poor performance for instance Uganda revenue was the only organization in Uganda to collect taxes.

1.2 STATEMENT OF THE PROBLEM
In Uganda, the performance of organizations is increasingly asking their role in the creation of employment and income generation among the youth who view it as the only source of employment (Kasekende and opondo, 2003). However, about 90% of Uganda’s organizations collapse within the first three years. This is probably because Audit is to some extent perceived poorly in the organization which limits performance improvement, creates tension and thus gives negative return to the organization. Weak or ineffective internal control system cause losses in many organizations and has contributed to the failure of others around the world. Some of these losses can be prevented or discovered through effective internal control system mechanism before they actually occur.

Therefore, many organizations in Uganda risk collapsing/underperforming if the internal control system is not strengthened. The researcher therefore finds it important to study the effect of the internal control system on the performance of organizations.

1.3 PURPOSE OF THE STUDY
The research was aimed at analyzing and evaluating the effects of internal control on the performance of Uganda Revenue Authority.
1.4 Objective of the study

- To determine and find out the components of internal control system in organizations.
- To determine the mode of operation of Internal Control system in organizations
- To explore the effect of the internal control system on the performance of organizations.
- To determine the relationship between internal control system and financial performance of URA.
- To determine the significance relationship between internal control system and financial performance of URA.

1.5 Research question.

- What are the components of the Internal Control system in URA?
- How does the Internal Control System work in URA?
- What were the effects of Internal Control System on performance of organizations?
- What were the relationship between internal control system and financial performance of URA?
- What was the significant relationship between internal control system and the financial performance of URA?

1.6 HYPOTHESIS

There was no significant relationship between internal control system and the performance of organizations (URA).

1.7 scope of the study

1.7.1 Geographical scope

The study was conducted from URA office in Bunagana and cyanika customs, Kosoro district, Uganda.
1.7.2 Content scope

The study was to determine and also find out the components of internal control, need for internal control and the effects of internal control system on the performance of Organizations.

1.7 Significance of the study

This study will be of great important and it will benefit various people in the society in the following ways.

The study will be of great important to the central government of Uganda civil servant, and political leaders Uganda and will benefit various people in the society.

Researchers will use this study as secondary data. The information that they will collect for specific purpose would be used for other statistical investigation. In addition, students will use the study as the source of literature to back up on reports.

Also the government will get adequate knowledge of what is on the ground the government will know the most source of revenue of the country, there availing information to different sources.

Planners and policy maker will also use this research to develop effective strategies and policies which will conveniently improve the performance of Uganda revenue authority.

The study will also benefit investors since enough information which is necessary to enable them make better investment decisions will be made available, more so the society.

The traditional internal control system focuses on the audit of transactions, their accuracy and compliance with relevant rules and regulations, in contrast to the current internal control system which focuses on internal environment and internal audit.

The study therefore was exploring the use of both the tradition internal control system and the Current internal control system in organizations.
1.8.0 Conceptual framework showing the relationship between internal control system and performances of URA

**Independent variable**

Internal control system

**Dependent variable (DV)**

Performance of URA

**Tools used for evaluation of ICT**
- Compliance test
- Flow chart
- Internal control questionnaire

**Control procedures**
- Organizational plan
- Recording and record keeping
- Internal audit

**Components of ICT**
- Control environment
- Risk assessment process
- Control activities
- Monitoring control

**Internal performance**
- Productive work force
  - Detection of errors and fraud

**External performance**
- Employment opportunity
  - Social responsibility
CHAPTER TWO

THE LITERATURE REVIEW

2.0 Introduction

This chapter represents the related review part of the research that was investigated by different scholars in respect to the objectives of the study.

2.1 Theoretical review

According to Bying and Christensen, 2005, Zhang, Zhou, and Zhou, 2007, Shon and Weiss, 2009). Internal control system is an important system of organization to operate effectively. It comprises the assurance on the reliability of business information. Moreover, internal control system effectiveness can help enhance firm performance and ongoing sustainability (Adams, 1993). To produce trust and credibility with investor and other stakeholders is a key factor to ongoing sustainability of the firm, particularly in the reliability of financial and administrative management. However, after the financial scandal that occurred with large companies such as the case of Enron, WorldCom, and Healthcare, the event affected professional accounting and management which lost the confidence of the stakeholders to the Sarbanes Oxley Act (SOX) legislation. SOX require firms to have audit committees, helps firms have audit professionals and help reduce the risk for firms (SOX legislation came out after the financial crisis and the collapse of large firms which sections 302 and 404 of the SOX act have focused on issues related to internal control over financial reporting. Section 302 requires the disclosing of all material weaknesses in internal control. Likewise, section 404 requires the managers to confirm the establishing and maintaining of adequate internal control systems, assessment of internal control, and disclosing or reporting the results of assessment in the internal control report. Both sections came out to achieve the objectives of internal control. The primary purpose objectives of internal control is to protect assets of business from theft and losses that may occur and ensure or reassure the accuracy and reliability of financial statements of firm

Currently, internal control system literature still lacks empirical evidence for investigating the relationships between antecedents and consequences of internal control system effectiveness
(Van de Poe! and Vanstraelen, 2011). In addition, there is very little research found with the dimensions of the internal control system effectiveness. Thus, this research investigated the relationships between antecedents and consequences of internal control system effectiveness and dimensions of internal control system effectiveness, which is deemed essential in academic researches. From the aforementioned discussion, this is an origin of motivated reasons. This research investigated the relationships between internal control system effectiveness dimensions (best accounting practice, compliance with law and regulation, operational system efficiency, employee participation awareness, and business process transparency) and ongoing firm sustainability by used financial information reliability, organizational risk reduction, internal audit quality, goal achievement, stakeholder credibility performance as the mediating variable. Additionally, this research scrutinizes the relationships among financial information reliability, organizational risk reduction, internal audit quality, and goal achievement by using decision making capability as a moderator. Moreover, this research investigates the relationships between financial information reliability, organizational risk reduction, internal audit quality, and stakeholder credibility performance by using corporate-stakeholder communication focus as a moderator. Furthermore, this research investigates the effects of executive proactive vision, corporate governance policy, employee learning competency, and competitive environment diversify on internal control system effectiveness, and examines the moderating effect of organizational adaptation orientation on the aforementioned relationships.

This study was based on the positive accounting theory proposed by Millon Fredman consistent with Freidman’s view, Watts and Zimmerman asserts that; the objective of “positive accounting theory” is to explain and predict accounting practices. Explanation in this study will mean providing observed practice for example positive accounting theory seeks to explain why firms continue to use historical cost accounting and why certain firms switch between a number of accounting techniques and prediction will be that the theory predict “unobservable future phenomenon, they include phenomenon that have occurred but on which systematic evidence has not been collected.
This theory attempts to explain manager’s choice of accounting methods in terms of self interest, the relationship between stakeholders and how financial accounting can minimize costs by aligning completing interest.

This theory focuses on the relationship between the various individuals involved in providing the resources to an organization and how accounting is used to assist in functioning of these relationships. This theory developed by watt and Zimmerman and others is based on central economic based assumption that all individuals will act in an opportunistic manner to the extent that the action will increase their wealth.

A key to explain manager’s choice of a particular accounting method came from agency theory. Agency theory provides a necessary explanation as to why the selection of particular accounting method might matter, and focused on the relationship between principles and agents, and relationship which created much uncertainty.

2.2 The components of Internal control system in organizations
In accounting and auditing, internal control is defined as a process affected by an organization's structure, work and authority flows, people and management information systems, designed to help the organization accomplish specific goals or objectives. It is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources, both physical (example g machinery and property) and intangible (example, reputation or intellectual property such as trademarks).

According to Foreign Corrupt Practices Act (FCPA) of 1977 and the Sarbanes–Oxley Act of 2002, at the organizational level, internal control objectives relate to the reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g., how to ensure the organization's payments to third parties are for valid services rendered.) Internal control procedures reduce process variation, leading to more predictable outcomes. Internal control is a key element of which required
improvements in internal control in United States public corporations. Internal controls within business entities are also referred to as operational controls.

To provide reasonable assurance that internal controls involved in the financial reporting process are effective, they are tested by the external auditor (the organization's public accountants), who are required to opine on the internal controls of the company and the reliability of its financial reporting.

2.2.1 Fraud and internal control

Internal control plays an important role in the prevention and detection of fraud. Under the Sarbanes-Oxley Act, companies are required to perform a fraud risk assessment and assess related controls. This typically involves identifying scenarios in which theft or loss could occur and determining if existing control procedures effectively manages the risk to an acceptable level. The risk that senior management might override important financial controls to manipulate financial reporting is also a key area of focus in fraud risk assessment.

2.2.2 Roles and responsibilities in internal control

According to the COSO Framework, everyone in an organization has responsibility for internal control to some extent. Virtually all employees produce information used in the internal control system or take other actions needed to affect control. Also, all personnel should be responsible for communicating upward problems in operations, noncompliance with the code of conduct, or other policy violations or illegal actions. Each major entity in corporate governance has a particular role to play:

Management: The Chief Executive Officer (the top manager) of the organization has overall responsibility for designing and implementing effective internal control. More than any other individual, the chief executive sets that affects integrity and ethics and other factors of a positive control environment. In a large company, the chief executive fulfills this duty by providing leadership and direction to senior managers and reviewing the way they're controlling the business. Senior managers, in turn, assign responsibility for establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions. In a
smaller entity, the influence of the chief executive, often an owner-manager is usually more direct. In any event, in a cascading responsibility, a manager is effectively a chief executive of his or her sphere of responsibility. Of particular significance are financial officers and their staffs, whose control activities cut across, as well as up and down, the operating and other units of an enterprise.

Board of Directors: Management is accountable to the board of directors, which provides governance, guidance and oversight. Effective board members are objective, capable and inquisitive. They also have knowledge of the entity's activities and environment, and commit the time necessary to fulfill their board responsibilities. Management may be in a position to override controls and ignore or stifle communications from subordinates, enabling a dishonest management which intentionally misrepresents results to cover its tracks. A strong, active board, particularly when coupled with effective upward communications channels and capable financial, legal and internal audit functions, is often best able to identify and correct such a problem.

According sections 404 and 302 of the Sarbanes-Oxley Act, The internal auditors and external auditors of the organization also measure the effectiveness of internal control through their efforts. They assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control. They may also review Information technology controls, which relate to the IT systems of the organization. There are laws and regulations on internal control related to financial reporting in a number of jurisdictions. In the United State, these regulations are specifically established by. Guidance on auditing these controls is specified in PCAOB Auditing Standard No. 5 and SEC guidance, further discuss.

To provide reasonable assurance that internal controls involved in the financial reporting process are effective, they are tested by the external auditor (the organization's public accountants), who are required to opine on the internal controls of the company and the reliability of its financial reporting.
2.2.2 Objective categorization

Internal control activities are designed to provide reasonable assurance that particular objectives are achieved, or related progress understood. The specific target used to determine whether a control is operating effectively is called the control objective. Control objectives fall under several detailed categories; in financial auditing, they relate to particular financial statement assertion but broader frameworks are helpful to also capture operational and compliance aspects:

For example, a control objective for the accounts payable function may be stated as: "Payments are made only for authorized products and services received." This is a validity objective. A typical control procedure designed to achieve this objective is: "The accounts payable system compares the purchase order, receiving record, and vendor invoice prior to authorizing payment." Multiple controls may be applicable to achieve a given control objective with a reasonable level of assurance.

Management is responsible for implementing appropriate controls that apply to transactions in their areas of responsibility. Internal auditors perform their audits to evaluate whether the controls are designed and implemented effectively to address the relevant objectives.

2.2.4 Control precision

Control precision describes the alignment or correlation between a particular control procedure and a given control objective or risk. A control with direct impact on the achievement of an objective (or mitigation of a risk) is said to be more precise than one with indirect impact on the objective or risk. Precision is distinct from sufficiency; that is, multiple controls with varying degrees of precision may be involved in achieving a control objective or mitigating a risk.

Risks and controls may be entity-level or assertion-level under the PCAOB guidance. Entity-level controls are identified to address entity-level risks. However, a combination of entity-level and assertion-level controls are typically identified to address assertion-level risks. The PCAOB set forth a three-level hierarchy for considering the precision of entity-level controls. Later
guidance by the PCAOB regarding small public firms provided several factors to consider in assessing precision.

2.2.5 Internal controls and process improvement

Controls can be evaluated and improved to make a business operation run more effectively and efficiently. For example, automating controls that are manual in nature can save costs and improve transaction processing. If the internal control system is thought of by executives as only a means of preventing fraud and complying with laws and regulations, an important opportunity may be missed. Internal controls can also be used to systematically improve businesses, particularly in regard to effectiveness and efficiency.

2.3.0 The mode of operation of Internal Control system in organizations.

In 1992, COSO published the report *Internal Control--Integrated Framework* as a "basis for developing business control systems and assessing their effectiveness" (Internal Control Issues). This report provides the following five components of internal control:

2.3. Control Environment

Organizations use control as one of the five major components of internal control. Control is the component required to keep the environment in the organization working effectively. Internal control processes are developed to help employees carry out their responsibilities. With this component, written policies and procedures are distributed and explained to all employees. This process helps employees understand what is expected of them. Included in this is also a company code of ethics and standards. Another process used to carry out this component is offering training to employees, employee evaluations and disciplinary action for behavioral problems.

2.3.2 Risk Assessment

Companies perform routine risk assessments as a standard process of internal controls. Risk assessments are designed to detect, prevent and control risks the organization is prone to. Companies accomplish this by first setting goals and objectives required to fulfill the organization's strategic plan. A company then monitors these goals and looks for problems.
When problems or risks are pinpointed, the company must decide what route to take to fix the issues.

These are the policies and procedures that help ensure management that management directives are implemented. Control activities occur at all levels of the organization and include things such as performance reviews, functional or activity reviews, transaction reviews, reconciliations, processing controls, physical controls and segregation of duties. More specifically, typical controls seen every day, Transaction Authorizations, to ensure that all transactions are approved by responsible personnel in accordance with their specific or general authority before the transaction is recorded. Examples: Authorized signatures should be on all purchase orders, travel vouchers, key request forms, etc; validation that the person signing the form is an authorized signee for the department.

Accuracy, to ensure that all valid transactions are accurate, consistent with the originating transaction data, and information is recorded in a timely manner, Examples: Comparison of book and bank balances and accounting for differences; comparison of time records to payroll payment records; monthly review of expenditures posted to the budget with expenditure documentation on hand.

2.3.3 Internal controls and process improvement

Controls can be evaluated and improved to make a business operation run more effectively and efficiently. For example, automating controls that are manual in nature can save costs and improve transaction processing. If the internal control system is thought of by executives as only a means of preventing fraud and complying with laws and regulations, an important opportunity may be missed. Internal controls can also be used to systematically improve businesses, particularly in regard to effectiveness and efficiency.

2.3.4 Control Activities

Control activities are processes designed by organizations to ensure that accounting information is accurate and complete. To fulfill this component, companies set of segregation of duties processes, and procedures to ensure that assets are protected. Segregation of duties is a common
process used by most organizations. With this process, duties are spread out between many employees, avoiding giving one employee too much power or control.

2.3.5 Monitoring

The last component of internal controls is monitoring. This component consists of setting up processes to ensure the quality of the system is performing as well as it should be. It is completed by reviewing regular daily reports, supervising employees and conducting performance assessments.

2.3.6 Internal audit

The internal auditors and external auditors of the organization also measure the effectiveness of internal control through their efforts. They assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control. They may also review Information technology controls, which relate to the IT systems of the organization. There are laws and regulations on internal control related to financial reporting in a number of jurisdictions. In the U.S. these regulations are specifically established by Sections 404 and 302 of the Sarbanes-Oxley Act Guidance on auditing these controls is specified in Auditing Standard No. 5 and SEC guidance.

2.3.7 Operating Staff

All staff members should be responsible for reporting problems of operations, monitoring and improving their performance, and monitoring non-compliance with the corporate policies and various professional codes, or violations of policies, standards, practices and procedures. Their particular responsibilities should be documented in their individual personnel files. In performance management activities they take part in all compliance and performance data collection and processing activities as they are part of various organizational units and may also be responsible for various compliance and operational-related activities of the organization. Validity (fairly represents events) to ensure that all recorded transactions fairly represent the economic events that actually occurred, are lawful in nature, and have been executed in
accordance with management's general authorization. Example: Determination that expenditures are allowable per University and State guidelines.

Physical Safeguards to ensure that access to physical assets and information systems is controlled and properly restricted to authorized personnel. Examples: Office doors are locked, when no one is present, to guard against theft of office furniture and equipment; periodic inventories are taken to confirm the existence of assets; to protect the integrity of the data, passwords are not shared or revealed.

Error handling to ensure that errors detected at any stage of processing receive prompt corrective action and are reported to the appropriate level of management.

Segregation of duties to ensure that duties are assigned to individuals in a manner that ensures that no one individual can control both the recording function and the procedures relative to processing a transaction. Examples: The petty cash custodian maintains funds and submits receipts for reimbursement; the review of receipts and approval of reimbursement is performed by someone other than the custodian; receipting, recording, and reconciliation of funds should not be under the complete control of one individual

2.3.8 Computerized auditing in future

Audits so far carried out by the Board of Audit can be divided into those on the entire processes of specific operations (loans by the Small Business Finance Corporation) and those on analyses and computation of data of specific operations (verification of the adequacy of credit reserve for bad debts). Computers were introduced into auditing procedures only recently. Proper methods for audit and inspection have to be developed through trials and errors to meet the present need. Knowledge of operations under audit as well as computers are necessary for effective auditing using computers. It should be kept in mind that data are not interchangeable if computers used by organizations under audit are products of different manufacturers. Furthermore, computerized auditing cannot be carried out without cooperation by organizations under audit. It is hoped that they will establish a systematic custody method for keeping documents on computer systems as well as files necessary for audit in order. Auditing institutions, on the other hand, have to be
careful about keeping the secret. Cautions should be taken not to let data kept by organizations under audit be leaked out.

In future audits using computers, it will be important to make clear what should be focused and what should be done on them. Computerized auditing methods should be developed to suit the nature of data processing by computers which are based on strictly logical operations. Considerations should be also given to characteristics of computers, possible irregularities by use of computerized systems, ideal internal controls in computerized systems and roles of computerized audit. Taking into considerations all these factors, it should be made clear what kind of auditing technology is necessary and effective in achieving the purpose of audit. It will be also necessary to improve or establish systems and procedures of computerized auditing, and questionnaires on internal control.

2.4.0 The effect of the internal control system on the performance of organizations.

Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service, and speed."

The case studies featured in the book from which this definition is taken propelled Business Process Reengineering (BPR) to management theory superstardom. Offered by most management consultants as something radically new, scorned by many accountants as just another buzz phrase for good management, BPR has been controversial from the beginning.

However, from chapter one it is clearly that at least some organizations have made major changes to the way they do their work, and at least some have benefited greatly from doing so. For the foreseeable future we can expect organizations to try to learn from the success stories and be successful themselves in achieving breakthroughs in performance.

2.4.1 Rethinking risk analysis

Although reengineered processes tend to have less segregation of duties and be more reliant on computer systems (with all their associated control risks) there is a positive side to most
reengineering principles that should be considered before deciding what controls, if any, may be needed.

2.4.2 Rethinking control objectives

The conventional approach to setting control objectives is based around checklists of control objectives worded so that they require total completeness, accuracy, validity, and so on. Risk analysis might be used to weight the importance of each objective, exclude some objectives, or introduce more detail for others.

2.4.3 Rethinking internal controls

Established preferences for control techniques need to be revised. Preferred control techniques should provide adequate control but should not slow down or add costs to basic business processes. Segregation of duties is described by the Auditor's Operational Guideline on Internal Controls as "One of the prime means of control".

However, in a typical reengineered process the transaction and its recording are initiated by a single person and carried out by an integrated computer system. As far as possible all the activities needed to carry through a process from start to finish and to record it are placed under the control of one individual or, if this is not possible, a small team. An example is a line of checkouts in a supermarket.

The integrated computer system is itself a powerful control. Provided the worker is reliant on the system to carry out actions (e.g. order stocks) and provided the system records every action correctly and its records cannot be altered by the worker, the records will be reliable.

At a supermarket checkout the operator can only work using the electronic till. At modern checkouts control over incorrect pricing is provided by forcing operators to use a barcode reader or enter product codes rather than prices while the till displays descriptions and prices of goods to the customer to be checked.
Provided the system can distinguish between work done by each worker and perform analytical summaries and comparisons, the actions of each worker can be compared. If one worker's profile is unusual it can be investigated to find the reason. This provides protection against fraud, error, and persistent incompetence while helping to identify successful workers.

In a supermarket the checkout operator's scope for fraud can be limited to entering incorrect product codes by hand (instead of using barcodes) and not coding some of the products a friend has brought to the checkout. The supervisor can look for lower than normal values passing through the till in a particular shift, lower than usual numbers of items, and excessive use of manual product code entry.

Since performance analyses of the kind needed are more usually provided for whole processes rather than for individual activities there is a better chance that the software will be able to do what is required in the reengineered process.

According to the Auditor's Operational Standard on Internal Controls "All transactions should require authorization or approval by an appropriate responsible person." Traditionally, this has meant that for every transaction a person wants to carry out or process there should be at least one signature written by a more senior person beforehand.

2.5 To determine the relationship between internal control system and financial performance of URA.

Financial information has a central role when building and maintaining positive relationships between the company and those it interacts with, contributing in addition to the company performance to create value for the shareholders, the internal control system on financial reporting is aimed at ensuring trustworthiness, accuracy, reliability and promptness of the financial information. For that purpose, has prepared and constantly updates a regulatory/documentary system including accounting principles of the Group, administrative and accounting procedures, guidelines, operation instructions, accounting manuals and a chart of accounts, intended to guarantee an efficient coordination and exchange of information between the Parent company and the subsidiaries as well as the correct drafting of the individual and consolidated financial statements.
Document containing the Group accounting principles prepared according to the IFRS principles (International Financial Reporting Standards) that, for consolidating process purposes, must be adopted by all the Companies of the Group. The Accounting Principles of the Group are updated quarterly and are aimed at ensuring, by their application, homogeneity within the Group in relation to the content of the financial statements items and the specific assessment criteria, which are essential elements for the compliance with the principle of “truthful and correct representation” of the consolidated financial statements of the URA.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter mainly focuses on the research plan, that is, the elements necessary in preparation for data collection and analysis. Data can be defined as facts gathered for further study. The category of data that was used in this research was basically primary data. Data collected as first hand in order to meet the requirement of statistical investigation, Coral (1989).

To conduct a successful study, this research was employing a hybrid methodology. It was employing both Qualitative and Quantitative strategies.

3.1 Research design

A survey was the type of research design that was used in this research. It is relatively extensive and comparatively wide spread study that used interviews of self administrated questionnaires as the method of data collection and sampling techniques was employed to select the respondent.

A survey was atypically research designed for social statistician and since organizational was the major factors. It was the best research design used for this study. In addition, it was the best design for collecting original/primary data of the population, which was too large to be observed in studying attitudes and options prevalent within a large population. And so it was used for descriptive, explanatory and analytic purposes and the bases of the research study.

3.2 The population of study.

The population of the study was departmental accountants, cashiers, and head of finance manager, in Uganda revenue authority the total number of targeted population was 50, these constitute, 2 Chief Executive Officer, 20 Chief Operating Officer , 4Chief Financial Officer, 3 Senior Human Resources Officer, 5Treasurer, 1 Director, 15 Corporate Relations. And it was from these study population that the research selected the sample size.
3.2.1 Sample size

The researcher used Slovene's formula to come up with the sample size to be used in the study. The Slovene's formula states that given the population, sample size is given by

\[ n = \frac{N}{(1+N(e)^2)} \]

\( n \) = sample size

\( N \) = Research population/ target population

\( e \) = The level of significance which is fixed at 0.05

Therefore:

\[ n = \frac{50}{(1+50(0.05)^2)} \]

\[ n = \frac{50}{(1+50(0.0025))} \]

\[ n = \frac{50}{1+0.125} \]

\[ n = \frac{50}{1.12} \]

\[ n = 44 \]
The key informants were purposively selected by the researcher basing on their knowledge and expertise.

3.2.2 Sampling techniques
A mixed sampling procedure was used in this study. These involved both probability and non probability sampling. This will enable the researcher to explore, examine, describe, and analyze all the variables in the research problem.

3.3 Data Collection
The sources of data for this research were both primary and secondary data sources. Primary data would be got from respondents through interviewing and use of self administered questionnaires. Secondary data was obtained from published reports, journals, newspapers, magazines, textbooks and other available documents.

3.3.1 Data collection methods
The researcher was using in-depth interviews which were also involved use of questionnaires. In addition reading and recording the available literature will be employed in this study to complement on the data obtained from interviewing.

3.3.2 Data Quality Control
To ensure the quality of data in terms of accuracy, completeness and relevance, the researcher intends to pretest the data collection tools, use correct sampling procedures including selection of knowledgeable people and holding serious consultations with the supervisor for expert review of the work.

3.4 Research procedure
The process of this research was beginning with the writing of the proposal which after approval was lead to designing and pretesting tools. Upon this, permission was being sought from relevant departments before the data collection process can begin. In the process of data collection, some
data processing and analysis was done for mainly qualitative data. This process of data processing and analysis was continued after data collection and finally a research report that presents the research findings will be written and submitted to the supervisor for approval upon which it will be submitted to the department of finance and accounting.

3.5 Data analysis

Data was analyzed using statistical package for social scientists. The levels of analysis was yielded frequency tables and descriptive statistics to indicate the background characteristics of respondents and analyses which was test statistical significance of the association between the dependent variable (performance of URA) and the independent variables (Internal control system) interpreted using suitable tests.

3.6 Data Collection Methods and Instruments

The researcher was using the following instruments to collect data.

3.6.1 Questionnaire

A Questionnaire was constructed and designed by the researcher for the respondents. The questionnaire was containing both open and closed-ended type questions. The closed-type of Questions were used because they are easy to be filled by the respondents in a short time. The open-ended type questionnaires was to ensure the respondents’ Initiative to answer using his/her own words, to give a deeper meaning, through explanations in which they tend to be more original in giving opinions.

3.6.2 Formal Interviews

Interviews was conducted with selected respondents especially those who were not take part in filling the questionnaires, on issues that require deeper explanations. Key informant interviews were used with open-ended interview guide.

3.7.1 Data Preparation and Processing and management

This was involving editing to check for; accuracy, completeness and uniformity. Coding, Data entry and data sorting and summarizing was used for qualitative data processing. The data collected was recorded and safely kept to ensure no loss of data and effective retrieval.
3.7.2 Data Presentation

Single frequency tables, by the support of Microsoft Excel to draw the tables was used to Present the collected data of the study. This is because data presentation requires clear Portrayal of the trends in the findings that was presented.

Data presentation was both qualitative and quantitative. Descriptive and analytical statistics, numbers, graphs, mean, median, charts was used to present.

3.8 Ethical considerations

The researcher was first explain the purposes of the research before requesting the respondents to be interviewed to ensure informed consent and also assure them that the data was treated with utmost confidentiality. The place for interviews was selected in a way that ensures privacy of the respondents. The researcher was also obtain permission and authorization from the relevant authorities before carrying out the study.

3.8.1 Anticipated problems

The researcher anticipates lack of cooperation of some respondents particularly among students and parents to be a major problem in the study.

Inadequate finance to conduct the study is another anticipated problem that was hinders the successful completion of this study.

Ignorance of the respondents about research, the problem is another anticipated problem that the researcher to faced.

Time was also another problem on the researcher’s side due to the busy schedule of lectures, exams, coursework, tests, internship and all other eventualities that lead to delays.
4.0 Introduction.

This chapter presents the findings in relation to the research questions and objectives established earlier. The chapter presents the findings by considering the research purpose which was to establish the effects of internal control system on the performance of Uganda revenue authority of Chanika and Bunagana customs.

The data collected from the field was processed and analyzed qualitatively and quantitatively. The qualitative approach used in analysis provided more clarification and explanations on quantitative data. Quantitative information summarized by using tables, graphs and percentages to show and interpret the response of the respondents for easier understanding of the research findings.

4.1 Demographic characteristics

The main purpose of this part was to analyze the background information of the respondents in relation to their age, gender (sex), level of education, and marital status. The information was presented by use of tabulation.

Table 4.1: Shows the sex/gender of the respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency (f)</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td>30</td>
<td>68.2</td>
</tr>
<tr>
<td>Females</td>
<td>14</td>
<td>31.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>44</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: primary data*

The table reveals that out of 44 respondents, who were randomly selected to answer the questionnaires 30 were males and 14 were females. The number of the male was greater than the
female's number due to the fact that most people employed in the different departments of customs were males as most of the accountant, regional manager, office messengers, were males.

The fact that the government has put much emphasis on girl education, they fear to on the risky job and nowadays these customs especially Bunagana custom bordering Congo which is ever on wars most women fear to risk their lives at such unsecure environment as result men take this as advantage to secure jobs in this customs.

Fig 4.1: Pie chart showing the percentage gender of respondents

![Pie chart showing gender distribution](image)

**Source: Primary data**

The pie chart above reveals that 68.2% of the respondents were males and 31.8% of them were females. The number of the males was greater than the female due to the fact that most people employed in the Chanika and Bunagana customs are males.
Table 4.2: Shows the level of education of the respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency (f)</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>4</td>
<td>9.1</td>
</tr>
<tr>
<td>Diploma</td>
<td>10</td>
<td>22.7</td>
</tr>
<tr>
<td>Degree</td>
<td>28</td>
<td>63.6</td>
</tr>
<tr>
<td>Masters</td>
<td>1</td>
<td>2.3</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>2.3</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Primary Data.

The above table describes the academic Qualifications of the respondents from whom the researcher gathered the information needed for the study. Out of 44 respondents, majority of them who made a total of 28 and a percentage of 63.6% possessed degree in different academic fields, followed by those having Diplomas made a total of 10 respondents with a percentage of 22.7%.

The respondents who possessed certificates were 4 making a percentage of 9.1%, those possessed masters was 1 (one) making a percentage of 2.3% while 1 (one) making a percentage of 2.3% had completed senior three.
Fig 4.2 shows the education level of the respondents.

![Bar graph showing education levels](image)

**Source: Primary data**

According to the bar graph above, Majority of respondents who made a total percentage of 63.6% possessed degree in different academic fields. Followed by those having Diplomas who made a total percentage of 22.7%.

The respondents who possessed certificated made a percentage of 9.1%, those who possessed masters were 2.3% while 1 (one) had completed senior three.

**Table 4.3 shows the age of the respondents.**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency (f)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-29</td>
<td>15</td>
<td>34.1</td>
</tr>
<tr>
<td>30-39</td>
<td>20</td>
<td>45.5</td>
</tr>
<tr>
<td>40-49</td>
<td>9</td>
<td>20.5</td>
</tr>
<tr>
<td>50-60</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>100</td>
</tr>
</tbody>
</table>
According to the table above, the data revealed the age brackets of the respondents with majority of them being the age bracket 30-39 as they made the total number of 20 followed by those in the age bracket 20-29 making a total of 15 respondents. Only 9 respondents were in the age bracket 40-49 years. And those of age bracket 50-60 there was none.

Fig 4.3: Shows the age group of the respondents

Source: Primary data.

According to the bar graph above, the data revealed the age brackets of the respondents with the majority of them being 30-39 as they made a total percentage of 45.5% followed by those in age bracket 20-29 making the percentage of 34.1%, only 20.5% of the respondents were in age bracket of 40-49 and none was in the age bracket of 50-60.

Source: Primary Data.
Fig 4.4 showing the position held by the respondents

![Graph showing the position held by respondents.]

Source: Primary data

According to the Bar graph, the data revealed that the respondents holding the position of the chief operating officers were the majority with the total number of 25 making the percentage of 48.1% followed by cashiers with the total number of 12 making the percentage of 23.1%. Managers were 3 making the percentage of 5.8%, Receptionists were 2 making the percentage of 3.8% and accountants were 10 with the percentage of 19.2%.

Table 4.5 shows the response of the respondents on the application of internal control system.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency (f)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>37</td>
<td>84.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>3</td>
<td>6.8</td>
</tr>
<tr>
<td>Not sure</td>
<td>4</td>
<td>9.1</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>100</td>
</tr>
</tbody>
</table>
Source: primary data

According to the table above, 37 of the respondents agreed that URA apply internal control system, internal control system requires the recognition of the transaction when they occur but not when cash actually paid or received as it is requirement for all incorporated companies uses internal control system, 3 of the respondents disagreed and 4 respondents were not sure of the internal control system.

Fig 4.5 graph shows the response of the respondents on the application of accrual accounting

According to the pie chart above, the data revealed that 84.1% of the respondents agreed that URA uses internal control system followed by 9.1% respondents who were not sure of the internal control system applied and 6.8% disagreed.
Table 4.7 shows the positive effects of internal control system to the performance of URA

<table>
<thead>
<tr>
<th>Accounting issues</th>
<th>Level of response</th>
<th>Frequency (f)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Important of internal control system to URA</td>
<td>Not important</td>
<td>1</td>
<td>2.3</td>
</tr>
<tr>
<td></td>
<td>Very important</td>
<td>40</td>
<td>91</td>
</tr>
<tr>
<td></td>
<td>No response</td>
<td>3</td>
<td>6.8</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>44</td>
<td>100</td>
</tr>
<tr>
<td>Reasons why internal control system is important</td>
<td>For day to day</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial</td>
<td>30</td>
<td>68.2</td>
</tr>
<tr>
<td></td>
<td>Capture customer transactions</td>
<td>12</td>
<td>27.3</td>
</tr>
<tr>
<td></td>
<td>Correctly</td>
<td>2</td>
<td>4.6</td>
</tr>
<tr>
<td></td>
<td>No response</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The table above shows that most of the respondents (91%) considered the internal control system to be very important to URA, particularly for day to day financial management (68.2%), only (27.3%) said that internal control system can be useful for capturing client transactions correctly and accurately.

Table 4.8 show the accounting practices adopted by the URA

<table>
<thead>
<tr>
<th>Accounting issues</th>
<th>Level of response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who is assigned the responsibility for</td>
<td>The accountants</td>
<td>4</td>
<td>9.1</td>
</tr>
<tr>
<td>recording custom duties</td>
<td>Revenue officer</td>
<td>30</td>
<td>68.2</td>
</tr>
<tr>
<td></td>
<td>cashier</td>
<td>10</td>
<td>22.7</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>44</td>
<td>100</td>
</tr>
</tbody>
</table>
Who is assigned the responsibility of maintaining organizational records

<table>
<thead>
<tr>
<th>Who is assigned the responsibility of maintaining organizational records</th>
<th>The clerk</th>
<th>4</th>
<th>9.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Custom officer</td>
<td>30</td>
<td></td>
<td>68.2</td>
</tr>
<tr>
<td>accountant</td>
<td>10</td>
<td></td>
<td>22.7</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

Source: primary data

The above table shows that majority of respondents totaling to 30 agreed that revenue officer are responsible for recording revenue collected and this made a percentage of 68.2%, 30 of the respondents making percentage of 68.2 believed that custom officer are responsible for keeping and maintaining organizational records.
Table 4.9 shows the challenges faced in the application of internal control system in URA

<table>
<thead>
<tr>
<th>challenges</th>
<th>Frequency (F)</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate computerized accounting skills</td>
<td>7</td>
<td>15.9</td>
</tr>
<tr>
<td>Inadequate technological equipments like computers</td>
<td>10</td>
<td>22.7</td>
</tr>
<tr>
<td>Ever changing accounting standards</td>
<td>25</td>
<td>56.8</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>4.6</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: primary data*

According to the table above, there are numerous factors that can affect the application of the internal control system in the financial institutions as 25 of the respondents making the percentage of 56.8% believed that ever changing accounting standards affect the application of internal control.

And still the table above it is shown that 7 respondents making the percentage of 15.9% believed that inadequate computerized skills affect the application of internal control system and equally 10 of the respondents believed that inadequate technological equipments like computers also affect the application of internal control system.
Table 4.10 shows the Accountants’ adoption to modern internal control systems

<table>
<thead>
<tr>
<th>Accounting issues</th>
<th>Level of response</th>
<th>Frequency(f)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to use computers for carrying out accounting work</td>
<td>Yes</td>
<td>40</td>
<td>90.9</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>4</td>
<td>9.1</td>
</tr>
<tr>
<td></td>
<td>No response</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>44</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.11 shows the response of respondents on the level of performance of URA

<table>
<thead>
<tr>
<th>SUCCESS OF CENTENARY BANK</th>
<th>FREQUENCY (F)</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High level of job creation</td>
<td>35</td>
<td>79.5</td>
</tr>
<tr>
<td>High level of revenue</td>
<td>40</td>
<td>90.9</td>
</tr>
<tr>
<td>High level of assets</td>
<td>41</td>
<td>93.2</td>
</tr>
<tr>
<td>High level of income generated</td>
<td>30</td>
<td>68.3</td>
</tr>
<tr>
<td>Increased number of trained employees</td>
<td>40</td>
<td>90.9</td>
</tr>
</tbody>
</table>

Source: primary data

The table above shows that 35 of the respondents making a percentage of 79.5% agreed that URA has created many jobs in Uganda for the people and 40 respondents with a percentage of 90.9% believed that URA has collected a lot of revenue, 41 of the respondents with the percentage of 93.2% agreed that URA has a lot of assets, 30 of the respondents agreed that that the URA generate more income and 40 of the respondents with the percentage of 90.1% agreed that the URA has a big number of trained employees.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter presents the discussion and the findings from the previous chapters. It was on this basis of chapter four with reference to research objectives and the aid of literature review where the conclusion and recommendations were made. The five objective of this study were determine and find out the components of internal control system in organizations, the second objective was to determine the mode of operation of Internal Control system in organizations, To explore the effect of the internal control system on the performance of organizations, another objective of the study was to determine the relationship between internal control system and financial performance of URA, and to determine the significance relationship between internal control system and financial performance of URA.

The analysis, interpretation and evaluation of data and information found in the field were correctly performed; therefore, the conclusion and recommendation given below were precisely derived from the chapter and area mentioned.

5.1 Summary

Explanatory studies were used to establish the effects of internal control system on the performance of Uganda revenue authority with a case study of Chanika and Bunagana customs. Different variables that may influence the effectiveness of applying internal control system on performance of URA were thoroughly measured. It was observed Internal audit, customer care and financial accounting and management accounting play a significant role in influencing the performance of URA and Other organization as a whole, this was so because a well applied internal control system results into quality performance of URA through proper recording of transactions, accuracy, proper planning, Efficient and effectiveness in revenue collection and accountability which gives true and fair view of the transaction recorded.

The findings pertained to the objectives were presented and interpreted as shown below:
Majority of the employees in the URA of Chanika and Bunagana were males 30 in numbers which has made a percentage of 68.2%. More so many of the employees were in the age group 30-39 as represented by a percentage of 45.5%. As concerning the level of education of the respondents, implying most employees were qualified, majority of them were degree holders as represented by a percentage of 63.6% and majority of the respondents were in the position of operational officer as represented by the percentage of 50%.

The researcher found out that the management were not train workers on how to use computer application like micro soft, ward, excel and access. The management were still using old system of presenting financial statement such as GAAP, most of the employees were not experienced since most of the employees were fresh graduate.

The researcher has found out that it is very important for every organization to apply internal control system so as to achieve the organizational goals and objectives of providing efficient and effective service delivery to its people in their areas of operations. If the rightful principles and accounting standards are applied during the process of collecting revenue, most of its records will ever be accurate and corrects.

Due to the fact that the international accounting standard board requires all organizations and companies to use internal control system, 84.1% of the respondents responded positively to the question concerning the application of internal control system in URA then. The study also revealed that proper application of internal control system based on accounting techniques in URA which has numerous positive effects the main one being the overall improvement on the day to day financial management.

There is however some challenges that are hindering the proper application of internal control system with the main challenge being Ever-changing accounting standards, inadequate technological equipment such as computers, inadequate computerized accounting skills and unqualified trained employees.
5.2 Conclusions

It is of great importance for URA, both profit making organization and nonprofit making organizations to apply internal control system to increase its efficient and ease revenue collection since all organizations use the same systems of accounting this has improved its performance, most organization have their major motive of profit maximization and are only possible through the application of internal control system technique and as result more revenue are collected.

5.3 Recommendations

Due to the findings and on the basis of this research work performed, the researcher recommended the following with the aim of improving the application of internal control system in URA of Chanika and Bunagana and the country as whole. And hence ensured that the policies, goals and the objectives as well as the strategies practiced in putting in place a functional internal control system so as to have excellent performance.

The researcher therefore gave the following recommendations so as to have a good application of internal control system.

The researcher therefore recommended the management to train workers on how to use computer application micro soft, ward, excel and access and PowerPoint. The management should also leave old system of presenting financial statement using GAAP and adopt new system of presenting financial statement such as using IFRS and IAS, they should also employ worker with experience and first train and orient fresh graduate at work place to improve the efficient and effectiveness in collection of revenues within the URA.

Ensuring close working relationship between the different departments as well as the head office. It is very important for different departments in URA to work hand in hand so as to ensure that the activities of the departments are monitored by other departments. When the departments work closely together, it will increase team work and personal relationship therefore it will be hard for the employees to violet at work thus increasing efficiency of the performance of URA.

Sensitization of the public and all the accountants about existing principles, standards and rules governing internal control system and their effects on the performance of URA. The research
work has also observed that many people do not know much about the professional ethics that are supposed to be observed employees of URA.

Ensuring efficient and effectiveness during the process of revenue collection, those workers working in the URA need to show a lot of care to their client because clients are their bosses. The workers are accountable to their client for any mistreatment. When client are not treated with much care they may opt to smuggling and, tax evasion and avoidance, therefore these may result into reduction in amount of revenue collected per year.
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APPENDICES

APPENDIX I

Questionnaire to the respondents

INTRODUCTION

Dear esteem respondents,

I am NZABANDORA MOSES a student of Kampala International University pursuing Bachelor's Degree of Business Administration (Accounting option) carrying out a research study on Internal control system and the performance of the Uganda revenue authority at Chanika and Bunagana customs in Kisoro district.

Research is part of the requirement to the award of Bachelor Degree in Business Administration (Accounting option) at Kampala International University (KIU).

This questionnaire was intended to gather the information on the internal control system and financial performance on Uganda revenue authority. The purpose for these answers was to meet my academic requirements only, and Confidentiality will be my primary concern on individual profile.

I cordially requested the respondent to bear with me and answer the questions presented to them correctly in the space below.

Section (A)

Tick the correct answer please.

Profile of respondents
A1 - Gender:  
- Male □  - female □

A2 - Management level:  
- strategic level □  - Tactical level □  - operational level □

A3 - Age:  
- 20-30 □  - 31-40 □  - 40-59 □  - & above □

A4 - Education:  
- Primary □  - Secondary □  - Diploma □
  - PHD □  - Masters: □  - Degree □
  - Others specify............................................................

A4 Position: Accountant □  - Cashier □  - custom officer □
  - Others specify............................................................

A5 - Experience:  
- 1-2 years □  - 2-4 years □  - 5-8 years □  - 10 and above □
b) Interview guide

I was also using interview guide method of data collection; which conducted in form of oral interviews with managers, accountants, cashiers, revenue officers, human resource and the technical workers, checklist to reduce bias and maintain consistency will be designed to guide the interviews.

1) What is the Earnings of Uganda revenue authority per year?

2) What are the investments owned by URA?

3) What is the value of the investments owned by URA?

4) What are the retained earnings of URA?

5) What is the share capital and reserves of URA?

6) What are the total net assets of URA?

7) What is the earning per share of URA?

8) What is the number of outstanding shares of URA?

9) What are the inputs and outputs of URA?

10) How many jobs that are created by URA?

11) What are the positive impacts of accounting techniques to URA?

12) What are the accounting technique practices adopted by the URA

13) What is the level of adoption to modern accounting techniques approaches in URA?

14) What are the challenges faced in the application of accounting techniques in URA?

15) What is the level of performance of URA?
APPENDIX II

THE WORK PLAN OF ACTIVITIES OR TIME FRAME

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<td>May</td>
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APPENDIX III

BUDGET OF THE STUDY

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APPENDIX IV

PLAN FOR DATA PRESENTATION

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## LEVEL OF DEPENDENT VARIABLE

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<td>A lot of new jobs created by Uganda revenue authority</td>
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<tr>
<td>B</td>
<td>URA collect a lot of revenue</td>
<td>35</td>
<td>9</td>
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<tr>
<td>C</td>
<td>You provide social services to the people out of revenue collected from them</td>
<td>40</td>
<td>4</td>
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<td>D</td>
<td>Ability to record and Interpret Financial transactions</td>
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<td>E</td>
<td>Ability to analyze financial statement</td>
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<tr>
<td>F</td>
<td>Ability to audit and interpret</td>
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<td>4</td>
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THE EFFECTS OF INTERNAL CONTROL SYSTEM ON THE PERFORMANCE OF
UGANDA REVENUE AUTHORITY: A CASE STUDY OF CYANIKA AND
BUNAGANA CUSTOMS, KISORODISTRICT, UGANDA

BY

MOSES NZABANDORA
BBA/31802/102/DU

A RESEARCH DISSERTATION SUBMITTED TO THE COLLEGE OF ECONOMICS
AND MANAGEMENT SCIENCES IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS OF THE AWARD OF ABACHELORS
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KAMPALA INTERNATIONAL
UNIVERSITY

MAY, 2013