INTERNAL CONTROL AND PERFORMANCE OF COMMERCIAL BANKS IN KAMPALA UGANDA. A CASE STUDY OF UBA BANK, KANSANGA-KAMPALA, UGANDA

BY

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A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A BACHELORS' DEGREE IN BUSINESS ADMINISTRATION (ACCOUNTING AND FINANCE) OF KAMPALA INTERNATIONAL UNIVERSITY

JUNE, 2015

DECLARATION

I, Kyampeire Scovia hereby declare that this research report entitled "*Internal Control and Performance of Commercial Banks in Kampala-Uganda*" is my original work and has never been presented to any Bank of learning or university for any award

SIGN..... **DATE**.05th/06/2010.....

KYAMPEIRE SCOVIA

APPROVAL

This is to certify that this report entitled "*Internal control and performance of Commercial banks in Kampala*" was done under my supervision and guidance and it is now ready to be submitted to the university for Examination with my approval.

SIGN..... **DATE**..06/06/2015.....

DR. S.KINYATA

SUPERVISOR

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DEDICATION

I dedicate this report to my beloved father Mr. Kateera Frank for growing and guiding me during my studies. His contribution and services rendered to me are highly honored.

I dedicate to my Mother Georgina Kateera who raised me up right away from childhood to date and always encouraged me to pursue my studies and finish up.

I also dedicate this to my sister Nshemereirwe Naume for the fact of being there for me.

I also dedicate this study to my friend George for helping me finalize this research report from the start to the end.

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CHAPTER ONE

INTRODUCTION

1.0 Background to the Study

Internal control has always been an important element of any organizational financial and operating structure in the 2009 concerns about fraudulent financial reporting resulted in the formation of a group that started studies in internal controls. The name of the group is Committee of Sponsoring Organizations (COSO) developed a report that defined internal control as policies and procedures (financial or otherwise) adopted by the managers to help ensure as far as practical, the orderly and efficient conduct of its business i.e. management philosophy and operating style, and all policies and procedures adopted by management to assist in achieving the entity's objectives and identified five components of internal control such as; Environmental control, Risk management, Information and Communication systems.

Despite of the internal control systems being an important element of the organizations, Commercial banks in Kampala Uganda operations have more often been characterized by ineffective and inefficient operations, non-compliance with laws, regulations, policies and unreliable, inaccurate and incomplete financial reports resulting from weak and non-existent internal control systems.

The research manifested in the numerous cases of poor management and misuse of assets and resources, lack of transparency in procurement, inflated expenditures on goods and services, non-implementations of auditors reports, lack of adequate accounting records, poor budget utilization, funds manipulations and sometimes direct embezzlement of funds. Such inefficiency are a resultant effects of the increased level of funding channeled through microfinance which has in effect compromised their autonomy and deflected their developmental goals to suit donor requirements and founder members personnel interests.

The operations of commercial banks in Kampala-Uganda were recently characterized by the problem of cash flow management for the resources channeled through them (Qaran vision 27th

June 2008). Commercial banks operations in Kampala had more often been characterized by ineffective and inefficient operations, non-compliance with laws, regulations, policies and unreliable, inaccurate and incomplete financial reports resulting from weak and non-existent internal control systems. United Bank for Africa (Uganda) is a commercial bank in Uganda. It is one of the commercial banks licensed by the Bank of Uganda, the central bank and national banking regulator. United Bank for Africa (Uganda) is a commercial bank that focuses on the individual customer, small and medium enterprises (SMEs), as well as large corporations.

Financial performance is concerned with improving performance in order to achieve organizational, team and individual effectiveness. Improving performance is only achievable where there are effective processes of continuous development. This addresses the core competencies of the organization and the capabilities of individuals and teams. Since Performance Management is concerned with satisfying the needs and expectations of various stakeholders such as owners, management, employees, customers, suppliers and the general public, employees should be treated as partners in the enterprise whose interests are respected. To this end, Performance Management encourages communication and involvement of managers and their team members in defining expectations and sharing information on the organization's mission, values and objectives (Lawson, 2005).

Prior research reports that one of the main issues in audit expectation gap is the obligation to detect and communicate errors, frauds, and irregularities in auditing practices (Fadzly & Ahmad, 2004). According to the third proposition addressing the perceptions concerning auditor's duties in detecting and reporting frauds and irregularities differ substantially among auditors and users of financial statements in developing countries similar trend has been revealed. Users of audited financial statements agree that the primary responsibility rest with entity's management, however, they also believe that auditors would disclose in their report any uncovered frauds, inefficiencies irregularities hidden by the management. Answers received from auditors imply the same trends.

Ugandan banking sector has experienced a number of banking failures over time for example UBA Bank, Barclays Bank, Equity Bank, Stanbic Bank. Empirical evidence (Chijoriga, 1997) also indicates that National Bank of Commerce failed due to an increase in Non-performing

assets although it did not go into liquidation. Following banks' failures, Bank of Uganda, the central bank of Uganda, had taken measures and issued regulations under Banking and Financial Banks Act (2006) requiring all commercial banks to put in place an adequate auditing practices. One of the practices was to have a sound internal audit function within the banks (BFIA, 2006). As a result, every commercial bank in Uganda has internal audit function since the time the regulatory requirement was pronounced. This study, therefore, intends to ascertain whether the commercial banks in Uganda have auditing function as a mere legal compliance, which implies additional cost without value additions or whether the internal audit function is genuinely used as a value added function, which implies that the cost is complimented by equivalent benefits.

1.1 Statement of the Problem

Banks and other financial intermediaries are at the heart of the world's recent financial crisis. The deterioration of their asset portfolios, largely due to distorted credit management, was one of the main structural sources of the crisis (Seabright, 2002; Kashif, 2008 and Sanusi, 2010). To a large extent, this problem was the result of poor corporate governance in countries' banking Banks and industrial groups. Schjoedt (2000) observed that this poor internal control means, in turn, is very much attributable to the relationships among the government, banks and big businesses as well as the organizational structure of businesses.

Despite of the internal control measures put in place by UBA Bank-Kansanga Branch ranging from; independent examination of financial information of any entity, ensuring arithmetical accuracy of the books of accounts, the transactions entered in the books of original entry are correct, by inspecting, comparing, checking, reviewing, scrutinising the vouchers supporting the transactions in the books of accounts and examining the correspondence, minute books of the shareholders' and directors' meeting, Memorandum of Association and Articles of Associations among others. Had auditing practices not been around, the financial crisis would have been even worse. It is in the light of the above problems, one questions herself whether internal control and performance of commercial banks in UBA Bank are effective to boost financial performance of banks of the bank, hence this study.

1.3 General objective of the Study

The purpose of the study was aimed to find out whether internal control influences performance of commercial banks in Kampala Uganda in UBA Bank Kansanga.

1.4. Research specific Objectives

i. To establish the different internal control measures used by the management of Bank Kansanga, Kampala
ii. To examine how Internal control affect the financial performance in Bank Kansanga, Kampala, Uganda
iii. To evaluate how ICT leads to effective Internal control in Bank Kansanga, Kampala, Uganda

1.5 Research questions

i. What are the different internal control measures used by the management of UBA Bank Kansanaga, Kampala Uganda?
ii. How does Internal control affect the financial performance in Bank Kansanga, Kampala, Uganda?
iii. How is ICT leads to effective Internal control in UBA Bank Kansanga?

1.5 Scope of the Study

1.5.2 Geographical Scope

The study covered in United Bank of Africa Plc (UBA) is the product of the merger of Nigeria's third (3rd) and fifth (5th) largest banks, namely the old UBA and the erstwhile Standard Trust Bank Plc (STB) respectively, and a subsequent acquisition of the erstwhile Continental Trust Bank Limited (CTB). Plot 5277, Block 244, Ggaba Road, Kansanga- Opp. Kampala International University

1.5.3 Content scope

The study focused on interval control as the independent variable, and the level of financial performance as the dependent variable since the two are inter-linked.

Given the fury of activities that have affected the efforts of banks to comply with the various consolidation policies and the antecedents of some operators in the system, there are concerns on

the need to strengthen corporate governance in banks. This will boost public confidence and ensure efficient and effective functioning of the banking system (Soludo, 2004). According to Heidi and Marleen (2003:4), banking supervision cannot function well if sound corporate governance is not in place. Consequently, banking supervisors have strong interest in ensuring that there is effective corporate governance at every banking organization. As opined by Halme and Aarno (2001), changes in bank ownership during the 1990s and early 2000s substantially altered governance of the world's banking organization.

1.5.4 Time scope

This study took a period of March 2015 to July 2015

1.6. Significance of the Study

This study was enormous value to bank regulators, investors, academics and other relevant stakeholders.

The study provided a picture of where banks stand in relation to the codes and principles on auditing introduced by the UBA Bank. It further provided an insight into understanding the degree to which the banks that are reporting on their auditors have been compliant with different sections of the codes of best practice and where they are experiencing difficulties.

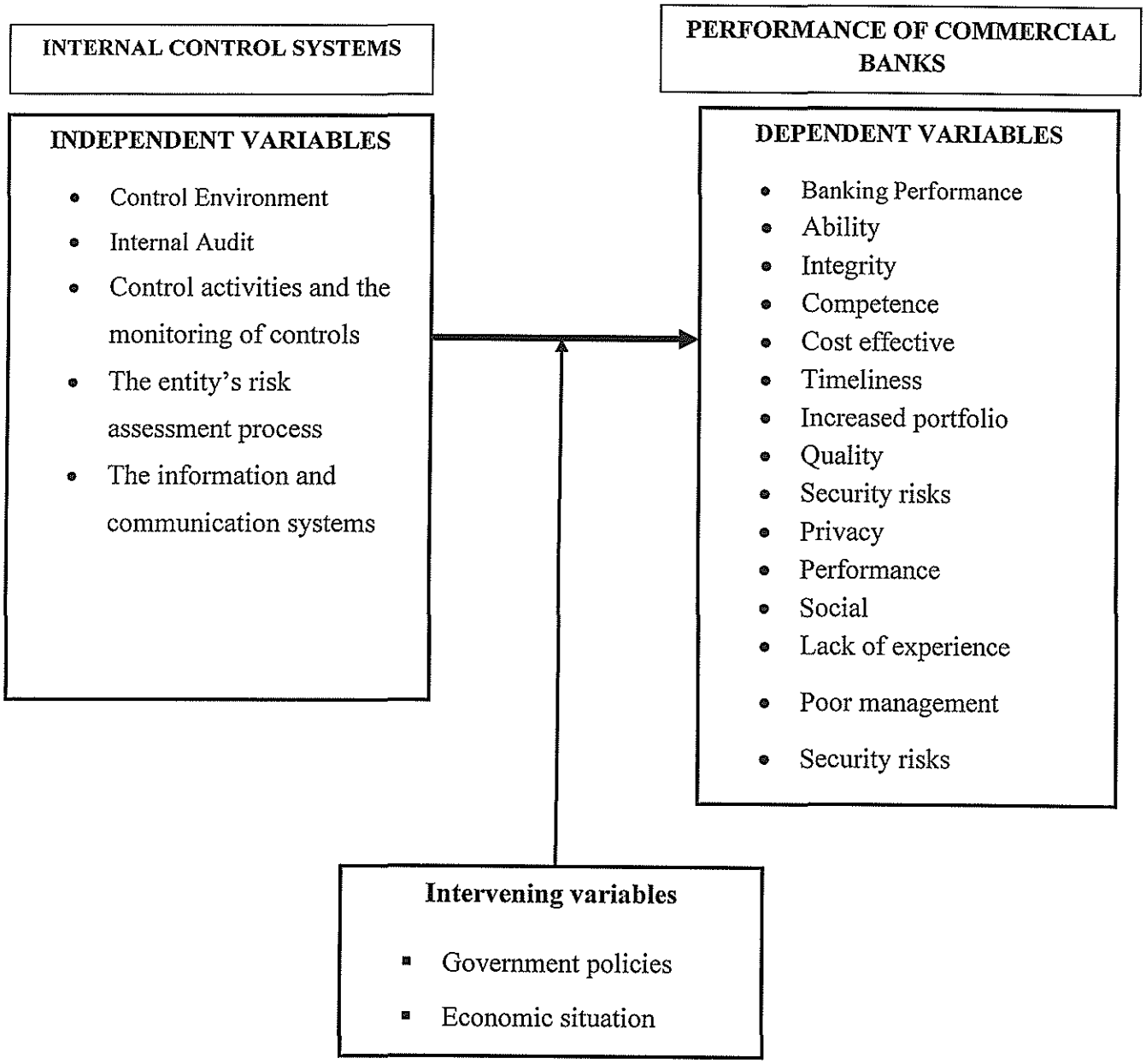
Boards of directors founded the information of value in benchmarking the performance of their banks, against that of their peers. The result of the study also served as a data base for further researchers in this field of research.

The findings enabled the management of UBA Limited to identify the weakness in their internal control system on its performance and also equipped them information on how best to utilize internal controls on cash management to ensure proper management of the company's funds.

Managers and directors of various entities, especially those engaged in similar operations had the necessary information to improve cash management in their entities.

This study was expected to stimulate further academic interest and provided information for further research on the topic and also to other decision makers.

1.7 Conceptual Frame Works



Source: Adopted from Ledger wood (2000).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter looked at the internal control and performance of commercial banks taking research objectives one by one which all comprises of the literature from the different authors, publications, magazines, websites and all possible sources as a basic foundation for this research study like newspapers and many more.

According to Millichamp (2007), the term internal control system refers to the whole system of controls, financial and otherwise, established by management in order to carry on the business or the enterprise in an orderly and efficiently manner, ensure adherence and management policies, safeguard the assets and 2011 ensure as far as practical The completeness and accuracy of the records.

According to Swamy (2006), states that an internal control system comprises firstly, the control environment, being the overall attitude, awareness and action of directors and managers regarding the internal control systems. And its importance in the entire and secondly, control procedures, which are policies and procedures in addition to the control environment established to achieve the entity's specific objectives.

2.1 Methods of Internal Control

There exist a variety of internal controls and for effective management and eventual achievement of an organization's objectives all of them should be performed effectively and be incorporated in the system. Internal control systems extended beyond matters directly related to the function of accounting systems, and the environment affects their effectiveness

2.1.1 Organization

Accordingly, an organization should have a plan, which should define and allocate responsible officials. An enterprise should also have and identity the lines of reporting, for proper

communications of the delegation of authority and responsibilities and nobody should override the system. Hence controls can best be implemented by the use of an organization chart. Which defines various obligations? (Emile 2004, Swamp 2011)

2.1.2 Segregation of Duties

This calls separation of the functions of initiating, authorizing execution, custody and recording, where by business operations are organized that two or more employees are required to participate at every transaction, the possibility of fraud is reduced and the work of one employee gives assurance to the work of another. It is described that no one person or department handles a transaction completely from beginning to end, as this reduces the chance of employee services to verify that of another, ensuring that errors are detected promptly. (Lawrence 2001).

2.1.3 Authorization and Approval

The transactions of the business enterprise all must be authorized and approved by the responsible officials whose limits of authority and approval match such transaction being approved or authorize. (Millichamp, 2009).

2.1.4 Arithmetic and Accounting

These are controls in the recording function, which check that transactions have authorized, that they are all included correctly recorded and accuracy processed. Some of the procedures, accuracy of the records, the maintenance and checking of totals, reconciliation, control account trial balance and sequence checks. (Emile 2004).

2.1.5 Physical Restrictions

Control of this kind aims at limiting accessibility of entities assets to the only authorized persons in particular time. Serves a strong protective measure in safeguarding organizations assets, process and the data. The physical control methods in the case include, strong rooms and safes, security guards, cheque books involves, fences lockers and serialization of vouchers. (Kinney 2000)

2.1.6 Management

According to Millichamp (2011), these are controls exercised by management, which is outside, over and above the day- to-day routine of the system. They include overall Supervisory controls, review of management accounting internal audit and other procedures. Senior management must be aware of the day- to-day activities of the company and be seen by staff to be so. Management accounts should be designed to summarize performance in detail, management, to determine departure from intended plans should like budgeting and variance analysis.

2.1.7 Personnel

Any internal control system regardless of its applicability should be operated by Personnel who are of desirable integrity! authority, competence and capabilities to perform their challenging assignment well. The clear authority and responsibility in written job descriptions and personal manuals need be adhered to accordingly. (Millichamp 2011)

2.1.8 Supervision

This control concerns the fact that all actions by all levels of staff should be supervised. The responsibility for supervision should be clearly laid down and communicated to the persons being supervised. According to the laid down policies of the organization. This must be done in terms of strong human relations approaches to build up motivation attitudes among the employees and avoid frustration among the subordinates being supervised. (Kinney 2000)

2.1.9. Acknowledgement of Performances

These control procedure requires that the person performing data processing operation should acknowledge their activities by means of signature, initial or stamps as this enables effective evaluation and responsibility to the employees at their working areas. (Lawrence 2001).

2.1.10. Budgeting

Budgeting is common techniques used in business. Budgets are qualitative plans and can be compared to actual results to investigate differences. The above are the categories of internal

control in organizations. Since the environment has an impact on the internal controls of the organization and the environment is subject to change the internal control systems must be under constant and regular supervision by management to incorporate the changes in the system. (Muheki 2011).

2.2. Internal control Measures

According to Millchamp (2011), the general measures for internal control include

- An appropriate and integrated accounting system of accounting and records.
- a Internal controls over the accounts and records
- Financial supervision and control by management, including budgeting control, management accounting reports and interim accounts.
- Safeguarding and if necessary duplicating records.
- Engaging training and allocating specific duties to staff who are capable of fulfilling their responsibilities.

Control Environment

Whittington and Pany (2001) note that the control environment sets the tone of the organization by influencing the control consciousness of people. They further assert that control environment is viewed as the foundation for all the other components of internal control. Control environment factors include; integrity and ethical values of personnel responsible for creating, administering, and monitoring the controls, commitment and competence of persons performing assigned duties, board of directors or audit committees (especially the extent of their independence from management, experience & stature), management philosophy and operating style (in terms of their aggressiveness or conservativeness which may determine the level of risk they may take on), and Organizational structure (which may be a well organized structure that provides for proper planning, directing and controlling operations or a disorganized structure that may only serve to confuse the key players by creating unclear roles). Control environment has several factors, however, for purposes of this research, the review will focus on Management philosophy and operating style, the integrity and ethical values of personnel that create and administer

controls, and audit committees and board of directors. For purposes of the study, board of directors will be represented by the Governing council and the various committees of Council. ,

Whittington and Pany also believe that these factors set a basis upon which the other internal control components can be built. They also provide a framework within which the other components operate. However, these assertions have not always held true, since management in organizations has always overridden these controls, the lack of mentoring has always led to collapse of controls. The independence of audit committee has largely been theoretical in most organizations. Boards of directors have on several occasions had very little time for company affairs, implying that their supervisory role has always been wanting. It is equally worth noting that most of the board members' selection is largely political and a reflection of the political allegiance. They most of the cases lack the experience and exposure to determine the strategic direction of the organization. Board of directors, ought to supervise the management of an entity, but it has always turned out that Board members merely implement recommendations of the management committee of an Bank.

2.3 Effects of Internal control on financial performance

For Internal control purposes, two persons were employed to check the accounts: one was the control measures and the other was the external auditor (Felios, 1984). The usual technique utilized by the auditors was to listen to the oral reports given by the appointed officials responsible for financial matters. That is why the term "auditor" is thought to have been derived from this "hearing of accounts". This practice continued until it was replaced by paper as the means to evidence financial transactions. Internal auditing is an important element to management since it provides audit services for managers at all levels including the board of directors and audit committee (Rezaee & Lander, 1993). Control measures responsibilities are assuring the integrity of financial and operational information and reports, organization is complying with laws, statutes, policies, procedures and financial instruments and is operating efficiently and economically, the goals and objectives of the company have been accomplished and resources have been provided with; and also safeguarding the assets of the organization.

Based on these responsibilities, it is not difficult to observe how the internal control can improve the company's corporate governance structure. In fact the revised definition of internal auditing indicates that the scope of audit work includes evaluating and improving the effectiveness of a company's governance process since the new internal auditing concept expects the internal audit to function efficiently, effectively and economically the organizational activities and controls besides assisting management in high-level decision-making (Control measuress, 2000).

Brodie (2009) however commented that generally management has been rather slow to recognize the full value and potential of internal audit experience even though there has been a steady improvement in the professional standing of control measuress. Therefore, there is a need for continuous effort to enhance the understanding of the role of internal auditing and the benefits it can bring to the organizations and to society as a whole.

Both writings by Rose (2002) and Benedict (2003) represent the earliest attempts to develop an interview type management audit. The management audit was organized around the functions of management and followed a deductive approach as opposed to the inductive approach of operational auditing. These two similar but separate concepts were the forerunners of today's movement toward the extension of the scope of auditing. Management auditing and operational auditing began to merge in the late 1950s and early 1960s. Control measuress frequently referred to their audit as a management audit, and many writers stated that the terms were synonymous. At present, both terms refer to an audit that goes beyond traditional financial attestation into the area of managerial economy, efficiency and effectiveness. Such audits may be deductive or inductive, internal or external.

Internal auditing has undergone dramatic changes that have expanded its scope in a way that allows it to make greater contributions to the organization it serves. Internal auditing is also performed in diverse legal and cultural environments; within organizations that vary in purpose, size, and structure; and also by persons within or outside the organization. Furthermore, the internal auditing profession also walks a tightrope between serving as a management consultant and an independent professional. A survey done by the Malaysian Institute of Corporate Governance (MICG), The Institute of Control measuress Malaysia (IIAM) and Ernst & Young concluded that control measuress are best placed to understand and appreciate the business

processes of a company and they act as management consultant to reduce risks. Control measuress also help run a company more efficiently and effectively to increase shareholders' value.

To accomplish this, internal auditing must function in a manner that is in accordance with applicable professional standards such as the Standards for the Professional Practice of Internal Auditing (SPPIA). By complying with the SPPIA, the responsibilities of control measuress can be met. This is because SPPIA requires that the Chief Audit Executive (CAE) to report to a level within the organisation that allows the internal audit activity to fulfill its responsibilities. The purpose of the SPPIA is to delineate basic principles that represent the practice of internal auditing, as it should be, provide a framework for performing and promoting a broad range of value added internal audit activities, establish the basis for the measurement of internal audit performance and foster improved organizational processes and operations (IIA, 2000). By having these responsibilities, the internal auditing department can assist management to identify and solve problems at the initial stage and not wait until it is too late to be solved.

2.4 Competence of staff in relation to internal control

Over the past several years, internal control has become a subject of interest in the internal auditing literature. One issue that has emerged related to the internal controls; "what is proper and sound measurement of the internal control?" Before proper and sound measurement of the internal control can be done, we have to have a clear understanding of the roles expected of internal auditing and its impact on the internal control or on the internal audit effectiveness (Barrett, 1986). However, Barrett notes, "effectiveness can be described, but it is difficult to quantify and in the final analysis, effectiveness is determined by the perception of auditees." In the company environment, the management is the most important auditee of the internal audit department since effectiveness of the internal control can be described through the expectations of the management with regard to the internal control. The management will expect the control measures to perform their internal control to a certain level that is complying with the SPPIA since it can be easily described.

The internal control system plays an important role in the internal control since the control measures might be considered as being specialists in management control (Chambers, Selim & Vinten, 1987). Internal control appraise the effectiveness of internal control systems, which is a definition of internal auditing and which also includes an appraisal of the actions by management to correct situations, which are at variance with planned outcomes. The definition of internal control systems reveals that it is not fundamentally different from management control, which has an essential component of control such as planning, organising, staffing and directing (Chambers et al., 2007).

Performance of the internal audit department is measured through lower external audit fees. Reckers et al. (1997) and Felix et al. (2001) in their studies found that internal control system has a significant impact on reducing the external audit fees. This is because control measuress can provide information about the internal control system of the firm and the level of compliance with it, about specific firm accounting practices, industry conditions, firm management, and performance problems that could result in pressure to manipulate results. However, current management literature makes virtually no reference to internal control as a potentially powerful tool for meeting the management objectives of lowering external audit fees. Therefore this study intends to find out whether the internal control have a significant impact on the external audit fees.

Most people are familiar with the purpose of traditional or financial auditing, but when it comes to IT/IS auditing, majority would be clueless. The purpose of a financial audit is to issue an unbiased opinion on the truth and fairness of financial statements of the company being audited, based on objective evidence. As many modern business processes are automated and business and accounting data today is kept and processed using increasingly complex information systems, the information systems themselves become an important element of any audit. Hence, information system or information technology auditing (IT auditing), initially referred to as Electronic Data Processing (EDP) auditing, was created to support the audit of financial statements and IT audit reports were produced as part of a financial audit report.

Internal controlare a long-standing function and an effective tool of management in many organizations. It has been a recognized component of organizations in both the public and private

sectors and in most industries for many years. Internal auditing is often seen as an overall monitoring activity with responsibility to management for assessing the effectiveness of control procedures which arc the responsibility of other functional managers. The internal audit function is not limited to the operation of any particular function within an organization. Rather, it is all-embracing and accordingly is structured in the organization as a separate entity responsible only to a high level of management. As Okezie(2004) puts it, the main objective of internal auditing is "to assist management in the effective discharge of their responsibilities by furnishing them with analysis, appraisal, recommendations and pertinent comments concerning the activities reviewed". Internal auditing which is often seen as constituting a large and significant aspect of an organization's financial control system is a vehicle to success and survival.

According to Rittenberg and Schwieger (1997) "internal auditing is taking on increased importance in many of today's global organizations by assisting management in evaluating controls and operations and thereby providing an Important element of global control". Venables and Impey (1991) also recognized the control role of internal auditing when they stated: It is generally recognized that the proper organization, staffing and methodology of internal audit presents the board with the best means of focusing on its obligation to ensure proper controls in the business However, the need for an internal audit function will vary depending on company specific factors derived from or directly related to chart of accounts and found in a company's profit and loss statement or balance sheet. According to Emmanuel et al (1990), financial performance measures serve two purposes: they measure the return given to the providers of finance (such as shareholders) and they present an assessment of the overall capabilities of the organization as a whole.

Most internal audit professionals argue that an effective internal audit function correlates with improved financial performance. According to Bejide (2006), an effective internal audit service can, in particular, help reduce overhead, identify ways to improve efficiency and maximize exposure to possible losses from inadequately safeguarded company assets all of which can have a significant effect on the bottom line. Similarly, Venables and Impey (1991) had stated that internal audit is an "invaluable tool of management for improving performance". Fadzil et al

(2005) had also noted that control measuress help run a company more efficiently and effectively to increase shareholders' value". And Hermanson and Rittenberg (2003) had argued that the existence of an effective internal audit function is associated with superior organizational performance.

2.5 Limitations of internal Controls and reporting systems

Thus, for the growing SMEs (Uganda Clays Ltd–Kajjansi) in the McMahon & Davies (1991a, 1991b, 1994) study, there do not appear to be any substantial associations between undertaking more comprehensive financial reporting and use of financial ratio analysis on the one hand and achieved rates of growth and financial performance on the other.

In a study on Enron and others, companies were careful to point out the inherent limitations of internal controls. Eighty-six percent of the reports acknowledged the systems' designs provided only "reasonable assurance" of meeting stated objectives. Thirty-five percent said the internal controls' cost should not exceed anticipated benefits. Sears, for example, explained that the "concept of reasonable assurance is based on the premise that the cost of internal controls should not exceed the benefits derived."

A number of reports spelled out the limitations. One of the most extensive clarifications came from Enron: *"It should be recognized, however, that there are inherent limitations in the effectiveness of any system of internal control. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to the preparation of financial statements and safeguarding of assets. Further, because of changes in conditions, internal control system effectiveness may vary over time."*

In spite of these limitations, managements often tried to assure statement readers of the soundness of their internal controls. Although about half of the companies in the study asserted specifically that their internal controls were effective or strong, they did not address the basis for this assessment. Only three of the Fortune 100 Freddie Mac, Halliburton and Ameritech—said their assessments were based on recognized criteria for internal control, with Ameritech the only one specifically listing the five components of internal control defined by the COSO Internal Control Integrated Framework: Control environment; Risk assessment; Control activities;

Information and communication; and Monitoring.

2.6 Case studies done in Uganda

Research Journal of Finance and Accountingwww.iiste.org ISSN 2222-1697 (Paper) ISSN 2222-2847 (Online); Vol,4, No.2, 201330; Recent evidence shows that Small and Medium Enterprises (Uganda Clays Ltd – Kajjansi) form the bulk of Uganda's private sector. If Uganda is to become competitive through growth of the private sector, it is inevitable that more attention must be paid to addressing the key bottlenecks to SME growth and competitiveness (MFPED 2008). Access to, and costs of finance are reported to be a severe problem for SMEs in Africa. Good financial management practices have been viewed as critical elements in the success of Uganda Clays Ltd – Kajjansi in Uganda. Though Uganda Clays Ltd – Kajjansi are making positive contributions to economic growth and development in Uganda; the rate of failure is also high (Kazooba, 2006). Meredith (1986) asserts that financial management is concerned with all areas of management, which involve finance not only the sources, and uses of finance in the enterprises but also the internal controls and reporting, implications of investment, production, marketing or personnel decisions and the total performance of the enterprise. However, such areas are not currently well embraced by Uganda Clays Ltd – Kajjansi in Uganda and urgent attention needs to be paid to. Lack of effective management during Uganda Clays Ltd – Kajjansi early stages is sighted as a major cause of business failure for small businesses. Owners tend to manage these businesses themselves as a measure of reducing operational costs. The study uncovered the example of business person who locks the enterprise for a full day whenever he goes funerals in and around Kampala. He does this once every week, depending on the number of deaths of relatives, a total of four days a month. One result of this is loss of customer loyalty.

This is clearly explained by Katuntu's remarks that poor location of business, lack of management experience on controls and projected reporting for decisions, and over-investment in fixed assets has led to the collapse of many SMEs (Uganda Clays Ltd – Kajjansi) (Kazooba 2006). Inefficient financial management may damage business efficiency and this will continuously affect the growth of the Small and Medium enterprises. However, efficient financial management is likely to help Uganda Clays Ltd Kajjansi to strengthen their business efficiency and, as a result, these difficulties can partly be overcome. Kazooba (2006), argues that though Uganda is among the countries with high start-up of SMEs (Uganda Clays Ltd – Kajjansi), it also

has the highest numbers of non performing. However, the studies conducted did not show how the components of financial controls and reporting affect the overall business efficiency of Uganda Clays Ltd – Kajjansi. A large number of business failures have been attributed to inability of financial managers to plan, control and report properly the current assets and current liabilities of their respective firms (Mbaguta, 2002). However, to date the studies done on financial management practices in Uganda Clays Ltd – Kajjansi in Uganda are scanty and thus called for this study on financial controls and reporting practices in Uganda Clays Ltd – Kajjansi in selected districts in Uganda.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, the researcher highlighted on the research design, research area, population size, research instruments, data collection methods that will be used, data analysis and validity and reliability of data.

3.1 Research design

The study used a cross-sectional research design which often used in assessing respondents' views towards the relationship between internal control and financial performance of commercial banks. This type of research design utilizes different groups of people who differ in the variable of interest, but share other characteristics such as socioeconomic status, educational. Cross-sectional research design is designed to look at a variable at a particular point in time and focuses on finding relationships between variables at a specific point in time.

3.2 Study population

The study used various categories of people from the Target Population of 220 taking the age of 18 years above and they included the managers, accountants, tellers, supervisors and other authorized employees who have knowledge about the topic under study.

3.3 Sample size and Selection

The study used both simple random sampling and purposive sampling procedures. Purposive sampling was used to select different activities in the area of investigation in order to get first hand information from the key informants. Simple random sampling was used because respondents have equal chances of being selected. The sample size will be 150 respondents 40 credit officers, 30 supervisors and 80 clients were selected basing on a table for determining Sample size by Krejcie and Morgan, 1970, p.608). Stratified disproportionate random sampling was used to select the respondents from each stratum.

Table 1: Sample Size

Category of respondents	Target population	No. of respondents
Managers	50	40
Supervisors	55	30
Accountants	70	50
Other authorized persons	45	30
Total	**220**	**150**

Source: Human Resource Records

3.4 Sampling Techniques

The respondents was randomly selected and categorized. They comprised of both sexes but of different marital statuses and age groups and the study used 150 respondents that is; managers, accountants, tellers, supervisors and other authorized employees.

3.5 Data Collection Methods

To obtain data about the research variables, primary and secondary data sources was used as elaborated below;

a) Primary Source

This involved use of first hand information that was obtained from the field using interviews and questionnaires. The types of data included the social- demographic characteristics of the respondents (age, gender, level of education etc), and perceptions of solid waste management.

b) Secondary Source

This included the already existing literature about auditing practices and financial performance of commercial banks. This information was collected from reports, circulars, newspapers, magazines and internet.

3.5.1 Questionnaire

A comprehensive questionnaire covering all the aspects of the study variables was designed. The first section of the questionnaire will cover general information (gender, age, education, marital status). Section B covered the questions which was set in line with the objectives of the study. The questionnaires were first pre-test before being administered on the respondents. The questionnaires were self administered to ease data collection. The questions will be both open and close ended. This enabled the respondents to express their opinion about the implication of reward competitiveness.

3.5.2 Interview Method

Interviews with the target respondents was conducted to interview all the categories of respondents mentioned above. A separate interview was used for the key informants. This involved first making an appointment with the targeted respondents after which an interview meeting between the researcher and respondents discussed the issues concerning auditing practices and the performance of commercial banks.

3.5.3 Research Instruments

The researcher used questionnaires and an interview guide as the main tools for collecting data. The selections of these tools was guided by the time, objectives and the nature of data to be collected. The researcher was interested in capturing the views, perceptions, feelings, attitudes and opinion of respondents towards auditing practices and financial performance of commercial banks.

3.5.4 Documentary Review

This involved the researcher revisiting existing literature on the study variables by reading news papers, journals, text books plus the already existing on internet and magazines among others.

3.6 Measurements of variables

3.6.1 Validity of the instruments

Validity is the efficiency or the degree to which a method, a test or a research tool actually measures what is supposed to measure. It refers to the accuracy of the research data. For this case, the validity of the questionnaire will be tested using the Content Validity Index test (CVI). This involved item analysis to be carried out by the supervisors and an expert who was knowledgeable about the theme of the study. The process will be involve examining each item in the questionnaire to establish whether the items to be used will bring out what it is expected to bring out. Item analysis will be conducted using the scale that runs from Relevant (R), Neutral (N), to Irrelevant (I).

3.7 Pre-testing

In order to ensure and maintain a high level of consistency in this study, the researcher employed the following:

Questionnaires was pre-tested. Ambiguous questions was made clear and irrelevant questions will be deleted. The researcher used accurate questions which was open-ended and closed ended questionnaires. The questions were set to have enough space to give appropriate responses.

3.8 Reliability of Instruments

Reliability means the degree of consistency of the items, the instruments or the extent to which a test, a method, or a tool gives consistent results across a range of setting or when it is administered to the same group on different occasions. The reliability of research questionnaire will be tested using Cronbach's alpha coefficient test for its internal consistency to measure the research variables.

3.9 Data Validity

An introduction letter was obtained from the faculty by the researcher to solicit approval to conduct the study from respective departments in UBA bank, head office in Kampala district.

When approved, the researcher secured a list of the qualified respondents from the bank authorities in charge and select through systematic random sampling from this list to arrive at the minimum sample size.

3.10 Data Analysis

Data analysis included editing the findings, coding and tabulation in the computer Statistical Package for Social Scientists (SPSS) for analysis. Main ideas in qualitative data was clearly be recorded. The data filled in the questionnaires was copied and analyzed by tallying it and tabling it in frequency tables identifying how often certain responses occurred and later evaluation was done. This was yield the primary data which was raw in nature. Both qualitative and quantitative methods was used for data analysis as the study generated both qualitative and quantitative data. Once the data is collected, it was coded and analyzed by use of descriptive statistics such as frequencies percentages, means, modes, medians, standards deviations, variances and correlations.

3.11 Ethical considerations

It was important during the process of research for the researcher to make respondents to understand that participation is voluntary and that participants are free to refuse to answer any question and to withdraw from participation at any time they are chosen.

Another important consideration, involves getting the informed consent of those going to be met during the research process, which will involve interviews and observations on issues that may be delicate to some respondents. The researcher undertakes to bear this seriously in mind.

Accuracy and honesty during the research process is very important for academic research to proceed. A researcher should treat a research project with utmost care, in that there should be no temptation to cheat and generate research results, since it jeopardizes the conception of the research.

Personal confidentiality and privacy are very important since the thesis will be public. If individuals have been used to provide information, it is important for their privacy to be respected. If private information has been accessed then confidentiality has to be maintained (Stephen, P. 2002). All respondents will therefore, be re-assured of this before being involved.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

4.1 Introduction

This chapter is on data presentation and analysis. Data presentation and analysis was done following the three research objectives that directed this study.

4.2 Biographical Information

The characteristic UBA of the sample explained using the biographical data in terms of gender and rank at work place, educational level, age group and marital status of respondents. The summary of information is shown in the tables below. This was done because it gives more information about the people those the researcher is dealing with.

4.2.1 Gender and Position of the Respondents

Given those UBA Bank employees both male and female to the organization, Despite, that the African women are not easy to reach high positions as it easy in terms of man to reach the high positions in the organization because of norms, beliefs and cultures existing in the community, the researcher considered the gender of the respondents to avoid possible biases and ensure that the views from both female and male respondents are attained. The location component was used in gathering data from different categories of the respondents. This is because it gives a clear picture about the respondent's gender and their position in the Bank.

4.2.2 Educational Level Attained

Knowledge, skill and experience of the respondents add value to sample responses (Fred, 2009). Therefore the researcher established that the education levels of the respondents has added value to responses from both the questionnaire and interviews conducted.

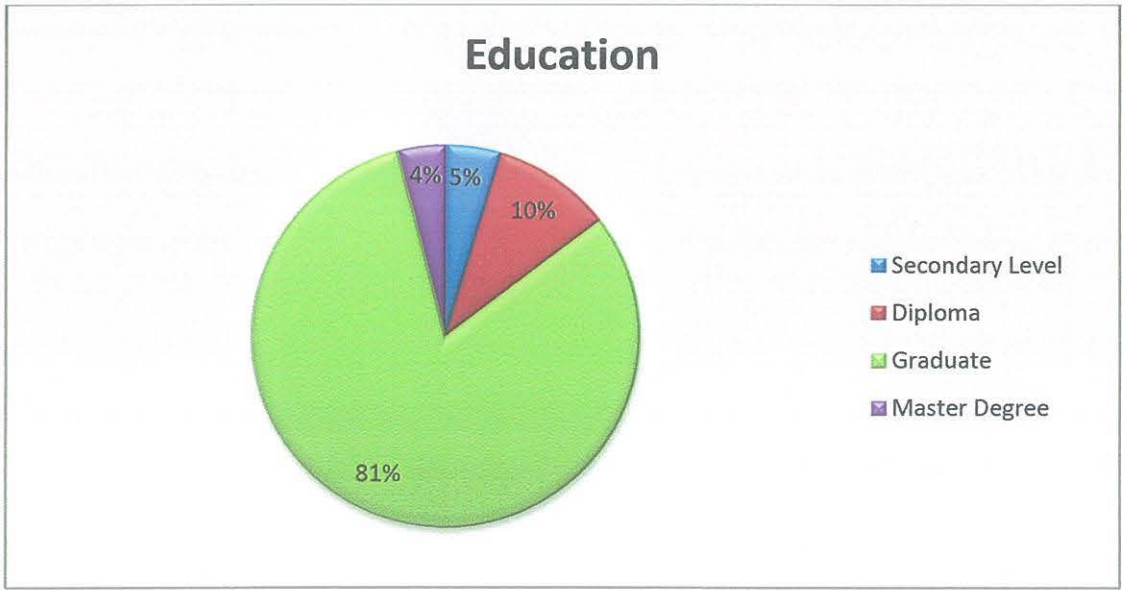
Table 1: Education Level Attained

Level	Frequency	Percentage
Secondary level	7	4.6
Diploma	15	10
Graduate	122	81.3
Master degree	6	4
Total	150	100.0

Source: Primary Data, 2010.

In Table 4.2.2, results reveal that the entire key informants had at least secondary level Certificate of Education. In all, 7(4.6%) had acquired secondary educational level, 15(10%) had acquired Diploma certificate, while 122(81.2%) were university graduates, and 6(4%) have a master degree. This added value to the responses given that they were all in position to understand and answer the questions of the questionnaire. This was captured from question two in the questionnaire. Study findings revealed that the Diploma level of study is more dependable in providing reliable information given the technical nature of the topic under study.

Figure 1: showing the Education Level Attained



4.2.3 Age group of Respondents

The responses on question three of the questionnaire is about the age group of respondents.

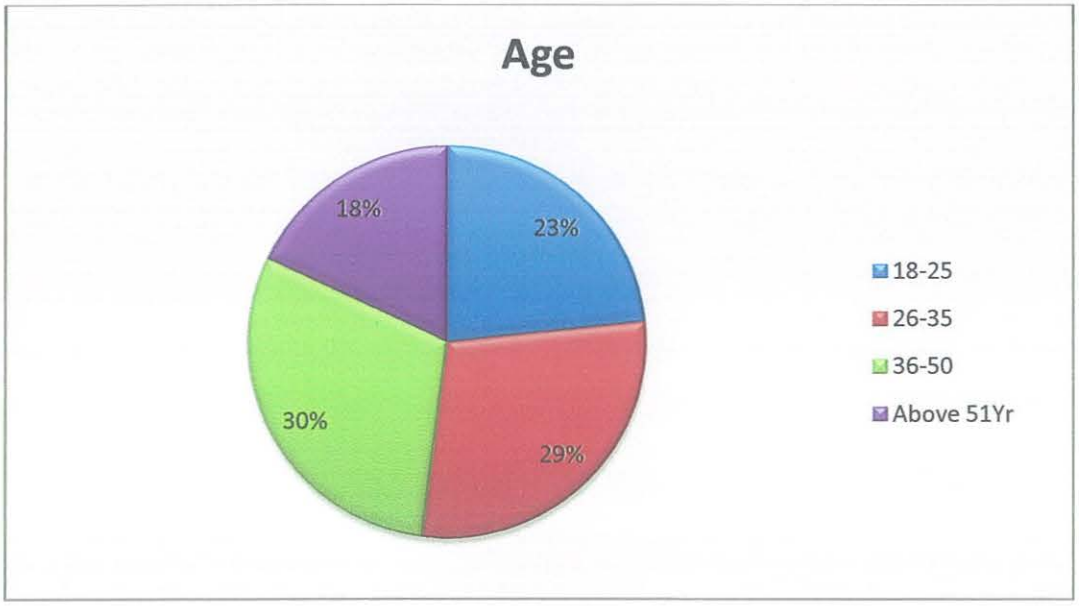
Table 2: Age Group of the Respondents

Age Group	Frequency	Percentage
18-25 year	35	23.3
26-35 years	43	28.6
36-50 years	45	30
Above 51 year	27	18
Total	150	100

Source: Primary Data

Table 4.2.3, reveals that out of the total sample of 150 respondents 30% of the respondents were in the age group of 36-50 years, this is the most positive result oriented age group (Kothari, 2007). This therefore provided confidence to the reliability on the responses from the questionnaire. This means that 43(28.6%) of the respondents, were between the ages of 26 and 35 years, the implication of this is that the majority of the respondents are trustable.

Figure 2: Showing the Age Group of the Respondents



4.2.4 Work experience in UBA Bank

The question four of the questionnaire is about the respondent's experiences, This is particularly challenging for the many organizations who at the same time are trying to control their overall contact center costs, and are maybe even considering offshore outsourcing as an alternative approach.

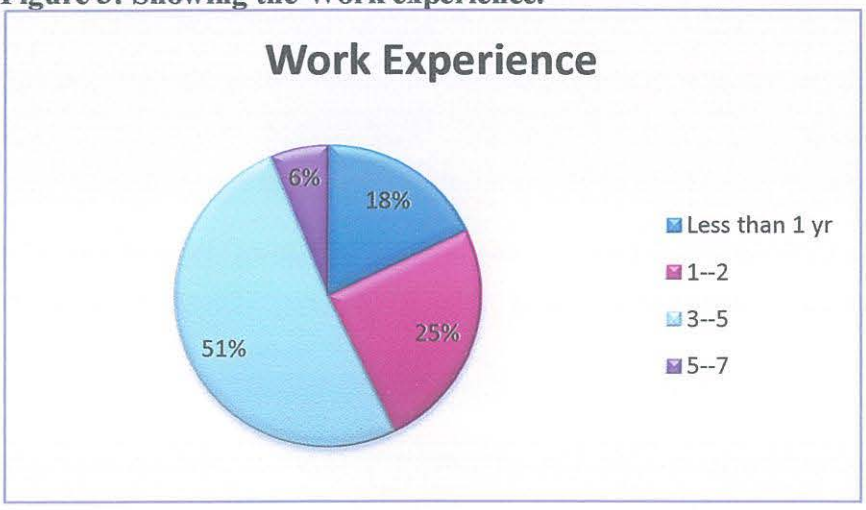
Table 3: Work experience

Years.	Frequency	Percentage
Less than 1 year	26	17.3
1-2	38	24
3-5	74	49.3
5-7	9	6
More than 7 years	3	2
Total	150	100%

Source: primary data

Table 4.2.4 presents that out of 150 respondents 49.3% are in the table of 3-5 years of experience which indicates that the majority of the respondents have enough experience to perform the Bank's financial department, On the other hand 24% are in 1-2 years of experience, others less than one years 26(17.3), 5-7 yrs were seen at 6%, and more than 7 yrs declared 2%.

Figure 3: Showing the Work experience.



4.3 Different Internal Control Measures used by the Management

4.3.1 Emphasizing of Internal control methods system in UBA

Table 4.3.1 Internal control system in the UBA Bank

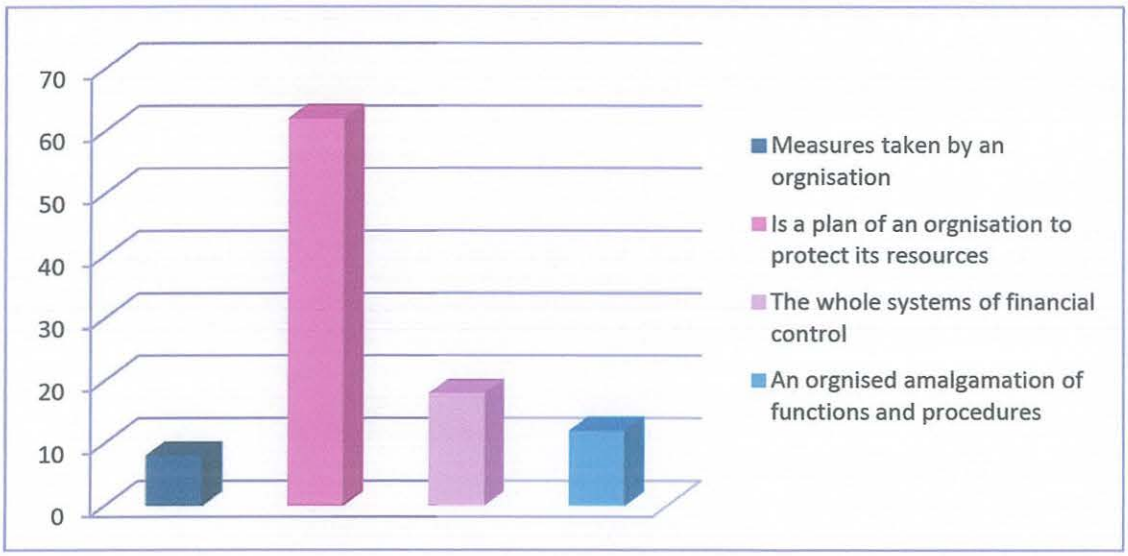
Internal Control Methods	Yes	No
Does the bank use the Organization as the internal control of UBA	89	78
Does the UBA bank carried out Segregation of Duties	89	68
Does the bank use Authorization and Approval	65	95
As Arithmetic and Accounting is looked as an internal method in the Bank, does the bank adopt it?	23	79
Our Bank has an accounting and financial management system	86	64
Management is committed to the operation of the system	97	68
Management closely monitors implementation of Internal control systems in our Bank	65	55
Management provides feedback to the junior officers about the operation of the system	102	42
Appropriate measures are taken to correct misfeasance in operation of our Accounting & Finance Management System	35	103
Management acts with a great degree of integrity in execution of their roles	40	110
Ethical values are upheld in all management decisions	46	65
Our Bank has an objective, independent and active audit committee	24	64
Our governing council and its committees are independent of management	67	99

Source: ***Primary Data***

In the above Table 4.3.1, the Respondents in the categories of Agree and Strongly agree revealed that internal control system exists in UBA Bank, for the responses that they are being

Meaning of Internal Control System

Figure 4: Showing meaning of UBA



Source: Primary data

From Figure 1 above, 23% (n=150/35) understood Internal Control Systems as a plan of an organization to protect its resources, while 43% (n=150/65) said Internal Control System is the whole systems of financial controls, 26.7% (n=150/65) argued that Internal Control Systems is an organized amalgamation of functions and procedures and 8% (n=150/65) attributed the meaning of Internal Controls Systems to measures taken by organizations. Therefore it can be concluded that Internal Control Systems is a plan of an organization to protect its resources.

4.3.2 The UBA bank control Activities

Table 4: Control Activities

Control activities	Yes	%	No	%
Our Bank has clear separation of roles	92	61.3	39	26
Every employee's work check on the others	16	10	56	37.3
There is appropriate supervision by senior staff on the work of their juniors	85	56	25	16.6
Corrective action is taken to address weaknesses	45	30	75	
Staff are trained to implement the accounting and financial	65	43.3	58	38.6

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There is appropriate supervision by senior staff on the work of their juniors	85	56	25	16.6
Corrective action is taken to address weaknesses	45	30	75	
Staff are trained to implement the accounting and financial management system	65	43.3	58	38.6
Our Bank has a well developed Chart of Account	56	37.3	42	28
It is impossible for one staff to have access to all valuable information without the consent of senior staff	58	38.8	95	63.3
Controls are in place to exclude incurring expenditure in excess allocated funds	79	52.6	65	43.3
Departments have budget reviews where actual expenditure is compared with budgeted expenditure and explanations for the variances given	68	45.3	48	32
Our security system identifies and safe guard Bank Assets	99	66	89	59.3

4.3.3 Does UBA have procedures to identify accounting problems?

Table 5: **Procedures to identify accounting problems**

Responses	Yes	No	Not aware	Total
Frequency	59	45	46	150
Percentage	39.3	30	30.7	100%

Source: primary data 2010

In the above Table 4.3.3 According to results UBA bank has transformed and therefore it has come up with procedures that can be used to identify accounting problems as a number of respondents declared that UBA have established procedures to identify accounting problems, 59 respondents in percentage 39.7% the majority of the respondents agreed that. Other respondents 6 persons in percentage (12%) indicated that they disagree with these identifications of accounting problems, only 0 of the respondents voted that they are not aware of.

The Implication of this Table is that the UBA have established procedures to identify accounting problems, because the problems in accounting principles are very easy to understand and it's the has UBA in the whole accounting field.

4.3.5 Internal control and Specific audits of Accounting in UBA?

Table 6: Specific Audits of Accounting in UBA

Items	Yes	%	No	%
In UBA Bank there has been an effective utilization of the audits in accounting with great influence in the services delivery of financial reports	85	56.7	65	43.3
The aspects of employing internal controls measures has been so effective to both the standards of the accounting financial statements and others holders in bank.	93	62	57	38
The audits have enough time to address the value account sensitivity in relation to the client's demands and wants.	67	44.7	83	55.3
Performance of the UBA bank is based on the aspect of coordinating in and among the employees in the financial section.	101	67.3	49	32.7

Source: Primary Data 2015

In the above Table internal control has great influence in the performance of the UBA bank whereby there more efficiency in the utilizing the audits in the accounting concepts to effect the performance as a result 56.7% agreed on the massive contribution that the internal control measures does the great attributes in the Bank. Furthermore, the audits have enough time to address the value of the accounting financial statement and other holders in bank and 62% of respondents accepted the fact that there is sensitivity of the accounts.

4.3.6 Procedures for preparing financial statement in every consolidated entity in UBA

Table 7: **Procedures for preparing financial statement in UBA**

Items	Yes	%	No	
Does the UBA bank use the accounting procedures for preparing the financial statements?	105	70	45	30
Does the procedures have proper considerations of accounting standards entries	96	64	54	36
Does the Bank (UBA) experience challenges and frauds in preparing the accounting statements?	66	44	84	56

Source: Primary Data 2015

The above Table 4.3.6 reveals that 70% of the respondents said that the UBA use procedures for preparing financial statements applied in every consolidated entity in their preparation of accounting entries.

In the other outcomes 54(36%) are not aware of, only 96(64%) in percentage said that the UBA use procedures for preparing financial statements applied in every consolidated entity in their preparation of accounting entries, but the majority of the respondents are not agree with them.

The Implication is UBA can face problems in terms of preventing fraud, because it does not use procedures for preparing financial statements applied in every consolidated entity in their preparation of accounting entries.

UBA doesn't locate any financial resource to put into practice and supervise risk management procedures, UBA hasn't defined procedures and policies for managing the main risks been. Therefore, the level of assessed level of control risk in UBA Bank is too low, and that will result out of control risks in the Bank.

The Bank's business risks are not adequately monitored and evaluated, because of that the Bank can meet risks without contingency plan. Also here is no special function for risk management in UBA. UBA is not performing, because of the weak internal control system of UBA which mentioned in the above tables and analyzes, the department of finance in UBA is on its last legs.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of findings, conclusion, and recommendations including areas for further research.

5.2 Summary of Findings

The theme of the study was the effect of the internal control system on the performance of the department of finance of UBA Bank, the summary of findings has been arranged in line with the study objectives.

The first objective of the study was to examine to what extent is internal contro of the Bank, the study revealed that, UBA Bank emphasizes internal control system, 68% of the respondents agreed that, nevertheless still fraud can be there even if internal control system existed in the Bank, because week UBA cannot prevent any. That is why the Bank is losing its cash while UBA is there, but not effectively and efficiency functioning.

Also the study revealed that UBA does not use procedures for preparing financial statements applied in every consolidated entity in their preparation of accounting entries, without these procedures the Bank can face problems inside internal control system, because of the lack of proper communications inside UBA the UBA can't work efficiently.

The study revealed UBA established procedures to identify accounting problems, these accounting problems cab found easily, but the hard think is the best way to fix it. Also the study found that the fixed asset of UBA the fixed Asset like the cars, computers, and the other most valued Asset are safe but the cash is not.

The second adjective of the study was to evaluate the importance of financial information and communication of UBA for the performance of the Bank, the research discovered that, there is a direct relationship between strong internal control system and the performance of the Bank, 50% the respondents declared that they believe if strong internal control system exists in the Bank

then the Bank's performance can be guaranteed from that, because many companies link internal controls to performance evaluations for mid-level managers and other employees.

Also the research declared that, the respondent's declared that the financial department of UBA evaluates at regular intervals. If this so the Bank can measure its performance of finance department in every year, this style of performance evaluation allows companies an opportunity to educate and review internal controls with employees on a regular basis. This teaches employees the value of achieving goals through following Bank policy, ensuring higher profitability for the Bank.

The third objective of the study was to assess the relationship between the risk Assessments of UBA and the performance of the Bank, the study revealed that, the UBA doesn't locate any financial resource to implement and supervise risk management procedures, and because of that the internal control system of the Bank can be affected by the cause inconvenience to the poor risk management in the Bank.

Also the study found that the risk management responsibilities have not been defined and notified to the people concerned in UBA, and because of that, the Bank's internal control system cannot blame out any specific people, because there is no special function for that.

Lastly the study declared that UBA is not performing, because of the weak internal control system of UBA which mentioned in the above tables and analyzes, the department of finance in UBA is on its last leg.

5.3 Conclusion

Basing on the above findings and the analysis of the study, the following conclusions were made UBA emphasized internal control system, so the existence of internal control system but this is not mean that the fraud because week UBA cannot prevent any, that is why the Bank is losing its cash while UBA is there, but not effectively and efficiency functioning.

On the other hand the com does not use internal control system include specific audits of accounting such as recognition of assets, recognition of earnings, accruals, inventory valuation?

UBA established procedures to identify accounting problems, the fixed asset of UBA the fixed Asset like the cars, computers, and the other most valued Asset are safe but the cash is not.

UBA doesn't locate any financial resource to put into practice and supervise risk management procedures, UBA hasn't defined procedures and policies for managing the main risks been. Therefore, the level of assessed level of control risk in UBA Bank is too low, and that will result out of control risks in the Bank.

The Bank's business risks are not adequately monitored and evaluated, because of that the Bank can meet risks without contingency plan. Also here is no special function for risk management in UBA. UBA is not performing, because of the weak internal control system of UBA which mentioned in the above tables and analyzes, the department of finance in UBA is on its last legs.

5.4 Recommendation

Following the findings and conclusions of the study mentioned the following recommendations were made:

The UBA Bank give emphasis to internal control system, nevertheless still fraud can be there even if internal control system existed in the Bank, because week UBA cannot prevent any. So the researcher recommended UBA should strength its Control system.

Also researcher recommends UBA should use procedures for preparing financial statements applied in every consolidated entity in their preparation of accounting entries, without these procedures the Bank can face problems inside internal control system, because of the lack of proper communications inside UBA the UBA can't work efficiently.

the fixed asset of UBA the fixed valued Asset are safe but the cash is not, so the researcher recommended UBA should develop security towards its cash, to stop potential risks or potential misuse of the cash, the Bank should use its internal control report to insure the safety of its cash.

The researcher recommended UBA should locate financial resource to implement and supervise risk management procedures, and because of that the internal control system of the Bank can work efficiency.

Also the researcher recommended that UBA should define and notify the risk management responsibilities to the people concerned in the Bank, and because of that, the Bank's internal control system can interrogate freely to those have responsibilities.

5.5 Areas for further research

Based on the relationship between internal control system and performance the researcher suggests these Areas for further research.

1) Factors affecting the performance of Risk Assessment in internal control system
2) The challenges face Information and Communication of internal control system to perform at work places
3) The impact of Monitoring in internal control system on the performance of the Bank

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APPENDIX I

RESEARCH INSTRUMENTS

A. QUESTIONNAIRE'S

Dear respondent,

I am Kyampeire Scovia pursuing a Bachelor's degree in Business Administration in Accounting and Finance option in Kampala International University. Am doing a research project on entitled "*internal control and performance of commercial banks in Kampala-Uganda*". I would like you to fill for me this questionnaire. All the information will be treated confidential and only for academic purpose. Thank you.

SECTION A

Instructions: Tick the appropriate answer

1. Tick your appropriate gender

Male ☐

Female ☐

2. Indicate your education level

Certificates ☐

Diploma ☐

Degree ☐

Post graduate degree ☐

Others ☐

3. How long have you worked for UBA Bank Kansanga branch?

Below 2 years

2-5 years ☐

6-10 years ☐

11-15 years ☐

Above 15 years ☐

4. Indicate your position in this organization

Line manager ☐

Supervisor ☐

Team leader ☐

Clerk ☐

5. Which department o you belong to?

Marketing department ☐

Planning department ☐

Credit department ☐

Financial department ☐

SECTION B

6. What factors does your organization consider when offering these loans?

Repayment period ☐

Collateral offered ☐

Purpose of the loan ☐

Loan limit ☐

Account turnover. ☐

7. What do you understand from the term Internal Control?

A measure put in place to regulate lending. ☐

Interest rate controls ☐

8. Is your organizations operations hampered by Performance?

Yes

Please explain.....

No

9. Does internal control help in the performance of UBA Bank Kansanga branch?

Yes

Please explain.....

No

Please explain.....

10. What is the relationship between Internal control and performance of commercial banks?

Positive ☐

Negative ☐

No relationship ☐

11. How often do you review your internal control during performance?

Once per year ☐

Twice per year ☐

Once after two years ☐

Once after five years. ☐

Thank You for Your Co-Operation

Statements	1	2	3	4	5
Control environment					
Our Bank has an accounting and financial management system					
Management is committed to the operation of the system					
Management closely monitors implementation of Internal control systems in our Bank					
Management provides feedback to the junior officers about the operation of the system					
Appropriate measures are taken to correct misfeasance in operation of our Accounting & Finance Management System					
Management acts with a great degree of integrity in execution of their roles					
Ethical values are upheld in all management decisions					
Our Bank has an objective, independent and active audit committee					
Our governing council and its committees are independent of management					
Control activities					
Our Bank has clear separation of roles					
Every employee's work check on the others					
There is appropriate supervision by senior staff on the work of their juniors					
Corrective action is taken to address weaknesses					
Staff are trained to implement the accounting and financial management system					
Our Bank has a well developed Chart of Account					
It is impossible for one staff to have access to all valuable information without the consent of senior staff					
Controls are in place to exclude incurring expenditure in excess allocated funds					
Departments have budget reviews where actual expenditure is compared with budgeted expenditure and explanations for the variances given					
Our security system identifies and safeguard Bankal Assets					

Thank You for Your Co-Operation

B. INTERVIEW GUIDE

I am Kyampeire Scovia pursuing a Bachelor's degree in Business Administration in Accounting and Finance option in Kampala International University. Am doing a research project on entitled "*internal control and performance of commercial banks in Kampala-Uganda*". I would like you to fill for me this questionnaire. All the information will be treated confidential and only for academic purpose. Thank you.

1. What is your position in the Bank?

2. What management level do you occupy by virtue of your position in the Bank?

3. In your opinion, does the Bank operate systems of internal controls? If so how does your role support it?

4. Are the systems of internal controls referred to in 3 above functioning as they are intended to?

5. In your opinion, what would you consider to be the main measures of performance in a Bank of higher learning?

6. In your opinion is having enough money the best measure of performance of University?

What would be the other measures you would consider appropriate?

7. In your opinion, do you think your Bank has adequate liquidity to meet its obligations as and when they fall due? Any reasons to explain the situation.

8. In your opinion, is the Accountability process adequate in your organization? Give reasons.

9. How would you rate the reporting process in your organization?

APPENDIX II

BUDGET ESTIMATE

ITEM	COST PER UNIT	TOTAL COST (UGX)
Library	50,000	50,000
Transport	200,000	600,000
Communication	50,000	50,000
Photocopy	100,000	100,000
Printing	150.000	150,000
Binding	50,000	50,000
Internet	50,000	50,000
Miscellaneous	200.000	200,000
Total		**1,260,000**

APPENDIX III

WORK PLAN

ACTIVITY	TIME IN MONTHS IN The Year 2015				
	MARCH	APRIL	MAY	JUNE	JULY-AUG
Proposal writing					
Questionnaire design					
Data collection					
Coding and analysis					
Submission					

APPENDIX IV

MORGAN & KREJCIE (1970) TABLE FOR DETERMINING SAMPLE SIZE FROM A GIVEN POPULATION

*N= Number of population and **S**= Number of Sample*

size

N	S	N	S	N	S	N	S
10	10	15	14	20	19	25	24
30	28	35	32	40	36	45	40
160	113	170	118	180	123	190	127
200	132	210	136	220	140	230	144
240	17	250	152	260	155	270	159
280	162	290	165	300	169	320	175
340	181	360	186	380	191	400	196
420	201	440	205	460	210	70	214
500	217	550	226	600	234	650	242
700	27	750	254	800	260	850	265
900	269	950	274	1,000	278	1,100	285
1,200	291	1,300	297	1,400	302	1,500	306
1,600	310	1,700	313	1,800	317	1,900	320
2,000	322	2,200	327	2,400	331	2,600	335
2,800	338	3,000	341	3,500	346	4,000	351
4,500	354	5,000	357	6,000	361	7,000	364
8,000	367	9,000	368	10,000	370	15,000	375
20,000	377	30,000	379	40,000	380	50,000	381
75,000	382	1,000,000	384				