INTERNAL CONTROL SYSTEMS AND FINANCIAL PERFORMANCE IN THE PETROLEUM INDUSTRY: A CASE OF VIVO ENERGY UGANDA

BY

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DECLARATION

I declare that this dissertation is my original work and has not been submitted for an award of a degree in any other University.

Signature…………………………………………

Essa Ahmed Elzine

Date……………………………………………

APPROVAL

This dissertation has been submitted for examination with my approval as the candidate's supervisor.

Signature………………………………………………………………….

Nabutsale I. Ojambo

Date…………………………………………………………………………

DEDICATION

This dissertation is dedicated to my beautiful daughter Areej Essa, my family, relatives, colleagues and fellow staff at Vivo Energy Uganda for their tireless efforts of supporting me emotionally and their financial support which has contributed to the completion of this project within the stipulated timeframe.

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

IAS	International Accounting Standards
ICS	Internal Control System
CFOs	Chief Financial Officer
COSO	Committee of Sponsoring Organizations
GAAP	Generally Accepted Accounting Principles
SEC	Securities and Exchange Commission
SOX	Sarbanes Oxley
3LoD	Three Lines of Defense

ABSTRACT

The study was set out to examine internal control systems and financial performance in the petroleum industry, using a case of Vivo Energy Uganda. The study was based on three objectives: to establish whether accounting regulations and procedures are complied with to enhance financial performance; internal audit function enhances financial performance and whether physical access to assets and financial records are properly authorized to enhance financial performance in Vivo Energy Uganda.

The study used a population of 165 selected from Vivo Energy Uganda staffs and a sample of 117 respondents was selected using Neumann's formula (2000), but the study focused only on 114 respondents who returned questionnaires for analysis. Descriptive and explanatory research designs were employed and both quantitative and qualitative approaches of data collection were used. Data were analyzed using descriptive statistics, Pearson correlation, coefficient, regression analysis, and analysis of variance (ANOVA); where the statistics proved that R^2=0.764; significance level was found and the hypothesis testing proved that there is a positive relationship between internal control systems and finance performance in Vivo Energy Uganda.

The multiple correlation results of .782 or 78.2% revealed that compliance of accounting regulations and procedures enhance financial performance; internal audit functions and authorization of physical access to assets and financial records enhance financial performance in Vivo Energy Uganda.

The study concluded that accounting regulations and procedures have to be complied with to enhance financial performance; the effectiveness of internal audit function partly depends on legal and regulatory framework, placement of the function and its independence and physical access to assets and financial records are properly authorized in Vivo Energy Uganda.

Basing on the study findings, the researcher recommends that the Board of Directors of Vivo Energy should monitor and supervise to ensure that all accounting staff complies with accounting regulations and requirements as provided by the Institute of Certified Public Accountants to ensure proper implementation and compliance with accounting standards and principles. Vivo Energy should develop a mechanism to incorporate relevant feedback from the various stakeholders into their internal control system.

CHAPTER ONE

INTRODUCTION

Background to the Study

This study is about the role of internal control systems in the financial performance of the petroleum industry. It focuses on Vivo Energy Uganda as a case study.

The study is important because a sound internal control system helps Vivo Energy Uganda to prevent frauds, errors and minimize wastage. Custody of assets is strengthened; it provides assurance to the management on the dependability of accounting data eliminates unnecessary suspicion and helps in maintenance of adequate and reliable accounting records, thus improved financial performance.

The sample study was significant because Vivo Energy is a Shell licensee in 16 African markets, established on December 1, 2011 to distribute and market Shell-branded fuels and lubricants. The company employs 2,100 people and operates around 1,500 service stations under the Shell brand and has access to approximately 900,000 cubic meters of fuel storage capacity. Shell and Vivo Lubricants have blending capacity of around 170,000 metric tons at plants in seven countries producing Shell branded lubricants and employing around 150 people.

A joint venture between Vitol (40%), a Swiss-based Dutch-owned multinational energy and commodity trading company, Helios Investment Partners (40%), a UK based private equity firm and Shell (20%), Vivo Energy represents a unique combination of resources, experience and expertise. Vivo Energy operates in Retail; Commercial Fuels (Marine, Mining and Aviation in partnership with Vitol Aviation); Liquefied Petroleum Gas; Lubricants and Bitumen in Uganda, Botswana, Burkina Faso, Cape Verde, Cote d'Ivoire, Ghana, Guinea, Kenya, Mauritius, Madagascar, Morocco, Mozambique, Mali, Namibia, Senegal and Tunisia.

The 2013 Committee of Sponsoring Organizations (COSO) Framework defines Internal Control system as a process, effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. The control environment sets the tone of an organization, influencing the control consciousness of its employees. The COSO framework identifies five main elements of a control system against which the review should take place. These include Control environment, Risk assessment, control activities, information and communication and monitoring. Internal control systems operate at different levels of effectiveness. Determining whether a particular internal control system is effective is a judgment resulting from an assessment of whether the five components - Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring - are present and functioning. Effective controls provide reasonable assurance regarding the accomplishment of established objectives.

According to Feng, Li and McKay (2009), the quality of an organization internal control system has significant impact on the accuracy of management guidance, likewise firms that disclose ineffective internal controls system have larger tendency of experiencing management errors in their operation than those firms that report effective internal controls system. Schneider and Church (2008) in their study stated that 'effective internal controls systems are fundamental drivers toward earnings quality. In the same vein, effective internal control system has an essential role to play in a firm's success (Jokipii, 2010).

Effective internal control implies the organization generates reliable financial reporting and substantially complies with the laws and regulations that apply to it. However, whether an organization achieves operational and strategic objectives may depend on factors outside the enterprise, such as competition or technological innovation. These factors are outside the scope of internal control; therefore, effective internal control provides only timely information or feedback on progress towards the achievement of operational and strategic objectives, but cannot guarantee their achievement (COSO 2009).

Other scholars have defined Internal control as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of a firm's objectives in the effectiveness and efficiency of operations, reliability of financial and management reporting, compliance with applicable laws and regulations and protect the organization's reputation. Effective internal control system operates when some specific procedures are adopted by the management. International Accounting Standards (IAS) categorizes internal control types as a plan of organization, segregation of duties, control of documents, safeguarding of assets, competence of staff, arithmetic and accounting controls, recording and record keeping, supervision, authorization and approvals, vocation and rotation of duties, cost feasibility, routine and automatic checks (Kaplan, 2008). The above studies greatly support that effective internal controls significantly contribute to financial performance of companies.

Financial performance is a measure of company's policies and operations in monetary terms. It is a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. There are many different ways to Measure Company's financial performance. This may be reflected in the firm's return on investment (ROI), return on assets (ROA), value added, among others and is a subjective measure of how a firm can use assets from its primary mode of business and generate revenues (Mishkin, 2007).

Positive financial performance in a firm can be achieved by eradicating waste in benefits services processes and systems. The "critical success factor" for a firm is the degree to which it fulfills its set objectives and mission in terms of being efficient, effective and economical. The information obtained from a sound internal control system as reflected from financial statements will provide a report on a firm's financial performance and position that is useful to a wide range of users for assessing the stewardship and making economic decisions (Davies, 2005).

Dwivedi (2002) argues that other financial measures should include value of long-term investment, financial soundness, and use of corporate assets. John and Morris (2011) discussed accounting based performance using three indicators: return on assets (ROA), return on equity (ROE), and return on sales (ROS). Each measure is calculated by dividing net income by total assets, total common equity, and total net sales, respectively. The study will assess Vivo Energy financial performance using the following indicators such as; profitability, return on equity and earnings per share.

According to the Vivo Energy Uganda Accounting and Finance Manual (2016); Internal Control Systems is to be secured through implementing the following;

1) To ensure comply with accounting regulations and procedures.
2) To ensure proper internal audit function.
3) To ensure proper authorization of assets and financial records
4) To identify apt financial risk management strategies.
5) To establish effective internal control activities.

This study examined the extent to which the above first three (3) objectives have been achieved by Vivo Energy Uganda.

Problem Statement

The Performance Reports for the financial years 2013/14, 2014/15, and 2015/16 reveal that assets of the company like motor vehicles, fuel trucks, and financial records are accessed by staff working with Vivo Energy Uganda without proper authorization.

Despite the fact that Vivo Energy Uganda had implemented internal control systems to ensure efficient and effective running of its operations, various reports reveal that finances have continued being mismanaged and other resources are poorly managed. For instance, according to Vivo Energy Audit reports for the financial years 2013/14, 2014/15, and 2015/16, funds to the tune of UGX 256 million were embezzled and UGX 97 million were spent without proper authorization and accountability. This was attributed to non-compliance with accounting regulations and procedures.

The performance reports for the financial years 2013/14, 2014/15, and 2015/16 revealed some of the challenges experienced in regard to internal controls include; struggles with liquidity problems, financial reports are not made timely, accountability for financial resources is wanting, frauds and misuses of institutional resources have been unearthed and a number of decisions made have not yielded the expected results.

Therefore, this study was intended to assess the internal control system and financial performance in Vivo Energy Uganda.

Purpose of the Study

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

Objectives of the Study

The following are the objectives that guided this study:

1. To establish whether accounting regulations and procedures are complied with to enhance financial performance in Vivo Energy Uganda.
2. To establish whether internal audit function enhances financial performance in Vivo Energy Uganda.
3. To establish how physical access to assets and financial records are properly authorized to ensure financial performance in Vivo Energy Uganda.

Research Questions

The study attempted to answer the following questions.

1) How does Vivo Energy Uganda ensure that accounting regulations and procedures are complied with to enhance financial performance?

2) How does internal audit function enhance financial performance in Vivo Energy Uganda?

3) How does Vivo Energy Uganda ensure that physical access to assets and financial records are properly authorized to ensure financial performance in Vivo Energy Uganda?

Research Hypothesis

The following were the hypotheses of the study:

H_0: Internal Control Systems have not significantly enhanced financial performance in Vivo Energy Uganda.

H_1: Internal Control Systems have significantly enhanced financial performance in Vivo Energy Uganda.

Scope of the Study

Content Scope

The study specifically focused on accounting regulations and procedures, internal audit function, and physical access to assets and financial records to ensure improved financial performance such as compliance, transparency, utilization of funds, and financial accountability.

Geographical scope

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

Time scope

The study is restricted to a period of 3 years starting from financial year 2013/14 to 2015/2016. This period is selected because it is within that period that the Vivo experienced high cases of incompliance of accounting regulations and procedures, improper internal audit functions and unlawful physical access to assets and financial records.

Significance of the study

This study is significant to the following stakeholders:

Vivo Energy Management

The study would generally help the Vivo Energy Management as a whole to understand and discover the importance and impacts of an effective internal control system and financial performance in the achievement of company goals and objectives.

Finance officers/Staff in Vivo Energy Uganda

The Company under the study would use the findings to redress the problems affecting the internal control systems and financial performance on their strong areas and improve on their weak areas.

Policy makers: The government policy makers and other stakeholders would use the findings of the study to formulate and implement proper policies regulating internal control systems and financial performance in petroleum industry.

Academics and other researchers: Future researchers would use the findings of this study in getting related literature regarding this subject. The study enriched the researchers' experience in research management and academic career.

Setting of the Study

Vivo Energy Investments, commonly referred to as Vivo Energy, is a downstream petroleum company based in Africa. Its operations span 16 countries across Africa and encompass the supply, storage, distribution, and retail of a range of petroleum products. Vivo Energy is a Shell licensee and operates in retail of Shell branded commercial fuels, liquefied petroleum gas and lubricants.

Vivo Energy is the company behind the Shell brand in Africa. The company offers customers the very best of Shell's products and services, including supply reliability, technical expertise, and unmatched customer service, in the countries in which it operates. In doing so, Vivo Energy have in place industry-leading health and safety standards, and are committed to delivering Shell's high-quality fuels and lubricants in an environmentally and socially responsible manner.

Arrangement of the report

This study is structured into eight chapters;

Chapter one presents introduction to the study. It contained the background of the study, statement of the problem, the purpose of the study, objectives of the study, research questions, scope of the study, the setting of the study, significance of the study, and the arrangement of the report.

Chapter two presents the literature related to internal control systems, and staff performance.

Chapter three presents the study methodology used in the study.

Chapter four presents the findings on whether Vivo Energy Uganda has ensured that accounting regulations and procedures are complied with to enhance financial performance.

Chapter five presents findings on whether internal audit function enhances financial performance in Vivo Energy Uganda.

Chapter six presents findings on how physical access to assets and financial records are properly authorized in Vivo Energy Uganda.

Chapter seven presents the ways and means of harmonizing internal control systems and financial performance in Vivo Energy Uganda.

Chapter eight presents the summary, conclusion and recommendations of the study.

CHAPTER TWO

STUDY LITERATURE

Introduction

This chapter reviews what other scholars or researchers have written in relation to the topic under study. The chapter also identifies the gaps that have not been filled by other writers for purposes of addressing them during data collection. The section of this chapter also highlights the theories and models used to improve internal control system and financial performance.

Literature Survey

Kakuru (2010) carried out a research on the impact of internal controls towards promoting performance in petrol stations and their effects on Service Delivery in Uganda. A case study of Shell Lira Branch was used, He adopted both quantitative and a qualitative method of data collection with a sample size of 100. Probability sampling technique was also adopted. The findings identified critical roles played by internal controls towards promoting performance in Shell Lira. He concluded that the internal controls should be fully considered so that value for money can be achieved. In his study Kakuru did not mention how physical access to assets and financial records are authorized. Thus the current seeks to bridge this gap.

Mukasa (2008) studied about the role of internal controls in financial performance based on a case study of Total Uganda, Entebbe Branch. A sample size of 35 respondents who were employees in Total Entebbe was used. He noted that provision of technical assistance for strengthening the internal auditing function in fuel companies is an integral part of the proper financial management reforms process. Therefore, the current study intends to focus more on internal audit function, internal control activities and physical access of assets and records to ensure effective financial performance in petroleum industry.

Mugalu (2008) conducted a study on internal control systems and Revenue Management in manufacturing industries focusing on Mukwano Industries Uganda as a case study. Mugalu's objectives were: To establish how revenue management has been organized; to determine the adequacy of managerial information for the internal audit process; to assess the effectiveness of accounting procedures in the Internal Audit process for revenue management and; to establish how the councils assets are safeguarded from losses arising from fraud, waste, and extravagance, among others. The findings of the study revealed that Internal Audit plays a great role in revenue management. Much as Mugalu's study is commendable, he focused on revenue management which is just a portion of the financial performance system. This study intends to focus more on internal audit function and internal control activities to ensure effective financial performance in petroleum industry.

Mawanda (2008) did a research on effect of internal control systems on financial performance of an institution of higher learning in Uganda and focused on internal control environment, internal activities and internal audit. The research failed to show the contribution of risk management and corporate governance on financial performance of the company. Kamau (2013) did a study of effects of internal control on financial performance of manufacturing firms in Kenya. The research also failed to clearly show the contribution of corporate governance and government policy on the financial performance of companies. Most of the researches done on internal controls are case studies and focus on specific institutions/companies that exhibit particular characteristics or material weakness in the internal control systems.

Literature Review

This section reviews literature related to internal control systems and financial performance in the petroleum industry outside the Ugandan context. Financial performance aspects have been discussed based on the theories, models and practical recommendations outlined in other research works done elsewhere outside Uganda.

Theoretical Review

The section starts by reviewing relevant theory to this study. This include: the agency theory, which form the basis of the concept of internal control systems.

Agency Theory

Agency theory has been widely used in literature to investigate the information asymmetry between principals (shareholders) and agent (management). This study used the agency theory to determine the effect of internal control systems on the financial performance of quoted companies in Nairobi securities exchange. Sarens and Abdolmohammadi (2011) state that according to the agency theory, a company consists of a set of linked contracts between the owners of economic resources (the principals) and managers (the agents) who are charged with using and controlling these resources.

A significant body of work has been undertaken in this area within the context of the principal-agent framework. The work of Jensen and Mecklin (1976) in particular as well as that of Fama (2000) is important. Agency theory identifies the agency relationship where one party, the principal, delegates work to another party, the agent.

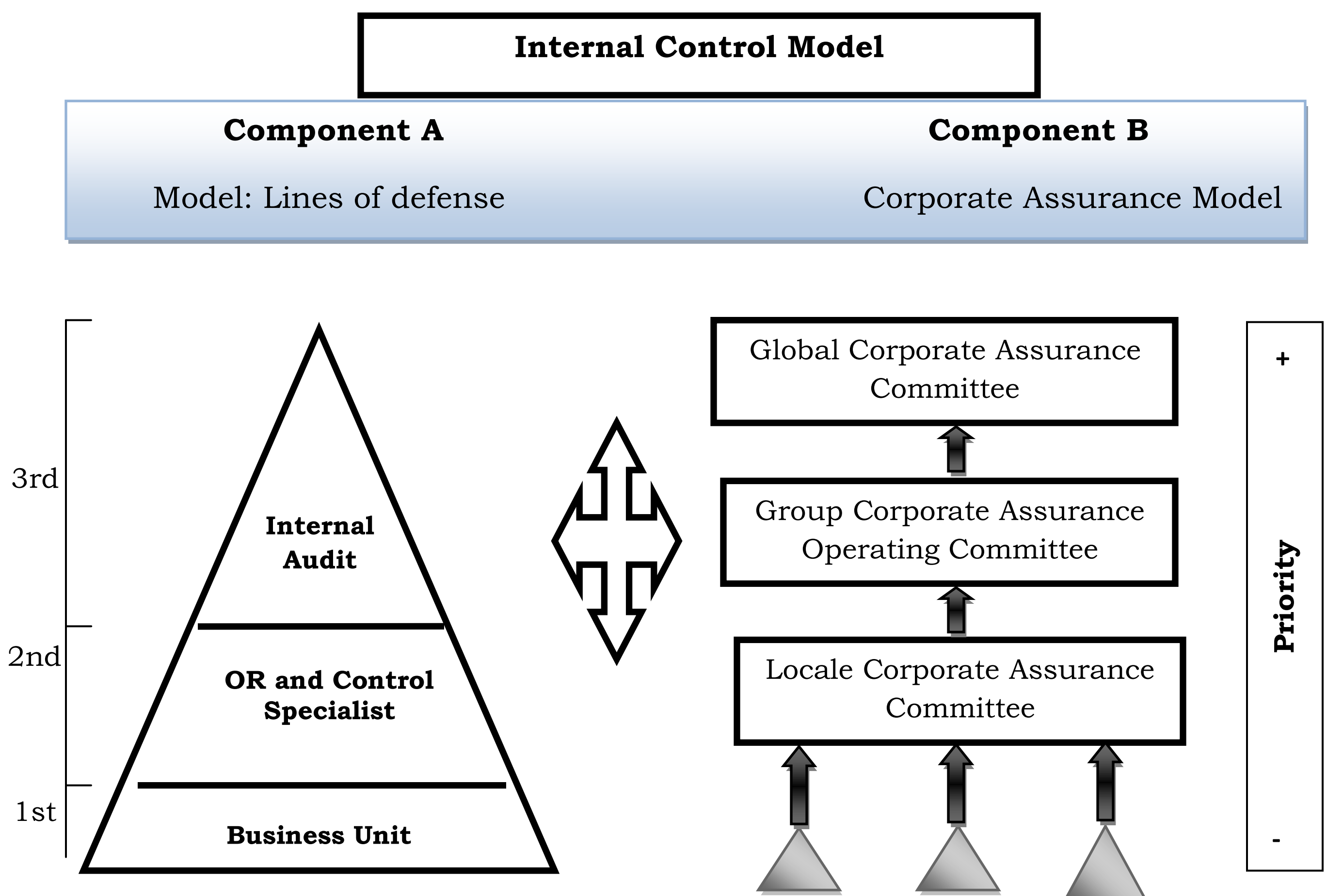
The agency relationship can have a number of disadvantages relating to the opportunism or self-interest of the agent: For example, the agent may not act in the best interests of the principal, or the agent may act only partially in the best interests of the principal (Sarens and Abdolmohammadi, 2011). There can be a number of dimensions to this including for example, the agent misusing their power for pecuniary or other advantage, or the agent not taking appropriate risks in pursuance of the principal's interests because the agent views those risks as not being appropriate while on the other hand the principal may have different attitudes to risks.

There is also the problem of information asymmetry whereby the principal and the agent have access to different levels of information; in practice this means that the principal is at a disadvantage because the agent has more information. The theory was therefore very relevant in this study as shareholders who are the owners of the quoted companies have delegated the responsibilities of daily running of the companies to the management who acts as their agents and hence great need for strong internal control systems to ensure shareholders and other stakeholder's interests are adequately safeguarded. The theory therefore supports existence of control environment, internal audit and risk management (Sarens and Abdolmohammadi, 2011).

Models on Internal Control System (ICS)

Internal control model

Based on best operational risk management practices, Company has established and maintains an internal control model organized around three lines of defense (3LoD), as well as a governance scheme called Corporate Assurance. The Group's internal control model has two components.



Source: Meckling (2000). Figure 2.1: Internal Control Model

1. The first one is the model based on three lines of defense, which guarantees compliance with the most advanced internal control standards and is organized as follows by Meckling, (2000).

- The Company's business units constitute the first line of defense. They are responsible for managing current and emerging risks and implementing control procedures (Meckling, 2000).
- The second line of defense is made up of the units specializing in control (Compliance, Global Accounting and Information Management –GA and IM- / Internal Financial Control, Internal Risk Control and Business Process Assurance). This line of defense identifies current and emerging risks, defines the control policies within the scope of its cross-sector specialty, ensures that they are implemented correctly, provides training and advice to the first line and is responsible for reporting to the management team.
- The third line of defense is made up of the Internal Audit unit, for which the Company assumes the guidelines of the Basel Committee on Banking Supervision and of the Institute of Internal Auditors (Meckling, 2000). Its function is that of providing independent and objective assurance and consulting activity designed to add value and improve the Organization's operations. The duties and lines of work of this unit are described below.

A model based on best practices, organized around three lines of defense and with a well-designed governance scheme.

2. The second component is the Corporate Assurance scheme, which is tasked with providing a comprehensive and standardized approach to the Board of Directors and the management bodies on the Group's internal control situation. This provides timely information on the main control weaknesses that may arise in the different assurance processes and makes it possible to prioritize their solution and monitor the implementation of measures for mitigating them more effectively (Meckling, 2000).

To perform its duties, the model is provided with an orderly mechanism for reporting to management. The mechanism is made up of a number of committees that meet every four months, in which members of the senior management of the Group and its subsidiaries take part (Meckling, 2000). The committees seek to understand control issues and make decisions that will have a significant impact on the objectives of the various units, both at the local level and for the consolidated Group.

Crowe Internal Audit Model

Crowe (2010) argues that organization in uncertain times try to do more with less; the internal audit function is no exception. A new internal audit model can help internal auditors accomplish that objective by leveraging existing activities to continuously monitor, manage, and improve business performance based on four key auditing principles namely; compliance risk identifications, business performance improvements and assurance, . The new internal audit model must respond to concerns about greater assurance, maximized business performance, and broader risk management.

i) **Compliance:** Viewed as a traditional internal audit role, compliance audits test past events and transactions to determine whether previous actions are in compliance with policies and procedures, laws, and regulations. The internal audit function also keeps an inventory of applicable compliance mandates and monitors the processes that manage compliance with SOX and other legal and regulatory requirements (Crowe, 2010). Using the new model, internal auditors can rely on the work of business unit managers and the reports the managers use to monitor controls in their unit as a starting point for the audit. Only those issues that are red-flagged during the audit of the control processes are then homed in on for further investigation.

Auditors can use business unit reports generated within, for example, the information technology departments to determine whether the control processes that are in place safeguard security adequately and provide for an appropriate segregation of duties. Similarly, internal auditors can continuously review control reports to validate that processes are in place for timely reconciliation. As long as management checks sample transactions each month, the internal auditor doesn't need to do the same checks; rather, he or she needs simply to verify that management is doing what it needs to do (Crowe, 2010).

ii) **Assurance:** For up-to-the-moment testing, continuous monitoring systems must be in place to oversee events, transactions, and results and to generate reports that highlight early warning signs that something is outside the bounds of tolerance. By regularly analyzing and reviewing control reports generated by a system, auditors can provide a level of continuous assurance that supports stakeholder confidence that everything is under control at all times (Crowe, 2010). These real-time reports keep current events from becoming out-of-control problems. If expenses in a certain business unit are out of line or should not have been approved, for example, the continuous monitoring systems at the business-unit level should flash a warning or automatically send an e-mail to the appropriate person.

The same system might also flag accounts of customers who in the past have failed to pay, so that no new sales are made to delinquent customers. Although installing continuous monitoring system costs money up front, it eliminates the need for auditors or staff to do these monitoring tasks manually. The time saving allows auditors to focus on the items that matter (Crowe, 2010).

iii) **Business Performance Improvements:** Internal auditors' continuous reviews of business processes for effectiveness and efficiency can lead to improved business. In the past, auditors have identified problems but might not have taken the extra step to recommend ways to improve them and thus raise business performance. Many of the control reports auditors collect can be compared to benchmarks or best practices. This type of analysis could show that a company is taking twice as long to perform an operating procedure as its peers are, or that a company should add people to attain higher productivity. With this knowledge, changes can be made that add value to the organization as a whole (Crowe, 2010).

iv) **Risk Identification:** Future risks need to be identified and understood today so they do not prevent the company from achieving its business objectives. Key risks are always changing. By applying ongoing monitoring and review methods, internal auditors make the process of identifying and managing risk more reliable and resilient. A number of different groups in a company are likely to be performing risk-management activities already for compliance or safety purposes, for example. Here again, internal auditors can use their time efficiently by using the existing assessments of each of these groups to increase stakeholders' knowledge of the risk environment as a whole (Crowe, 2010).

Thus the risk assessment process for the organization becomes more integrated. To evaluate emerging risks, internal auditors can review the processes various groups in the company already use for emerging risk evaluation. A company developing a new product, for example, has in place a process for estimating the return on investment (ROI) for that product. The risk to the company is that the estimated ROI of the new product is not realized. Internal audit can review and monitor reports on the process the product development group used to determine the ROI expected for the new product (Crowe, 2010).

Redefining internal audit is a business necessity. Audit committees, CFOs, and other stakeholders want an internal audit function that is more vital and central to building financial and operational excellence with confidence. With a new, more proactive audit model built upon the foundation of four key principles, internal auditors can more effectively assess the business, identify areas for improvement, and manage risk in a business environment that is always in flux (Crowe, 2010).

Thornton Internal Auditing Model

According to Thornton (2016), the internal audit function for organizations has had to reinvent itself in order to keep pace with the sponsoring organization, to keep pace with changing and increasingly sophisticated technology, to keep pace with the changing risk profile of organizations, and to keep pace with increasing service level expectations. Audit methodology for internal audit has had to evolve, just as it has for the external audit profession. The old compliance method of auditing has been replaced with a more sophisticated risk-based and risk-driven planning and auditing perspective. To best serve the sponsoring organization, the internal audit function must first understand the business. This understanding must include understanding the inherent risks to the business, the products, the competition, how the product is delivered and the operations.

Compliance with Accounting Regulations and Procedures to enhance financial performance

Accounting procedures are designed to offer increased clarity, guidance and transparency. There are many types of procedures that should be documented; accounting is just one aspect on which businesses of all sizes must focus. Documenting accounting procedures is essential to ensure that consistency is maintained and that applicable accounting principles and policies are appropriately followed (Jones, 2007).

He further argued that establishing and maintaining good accounting policies and procedures for organization is an investment of time and attention. There is no “one size fits all” and creating an accounting policies and procedures manual should be tailored depending on the size of the organization, complexity, staffing and business model.

According to Adell (2011) affirms that generally accepted accounting principles (GAAP) are a common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements. GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information. GAAP improves the clarity of the communication of financial information.

Adell further states that GAAP must be followed when a company distributes its financial statements outside of the company. If a corporation's stock is publicly traded, the financial statements must also adhere to rules established by the U.S. Securities and Exchange Commission (SEC). GAAP covers such things as revenue recognition, balance sheet item classification and outstanding share measurements. If a financial statement is not prepared using GAAP, investors should be cautious. Also, some companies may use both GAAP and non-GAAP compliant measures when reporting financial results. GAAP regulations require that non-GAAP measures are identified in financial statements and other public disclosures, such as press releases.

One of the fundamental requirements of a sound and strong financial management system is for organizations to document their policies and procedures used in establishing and maintaining internal controls, accounting and reporting. An organization must document all of the policies and procedures it follows for meeting the applicable accounting and regulatory standards, requirements of the organization, as well as any governance policies the organization has chosen to adopt (Adell, 2011).

The organization's policies and procedures should help ensure that the institutional memory of how and why things were done in the past is not lost and serve as an important model to capture how things are done currently. The document is an important tool for clarifying roles, responsibilities and ensuring accurate financial data is used for decision making. The document should be a useful training tool for new and existing employees, educating them and providing guidelines to support daily operations and processes (Adell, 2011).

Accounting policies and procedures should be reviewed on a regular basis to determine if they should be changed or improved, but it is not expected that they will change frequently. In addition, some organizations find it most effective to create separate policy and procedure documents for different lines of business, even if the different areas or divisions are included in the definition of the organization. The organization should attempt to make their policies and procedures as clear and unambiguous as possible so that they can be easily understood (Adell, 2011). The organization's policies and procedures can be outlined in separate documents or combined into one consolidated manual. Further, policies and procedures can be documented in either hardcopy or electronic format. Many organizations also chose to create detailed step-by-step "desktop procedures" (separate from formal policies and procedures) to help employees consistently complete ongoing tasks.

Sound and practical policies and procedures are the foundation of accurate accounting and reporting of financial information. Creating policies and procedures may require working with several departments such as accounting, development, human resources, compliance, legal, and management, among others. In addition, it is important to keep in mind that organizations must have the ability to implement a policy that they decide to document. The organization needs to assess the resources available to them (time, systems, personnel, etc.) when determining what policies and procedures are practical for their organization (Adell, 2011).

Accounting policies help employees evaluate accounting transactions in a standardized manner. In larger companies, many accountants may be examining financial activity and, due to the judgment required in accounting decisions, these accountants may determine different accounting treatments for the same transaction. Accounting policy acts as a roadmap for the application of generally accepted accounting principles and removes variance in employee judgment (Howard, 2007).

For complex accounting issues, such as revenue recognition or classification of securities, accounting policies provide a way for employees to arrive at the correct accounting treatment, even if they do not have specialized knowledge in the complex area. Accounting supervisors should be careful. Accounting staff should know how to apply the accounting policy but also be able to recognize when a transaction does not exactly fall under the guidelines of the policy and more analysis should be conducted (Howard, 2007).

According to Musgrave (2001), by streamlining decision processes, accounting policies can make the bookkeeping process more efficient. For simple transactions, accounting policies can be used to automate financial transactions in a company's accounting system. An additional benefit to the automation of accounting processes is a reduction in error. In general, automated accounting systems do not make typographical errors. Human intervention and thus human error is significantly reduced. While automated accounting system mistakes can be made, they are generally more systematic and easier to spot.

Internal Audit Function and Financial Performance

According to Messier (2011), internal audit function occupies a significant part of the organizational structure of in-house control. This facilitates effective internal auditing and reporting with assurance of highest possible level of review and appraisal of various activities in an organization. Depending on its performance, internal audit could either earn a good or bad reputation in the firm (Sarens, 2006). For internal audit to remain reputable, it has to keep on evaluating its performance and continually improving its services. According to Hutchinson and Zain (2009), internal audit is a significant part of the control arrangements in a firm and corporate governance involves oversight undertakings by the panel of executives and audit committees to ensure that the financial reporting practice is sound and up to the mark.

Chepkorir (2010) established that internal audit helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The internal audit activity evaluates risk exposures relating to the organization's governance, operations and information systems. The internal auditors are expected to provide recommendations for improvement in those areas where opportunities or deficiencies are identified.

According to Basel Committee report (2002) each company should have a permanent internal audit function in order to fulfill its duties and responsibilities. The senior management should take all necessary measures so that the bank can continuously rely on an adequate internal audit function appropriate to its size and to the nature of its operations. These measures include providing the appropriate resources and staffing to internal.

Keitany (2000) in a study of internal audit functions and its implications for risk assessment by the internal auditor: A case of quoted companies concluded that even though the extension of reliance on internal control is not sensitive to the strengths of audit departments, companies should not do away with it. This is because as a management tool it should assist management in its day to day operations and not necessarily of any relevance to the external auditor. This may be attributed to the fact that external auditor may have specific considerations which may be beyond the strength of internal controls. However, though the system of internal control was ranked as the most important factor in obtaining audit evidence other indicators followed. It therefore implies that once the auditor establishes the strength of the audit department, other risk indicators come into play notwithstanding the strength of internal control.

The central reason for internal audits is to help managing executives in the effective absolution of their tasks by providing them with scrutiny, evaluation, approvals and relevant observations regarding the undertakings appraised (Okezie, 2004). Raja (2002) argued that the increase of internal audit normally adds value and improves on an organization's operations because of its objectivity and the consultative forums with other departments in the same organization. Meckling (2000) identified auditing as one of the methods for monitoring and controlling the activities in the agency theory. Accordingly, internal auditing is an independent, goals reassurance and checking events premeditated to enhance significance and advance an organization's maneuvers.

Appropriately established structures of internal control enhance healthier financial performance of organizations in the current operating environment. According to Beyanga (2011), active in-house audit facilities aid in reducing overheads, detecting means of refining effectiveness and exploiting coverage to probable deterioration in performance due to inadequately safeguarded resources. Whittington and Pany (2001) noted that, internal control also includes the program for preparing, verifying and distributing to the various levels of management those current reports and analyses that enable executive management to maintain control over the variety of activities and functions that are performed in an organization (Beyanga, 2011). Internal audit function and the financial performance have caused conflict and uncertainty in the organization's financial reports since the management is unwilling to support the internal audit function fully (Ebaid, 2011). It has been suggest that if left unexploited audit function is most likely to affect the financial performance of manufacturing sector organizations, corporate local scandals in manufacturing firms have led to ill-informed comments on the audit profession, particularly as regards to internal audit independence (Hutchinson and Zain, 2009).This study is therefore interested to investigate the relationship between the internal control system and financial performance of petroleum companies in Uganda.

Tadaro (2002) observed that a system of effective internal controls is a critical component of cash management and a foundation for the safe and sound operation of any institution. In view of the potential for material loss, particularly through electronic activities, institutions must establish a strong internal control environment. The extent of an institution's internal control program should be commensurate with the complexity and sophistication of the activities in which it engages. As with many other aspects of institution operations, the type of controls used will vary but will likely consist of policies, procedures, operating parameters, monitoring activities, separation of duties, reporting, audit, and management information systems. For instance, policies and procedures should address the internal controls necessary to ensure cash is adequately safeguarded and recorded/reported to reflect actual balances on hand.

Tadaro further explains that segregation of responsibilities is one control that can be used to safeguard cash and reasonably ensure the reliability of accounting records. For example, the same person should not be responsible for recording the cash received on account and for posting the receipts to the accounting records. Signatory authorities and an effective internal audit function can also be used to provide additional controls over the cash management function.

The success of any business enterprise depends on an effective system of internal control *a company's plan to encourage adherence to company policies and procedures, promote operational efficiency, minimize errors and theft, and enhance the reliability and accuracy of accounting data.* Internal control refers to a company's plan to (a) encourage adherence to company policies and procedures, (b) promote operational efficiency, (c) minimize errors and theft, and (d) enhance the reliability and accuracy of accounting data. From a financial accounting perspective, the focus is on controls intended to improve the accuracy and reliability of accounting information and to safeguard the company's assets (Tadaro, 2002).

Marssie (2007), internal controls are good financial practices that consists of all measures taken by an organization for purposes of ensuring proper authorization of expenditure; accuracy and reliability in accounting and operating data; compliance with accounting policies and procedures; protecting resources against waste, fraud, and inefficiency; and proper organizational performance.

A framework for designing an internal control system is provided by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Formed in 2005, the organization is dedicated to improving the quality of financial reporting through, among other things, effective internal controls. COSO defines internal control as a process, undertaken by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations.
2. Reliability of financial reporting.
3. Compliance with applicable laws and regulations.

A critical aspect of an internal control system is the separation of duties. Individuals that have physical responsibility for assets should not also have access to accounting records. For example, if the same individual has control of both the supplies inventory and the accounting records, the theft of supplies could be concealed by a reduction of the supplies account.

Internal Control Procedures - Cash Receipts

Davies (2005) argues that cash is the most liquid of all assets, a well-designed and functioning system of internal control must surround all cash transactions. Separation of duties is critical. Ideally, those who handle cash should not be involved in or have access to accounting records nor be involved in the reconciliation of cash book balances to bank balances. Consider the cash receipt process. Most nonretail businesses receive payment for goods by checks received through the mail. An approach to internal control over cash receipts might include the following steps:

1. Employee A opens the mail each day and prepares a multi-copy listing of all checks including the amount and payer's name.

2. Employee B takes the checks, along with one copy of the listing, to the person responsible for depositing the checks in the company's bank account.
3. A second copy of the check listing is sent to the accounting department where the receipts are entered into the records.

The amount received should equal the amount deposited as verified by comparison with the bank-generated deposit slip and the amount recorded in the accounting records. This helps ensure accuracy as well as safeguard cash against theft.

Internal Control Procedures - Cash Disbursements

Proper controls for cash disbursements should be designed to prevent any unauthorized payments and ensure that disbursements are recorded in the proper general ledger and subsidiary ledger accounts. Important elements of a cash disbursement control system include:

1. All disbursements, other than very small disbursements from petty cash, should be made by check. This provides a permanent record of all disbursements (Rezaee, 2002).

2. All expenditures should be *authorized* before a check is prepared. For example, a vendor invoice for the purchase of inventory should be compared with the purchase order and receiving report to ensure the accuracy of quantity, price, part numbers, and so on (Rezaee, 2002). This

process should include verification of the proper ledger accounts to be debited.

3. Checks should be signed only by authorized individuals. Responsibilities for signing check, check writing, check mailing, cash disbursement documentation, and recordkeeping ideally should be separated whenever possible (Rezaee, 2002).

An important part of any system of internal control of cash is the periodic reconciliation of book balances and bank balances to the correct balance. In addition, a petty cash system is employed by many business enterprises.

Physical Access to Assets, Financial Records and Financial performance

Physical control over assets and records help protect the company's assets. These control activities may include electronic or mechanical controls (such as a safe, employee ID cards, fences, cash registers, fireproof files, and locks) or computer-related controls dealing with access privileges or established backup and recovery procedures (Faszil, 2005).

Effective internal control reduces the risk of asset loss, and helps ensure that plan information is complete and accurate, financial statements are reliable, and the plan's operations are conducted in accordance with the provisions of applicable laws and regulations. When internal control is effective, organizations have reasonable assurance that their plan is achieving financial reporting objectives (Dwivedi, 2002).

Internal control over safeguarding of assets against unauthorized acquisition, use or disposition is a process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements (Glendinning, 2008). Such internal control can be judged effective if the board of directors and management have reasonable assurance that unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements is being prevented or detected on a timely basis.

If internal control is to be effective, there needs to be an adequate division of responsibilities among those who perform accounting procedures or control activities and those who handle assets. Ideally, separate employees will perform each of the four major duties (Glendinning, 2008). In general, the flow of transaction processing and related activities should be designed so that the work of one individual is either independent of, or serves to check on, the work of another. Such arrangements reduce the risk of undetected error and limit opportunities to misappropriate assets or conceal intentional misstatements in the financial statements.

Financial Records

According to John and Morris (2011), any unit collecting or maintaining cash needs to ensure that collections are sufficiently safeguarded. “Cash” for purposes of controls discussion includes currency, coins, checks, money orders, and gift certificates/cards. Types of cash typically on hand include cash receipts, petty cash accounts, and change funds. The following principles of good cash handling will be discussed in greater detail: Segregation of duties, Security, Reconciliation, Management Review, and Documentation.

Segregation of Duties: Cash handling duties can be divided into four stages: receiving, depositing, recording, and reconciling. Ideally, all four stages would be performed by different individuals. The purpose of this segregation of duties is to minimize the opportunity for an employee to misappropriate funds and avoid detection (John and Morris, 2011). In a smaller department, it may not be feasible to fully segregate all of the cash-related duties. In these circumstances, the department may rely on compensating controls to mitigate the risk that cash is misappropriated (e.g., increased monitoring).

Security: Keep all cash in a safe until it is deposited. For areas with regular cash receipts, a drop safe is recommended to limit access to the contents of the safe. Regardless of the type of safe used, limit access to supervisory and authorized personnel only. Locate the safe where it is continually visible by departmental employees but out of public sight (John and Morris, 2011). Change the combination of the safe on a regular basis (e.g. annually) and when an employee who knows the combination to the safe leaves the unit. If cash boxes are used ensure that they can be locked, are fire resistant, are not easily movable or concealable, and access is limited to the person collecting the cash. Cash boxes cannot be shared amongst employees as accountability for the cash will be diminished and management will not be able to readily assign responsibility for shortages to the appropriate employee. If large sums of money are being collected and/or cash is collected in a high traffic area, consider installing a camera and alarm system.

Reconciliation and Documentation: Cash collections must be reconciled on a daily basis to the cash register/point of sale system to ensure the completeness of receipts (John and Morris, 2011). On a monthly basis, an employee who does not collect funds must reconcile deposit tickets to general ledger accounts to ensure that all amounts were properly deposited and reconcile general ledger balances to bank records to ensure that deposits were appropriately credited by the bank. See below for additional information on documenting reconciliations .

Record keeping requirements exist throughout the cash collections process. A record of cash collected must be maintained by the employee responsible for accepting the cash. This could be in the form of a cash register tape, a revenue log, a pre-numbered receipts book, etc. This record will be compared to the actual cash on hand during the daily balancing of the register or cash box. Records of deposits made must be documented and retained to assist in the performance of reconciliations. Reconciliations between book and bank balances must be performed on a monthly basis and documentation that the reconciliation was performed; that reconciling items were investigated and resolved must be retained (Larry, 2010).

Adequate documents and records provide evidence that financial statements are accurate. Controls designed to ensure adequate recordkeeping include the creation of invoices and other documents that are easy to use and sufficiently informative; the use of pre-numbered, consecutive documents; and the timely preparation of documents (Keitany, 2000).

Financial Performance

Usher (2007:97) states that financial performance in Petroleum Company supposed to be efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization. It includes how to raise the capital, how to allocate it i.e. capital budgeting. Not only about long term budgeting but also how to allocate the short term resources like current assets. It also deals with the dividend policies of the share holders.

Solomon (2005) describes financial performance as an integral part of overall management. It is concerned with the duties of the financial managers in the Company. Financial performance is concerned with the efficient use of an important economic resource namely, capital funds and deals with procurement of funds and their effective utilization in the business". Howard (2007) defines financial performance "as an application of general managerial principles to the area of financial decision-making, harmonizing individual motives and enterprise goals. Joseph (2010) states that financial performance is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations. Thus, financial performance is mainly concerned with the effective funds management in the business. In simple words, financial performance as practiced by business firms can be called as Corporation Finance or Business Finance.

According to Greashin (1999:342), financial performance is the system by which the financial aspects of a private body's business are directed and controlled to support the delivery and achievement of the organization's goals. The financial performance processes within private organizations should provide information that can be used to: direct the activities of the organisation; control the activities of the organisation; report and discharge accountability; and ensure utilization of resources efficiently and effectively.

Malik (2008) states that the implementation of the financial accounting regulations and procedures has been slow and inconsistent across Petroleum companies, and officials and staff are overwhelmed and confused by many of the innovations and regulations prescribed. Inconsistent and sometimes conflicting policies issued by the Ministry of Finance to regulate financial and accounting issues further complicate efforts to implement robust financial systems and transparent accounting practices in Petroleum companys**.** In addition to the complexity of the national regulations affecting budget and financial performance, there are a variety of human resource issues that impede progress towards the development of sound financial performance systems that support good local governance.

According to Jones (2007) Good financial performance leads to a transparency of figures and supports a real understanding of the numbers in Petroleum Company. It makes it much easier to find savings, to show others how profitable your business is and simply allows you to sleep much easier at night. The stronger the company's financial performance, the easier it is for company to raise finance, and probably at a lower cost.

Larry (2010) stresses that the advantages of financial performance include having professional advice on managing a person's finances and investments, some of the others are accountability, knowledge, confidence, and an offset of the cost of services. In addition, good financial performance help Petroleum Company create a plan and reach financial goals and further defines that one of the primary advantages of financial performance is access to a professional who is trained in all forms of personal finance. Many financial managers have a degree in finance and years of experience working with and managing the personal finances of their clients. Accountability is also an advantage. When an individual has a professional financial manager handling his account, it forces him to pay attention to financial matters that he may otherwise ignore or not know about. Financial advisers help clients with anything from creating a budget and establishing an investment portfolio to buying a life insurance policy and obtaining a mortgage to buy a home. An individual can also tap into the financial manager's knowledge. These professionals have the research tools to gain the knowledge they need to help each client better his or her financial situation.

Mwikhi (2005) asserts that expenditure made at the local level may not only be centrally financed, but also centrally directed. Petroleum companies that act as central expenditure agents do not reflect expenditure decentralization in a meaningful sense, just as centrally collected but shared taxes do not imply proper revenue centralization (Musgrave, 2001). It is, therefore, important to distinguish various types of grants and transfers reflecting the extent to which central control of expenditures and revenues is involved.

Jensen (2001:34) stresses that private Sector controls cover all aspects of activities including financial, managerial and operational policies and are intended to safeguard assets, ensure the accuracy and reliability of financial information and promote operational efficiency. The internal auditing function is in a good position to help senior management of private institutions to identify risks, suggest risk management strategies and, ultimately, provide assurance that the risks are being appropriately managed. Thus, the internal auditing function evaluates the effectiveness of private institutions in achieving agreed objectives and thereby promoting strong governance and accountability regime. Internal auditing function also applies professional skills through the evaluation of the policies, procedures and operations that management put in place to ensure the achievement of the organization's objectives. The recommendations made by internal auditing for improvement helps management in private sector entities to improve their risk management, control and governance processes.

Mwishi (2009) in Tanzania explained three key elements to the process of financial performance in Petroleum companies and these include;

(1) Financial Planning: Management need to ensure that enough funding is available at the right time to meet the needs of the business. In the short term, funding may be needed to invest in equipment and stocks, pay employees and fund sales made on credit. In the medium and long term, funding may be required for significant additions to the productive capacity of the business or to make acquisitions

(2) Financial Control: Financial control is a critically important activity to help the business ensure that the business is meeting its objectives. Financial control addresses questions such as: are assets being used efficiently? Are the businesses assets secure? Does management act in the best interest of shareholders and in accordance with business rules?

(3) Financial Decision-making: The key aspects of financial decision-making relate to investment, financing and dividends: Investments must be financed in some way – however there are always financing alternatives that can be considered. For example it is possible to raise finance from selling new shares, borrowing from banks or taking credit from suppliers, a key financing decision is whether profits earned by the business should be retained rather than distributed to shareholders via dividends. If dividends are too high, the business may be starved of funding to reinvest in growing revenues and profits further.

Conceptual Framework

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

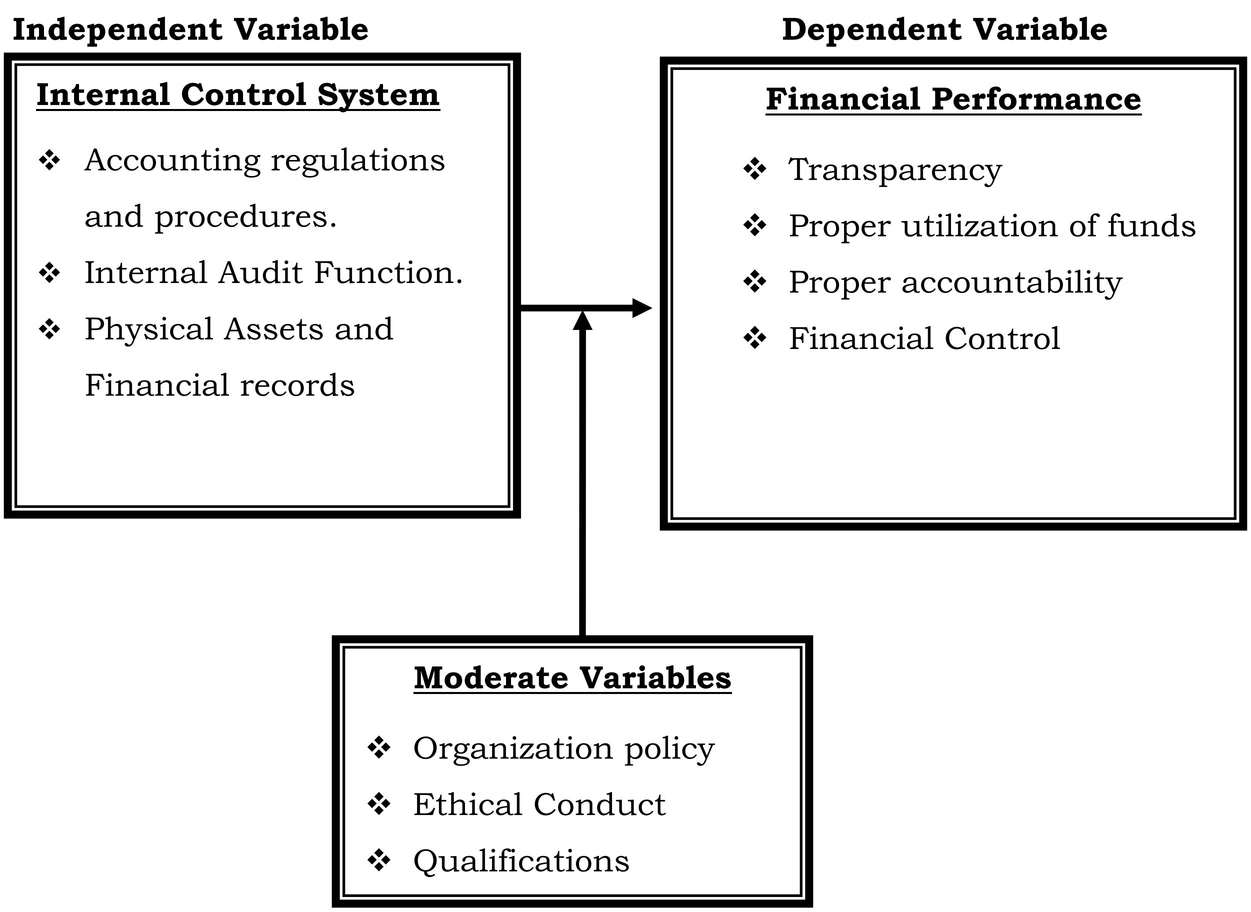


Figure 2.1: Conceptual Framework

Source: Mawanda, 2008, Modified by the Researcher, (2018)

This study based on the mentioned framework especially the implication of the Internal Control System and Financial Performance. Independent variable of the study is Internal Control Systems while the dependent variable is Financial Performance. Internal Control Systems consist of accounting regulations and procedures; Internal Audit function and physical assets and financial records and Financial Performance as dependent variable consist of compliance with Accounting and Finance policies, transparency, proper utilization of funds and proper accountability.

CHAPTER THREE
RESEARCH METHODOLOGY

Introduction

This chapter covered the research design, the study population, the sample size and selection, sampling techniques, methods of data collection, procedure of data collection, data management and analysis, reliability and validity of the research instruments as well as data processing, analysis and interpretation.

Research Design

This was categorised into four i.e. research approach, research classification, research strategy and research duration.

Research Approach

There are basically three different approaches to research which are; positivism approach, phenomenological approach and combination approach. In this study, combination approach was used since they attach numerical values to respondents' views/ narratives and descriptions of the phenomena as it was observed by the respondents when it occurred.

Research Classification

This study was descriptive and explanatory; Descriptive research design was used in order to ascertain and be able to describe various characteristics of variables in the study. Explanatory research design was handy in explaining the variables by associating it with the study and this was used because it clearly describe why and how the variables behaved the way they did.

Research Strategy

The researcher planned to carry out the research in two months at Headquarters of Vivo Energy Uganda, Kampala. Questionnaires', interviews and focus group discussions were all done within this period and were focused on the research topic, research objectives research questions.

Research duration

This study was longitudinal and a representation of events over a given period of time. This helped to gather data required from the managers and the staff at large as indicated under the research schedule and covered a period of 3 years ranging from financial year 2013/14 to 2015/16.

Study Population

The population of the study comprised of 165 respondents from Vivo Energy Uganda operational departments. This included the Administration and Management (20); Finance and Accounting (25), HR Management (25), Procurement (25); pump engineers (45) and mechanics (25).

Sample Size

From the study population, the sample size of 117 of the respondents was drawn from all the departments of Vivo Energy Uganda; Administration and Management; Finance and Accounting, HR Management, Procurement and casual laborers. The distribution of the respondents is as shown table 3.1.

Table 3.1: Population and Sample Size

Category	Population	Sample Size	Sampling technique
Administration and Management	20	15	Purposive sampling
Finance and Accounting	25	18	Purposive sampling
Human Resource	25	16	Random sampling
Procurement	25	18	Random sampling
Pump engineers	45	35	Random sampling
Mechanics	25	15	Random sampling
Total	**165**	**117**	Random sampling

Source: Primary Data (2018)

Sample Size Determination

The sample size of respondents is 117 as calculated using Neumann (2000) formula as follows.

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

Where: **n =** sample size, **N =** target population

e = level of significance = e = 0.05 = $e^2 = (0.05)^2 = 0.0025$

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

$$n = \frac{165}{1 + 165(0.0025)}$$

$$n = \frac{165}{1 + 0.4125}$$

$$n = \frac{165}{1.4125}$$

$$\mathbf{n = \underline{\underline{117}}}$$

Sampling Techniques

Purposive and random sampling techniques were used to select the sample.

Purposive Sampling

The researcher handpicked subjects given the position they hold in the organization this included; Administration and Management; Finance and Accounting. It was the most appropriate method to select a sample from the various departments for the study. This enabled the researcher to select a sample with vital data on the topic under study that can assist in analyzing the problem further.

Random Sampling

The research assigned a number to the study population as per the different sections in the population size to generate a sample size. The researcher randomly chose a number to represent the sample size and a list was generated.

Demographic Characteristics of the Respondents

This section brings out the different categories of respondents depending on gender, age, education, period worked and department worked in by the respondents.

A total of 117 questionnaires were distributed to the selected respondents in the study area. Out of the 117 questionnaires that were distributed, 114 questionnaires were fully completed and returned to the researcher and therefore considered for data analysis. This suggests a 97% response rate. This response rate was deemed to be appropriate since Kothari (2004) asserts that any response rate of 70% is adequate, while a response rate greater than 65% is very good.

Age of the Respondents

Respondents were asked to reflect their age group and the results are shown in table 3.2.

Table 3.2: Age Brackets of the Respondents

		Frequency	Percent	Cumulative Percent
Valid	20 - 30 Years	31	27.2	27.2
	31 - 40 Years	47	41.2	68.4
	41 - 50 Years	28	24.6	93.0
	51 - 60 Years	8	7.0	100.0
	Total	114	100.0	

Source: Field Data (2018)

Results in table 3.2 reveals that the majority 31(27.2%) of the respondents were between 20 and 30 years, 47(41.2%) were between 31 and 40 years, 28(24.6%) were between 41 and 50 years, 8(7%) were between 51 and 60 years. This was a clear implication that the respondents were capable of providing reliable data.

Gender of the respondents

The gender of the respondents is summarized in the table 3.3.

Table 3.3: Gender of the respondents

		Frequency	Percent	Cumulative Percent
Valid	Male	73	64.0	64.0
	Female	41	36.0	100.0
	Total	114	100.0	

Source: Field Data (2018)

As shown in table 3.3 presents that 73(64%) were male and 41(36%) were female. This shows that both male and female respondents were considered in this study. The inclusion of both gender targeted collecting data from both sexes so as to avoid biased reporting on the topic under study.

Highest Academic Qualification

The highest levels of education attained by the respondents were summarized in table 3.4.

Table 3.4: Highest level of education attained by the respondents

		Frequency	Percent	Cumulative Percent
Valid	Certificate	21	18.4	18.4
	Diploma	20	17.5	36.0
	Undergraduate degree	51	44.7	80.7
	Masters	22	19.3	100.0
	Total	114	100.0	

Source: Field Data (2018)

Table 3.4 indicates that 21(18.4%) of respondents had certificates from different courses, 20(17.5%) had diplomas, 51(44.7%) had undergraduate degrees, and 22(19.3%) had masters. The majority of the respondents were technically capable of providing accurate and reliable information on internal control system and financial performance.

Department of work

The departments of work by the respondents were reflected in table 3.5.

Table 3.5: Department of work

		Frequency	Percent	Cumulative Percent
Valid	Administration	15	13.2	13.2
	Human Resource	18	15.8	29.0
	Finance and Accounting	16	14.0	43.0
	Procurement	16	14.0	57.0
	Others	49	43.0	100.0
	Total	114	100.0	

Source: Field Data (2018)

Findings in table 3.6 shows that 15(13.2%) of the respondents were administrators, 18(15.8%) were from human resource department, 16(14%) were from finance and accounting sector, 16(14%) were procurement department and 49(43%) were from other departments of Vivo Energy Uganda like pump engineers and mechanics. This was a good sample of the study because almost an equal number of major categories were considered in providing reliable information.

Number of years employed at Vivo Energy Uganda

Table 3.6 below presents respondents' years in service at Vivo Energy Uganda.

Table 3.6: Number of years employed at Vivo Energy Uganda

		Frequency	Percent	Cumulative Percent
Valid	1 - 5 Years	35	30.7	30.7
	6 - 10 Years	53	46.5	77.2
	11 - 15 Years	18	15.8	93.0
	Above 16 Years	8	7.0	100.0
	Total	114	100.0	

Source: Field Data (2018)

Findings in table 3.6 indicates that 35(30.7%) of the respondents had worked for the University between 1-5 years, 53(46.5%) had worked for Vivo Energy Uganda between 6 - 10 years, 18(15.8%) had worked for between 11-15 years and 8(7%) had worked above 16 years with Vivo Energy Uganda. This reveals that quite a number of respondents in the population have been in the system, and they were able to provide very good ideas and responses. The inclusion of both new and old workers was to provide a balance in responses and ideas.

Data Collection Methods

The study used Survey, Document Review, Focus Group Discussions and Interview.

Questionnaire / Survey

A survey is a list of questions aim at specific data from a particular group of people. This enabled the researcher to assess thoughts, opinions and feelings of respondents. The researcher used self administered questionnaires that was given to 117 respondents and collected after a week, and only 114 returned questionnaires for analysis. This was designed to gather information and explore the key variables addressed to staff and management. Both open and closed ended questionnaires used to let the respondents give their own opinion about the research problem.

Document Review

This involves the examination of existing records or documents. The researcher reviewed existing literature, publications of other researchers, text books, journals and other correspondences, Vivo Energy marketing reports and minutes, Human resource plans and Papers presented in seminars and workshops were reviewed to back up primary findings. These instruments used to gather secondary data to obtain a review of related published literature, internal revenue records and reports of Vivo Energy Uganda.

Focused Group Discussion

This is an organized discussion which is structured in a flexible way. The researcher used this method since it was drawn upon respondents' attitudes, feelings, beliefs, experiences and reactions in a way in which would not be feasible using other methods. This was done as follows; respondents were divided into 5 groups which were consequents of 1 group for administrators and managers, 2 groups for finance and accounts, 1 group for human resource and procurement staff and 1 group for casual laborers. The researcher assisted by three people who organized a public talk for respondents about internal control system and financial performance with a case of Vivo Energy Uganda. They recorded on paper all the discussion verbatim from the participants since it allowed them air out their views and feelings to merge on the topic under discussion.

Interview

An interview is a verbal conversion between two people with the objective of collecting relevant information. Face-to face interview was used by the researcher and this enabled the researcher to establish rapport with potential participants and therefore gain their cooperation. The questions for the interview were both open-ended and the researcher assisted by 8 people to arrange for meetings with the respondents at their offices and questions asked as per the interview guide. This helped the researcher to collect additional views from respondents on Internal Control Systems and Financial Performance in Vivo Energy Uganda.

Data Collection Instruments

A number of tools were used for data collection and these include; self-administered questionnaires and interview guides.

Self-Administered Questionnaire

The researcher used the questionnaire technique for collecting data that was constructed with closed and open ended questions. Close-ended questions involved questions that require answers limited within a scope that involve strongly agree, agree, neutral, strongly disagree and disagree (Five point Likert scale questionnaire). The researcher carried out a pilot study using 05 respondents during pre-test of the data collection tools. The researcher assisted by 8 people physically delivered the questionnaires to the selected respondents and picks them after one week, this was enabled the respondents to have ample time to understand and fill. By using Likert scale, all questions bears a range from '**1**' for strongly disagree, '**2**' for disagree, '**3**' for not sure, '**4**' for agree and '**5**' for strongly agree.

Interview Guide

The researcher set questions to guide the oral interactions between the researcher and the respondents. The interview method was good to use since the researcher went to the field himself and ask the respondents which gave more information that was necessary for the research thus yielding more information from the field compared to other methods. The staff members of Vivo Energy Uganda and Heads of Departments were interviewed to get information which may not be copied from questionnaires. This enabled the researcher to clarify information that was not clear.

Document Checklist

The researcher listed down the relevant documents required for the study which includes;

- Vivo Energy Uganda Policies and Procedures
- Shell Uganda Internal Control Policies
- Annual reports 2012-2016 and Business plan for Vivo Energy Uganda
- Dissertations of other researchers, websites, company journal, etc.

Reliability of Instruments

Donald and Pamela (2006) defined reliability as the characteristics of measurement concerning precision, accuracy and consistency. The data was collected by the researcher and his assistants thereby avoiding the potential of bias. Transcriptions were checked against verbatim notes. The internal consistency of data coding and analysis was enhanced as the researcher did all the coding and analysis. The threat of bias was reduced by the researcher's attempts to be as reflexive as possible throughout.

For the data to be reliable, it should yield the same results if the data was repeated for a number of times. Usually reliability is ensured through minimizing errors in the research tools. The researcher used different tests to enable in ascertaining the data collected. Retest method was used where the same score on test one is the same as test two. Cronbach alpha method was used to split all the questions on the instrument and the closer it is to; the higher the reliability estimates of the instrument.

Table 3.7: Reliability of instruments

No. of items	**Section of the questionnaire**	**Cronbach Alpha**
1.	Accounting regulations and policies	.786
2	Internal Audit Function	.796
3	Physical Access to Assets and Financial Records	.782
	Average	**.788**

Source: Field Data (2018)

The reliability coefficient for each of the sections above exceeds 0.65. As can be seen from table 3.7, the lowest was 0.796 and the highest was 0.886. The average was 0.788 or 78.8%. According to Chadwick, Bahr and Aibrecht (2004: 250) as cited in Ehlers (2002:27) are of the opinion that reliability will be acceptable at a level of 0.6 or above, with absolute reliability of 1.0 implying that the scales on the questionnaire that were used to measure the three (3) sections were reliable and consistent for the study.

Validity of Instruments

Validity is the extent to which a test measures what it claims to measure (Wangusa, 2004).

To ensure validity of the study the researcher issued questionnaires which was piloted on a small group of staff (n=10) before distribution to the main sample. The pilot study was tested whether the questions were clear, easily understandable by different respondents and how content is captured. This enabled the researcher understand weather the variables are measuring what it's supposed to measure as well as ensure there is no manipulation.

Data Collection Procedure

The researcher sought for one supportive letters explaining the objectives of the research signed by the Dean of School of Business Administration (SBA) of Nkumba University. These were delivered to the Vivo Energy offices to conduct research. The research started on distribution of questionnaires and arranging focus group discussions. The data for this research was collected using a survey questionnaire. The survey was created using suitable questions modified from related research and individual questions formed by the researcher. The survey was comprised of 42 questions, which was related to Internal Control System and Financial Performance in Petroleum Industry in Uganda.

In the questionnaire, Likert scale was used to determine if the respondent agreed or disagreed in a statement. After the supervisor validating the questionnaire, these were distributed to the staff of Vivo Energy Uganda. The researcher ensured confidentiality of each survey sheet since the identities are not important. The researcher allowed people's opinions to be anonymous so that it doesn't affect their honesty and effectiveness in answering the survey. Participants were given one week to respond to the questionnaire before collection is done. Next, the researcher planned the questions for the interview guide and went ahead and schedule interviews with the respective people as per the interview method above. Focus group discussions were arranged by the research at the offices of Vivo Energy Uganda and this was done for only 5 groups.

Data Analysis

Data was analyzed using various statistical techniques. Regression analysis and Pearson's coefficient of correlation was carried out using the statistical package for social scientists (SPSS) in order to test the relationship between the Internal Control Systems and Financial Performance in Vivo Energy Uganda.

The researcher ensured that permission is granted to his to collect data before proceeding. The collected data was protected from unofficial access and only refined data for research purpose was presented.

All respondents were informed of confidentiality when they are given the questionnaires, with further written assurance on the questionnaires of confidentiality and the freedom to choose to answer questions. Research instruments were pre-tested, to ensure that any embarrassing questions are avoided. Pre-testing of research questions was ensured that research questions are specific, real, researchable, interesting to the researcher and that they encompass the expected content and predicted the whole argument.

Data Processing

Data processing was done through different stages. The data collected from different questionnaires and interviews was organized so that order can be created. Editing and cross checking was done so that errors can be detected and corrections made. This help to find out completeness in the questionnaires. After editing the data, coding followed. This involves assigning of symbols to answers so that data can be categorized for example by age, level of education and job title. Quantitative data was summarized and presented in frequency tables to generate descriptive statistics. These aim at enabling quick reading and understanding of the data.

Research Ethical Considerations

For any research to be valid and objective in nature, it has to take into consideration ethical aspects while carrying it out as follows: Confidentiality was observed and kept by the researcher for all information given by the respondents anonymously.

The researcher was honest in his work by avoiding any form of falsification, misrepresentation, plagiarism and any other form of academic malpractice that could hinder the dependability of the data collected.

In addition, the researcher reported the actual findings without omission and adding personal information to distort the information. Participation in the research was voluntary, based on consent to avoid collection of wrong data and other inconveniences to the researcher.

The researcher was non-discriminative in nature when selecting samples. This was implemented by avoiding bias in selecting respondents according to their sex, age, position and even educational levels. Thus the researcher gave all the people equal chances of being chosen.

Limitation of the Study

Financial Resources Constraints: Financial resource constraints because of being a student and not having enough finance to effectively carryout the study. This was solved by soliciting for funds from friends and relatives as well as personal savings.

Inadequate Time: The researcher also realized that his budgeted time to investigate the research problem and to measure change or stability within the sample was constrained by the due date of his assignment. The researcher knew that the topic requires an excessive amount of time to complete the literature review, apply the methodology, and gather and interpret the results. To overcome this problem however, the researcher used Saturdays and Sundays also useful in conducting the research.

Slow response: Slow response from some of the respondents is expected since some of the respondents claimed to be busy and others not available at all. A friendly approach was adopted when dealing with the respondents in order to avert this problem and they were reminded so often.

Confidentiality: Also, some respondents most especially the managerial members of the petroleum companies may deliberately reject and resist to participate in this study claiming that they may be accused of releasing confidential information to the public.

CHAPTER FOUR

ACCOUNTING REGULATIONS AND PROCEDURES COMPLIED WITH TO ENHANCE FINANCIAL PERFORMANCE IN VIVO ENERGY UGANDA

Introduction

This chapter presents analysis and interpretation of findings on first objective of the study on whether accounting regulations and procedures complied with to enhance financial performance in Vivo Energy Uganda.

Accounting regulations are the specific principles, rules and procedures implemented by a company's management team and are used to prepare its financial statements. These include any methods, measurement systems and procedures for presenting disclosures. Companies are expected to follow generally accepted accounting principles when they report their financial information. Accounting Regulations and Procedures should be read in conjunction with any other instructions of the Company relating to financial matters.

Accounting regulations and procedures are designed and established by the Office of the Controller, with approval of the Company Accounting Department. These regulations and procedure provides guidance on how to record and maintain assets and liabilities of the Company, as well as revenue collections and expenditure disbursements. Accounting procedures of all fiscal officers or employees in departments or company will conform to rules and regulations as established by the Controller of organization.

Established Accounting Regulations and Procedures

Accounting regulations are specific policies and procedures used by a company to prepare its financial statements. On the question whether there are established accounting regulations and procedures in Vivo Energy Uganda, their responses were as summarised in table 4.1.

Table 4.1: Established Accounting Regulations and Procedures

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	20	17.5	17.5
	Disagree	19	16.7	34.2
	Neutral	10	8.8	43.0
	Agree	42	36.8	79.8
	Strongly Agree	23	20.2	100.0
	Total	114	100.0	

Source: Field Data (2018)

Result of findings in table 4.1 present that 65(57%) of the respondents agreed that there are established accounting regulations and procedures in Vivo Energy Uganda. This is an implication that accounting principles, rules and procedures selected are consistently followed by the management of Vivo Energy in preparing and reporting the financial statements. Though 10(8.8%) were neutral and 39(34.2%) of the respondents were in disagreement. This indicates that even though the company has well established accounting regulations and procedures, it was found out that some of the staff failed to understand and cope up with them, which have brought some tasks on standstill. Therefore, accounting regulations should deal specifically with matters such as consolidation of accounts, goodwill, inventory pricing, and research and development costs.

Staff complies with sound and practical regulations and procedures

Like other organizational policies and rules, finance and accounting policies serve to improve organizational performance in myriad ways, all staff members have to act in accordance with them. When respondents were asked whether staff complies with sound and practical regulations and procedures to ensure accounting and reporting of financial information in Vivo Energy Uganda and their responses were as reflected in table 4.2.

Table 4.2: Staff complies with sound and practical regulations

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	19	16.7	16.7
	Disagree	17	14.9	31.6
	Neutral	9	7.9	39.5
	Agree	47	41.2	80.7
	Strongly Agree	22	19.3	100.0
	Total	114	100.0	

Source: Field Data (2018)

Table 4.2 indicates that 69(60.5%) of the respondents were in agreement that staff complies with sound and practical regulations and procedures to ensure accounting and reporting of financial information in Vivo Energy Uganda. This implies that complying with written accounting policies and procedures enhance employees' understanding of their role and function in the internal control system; establish responsibilities; provide guidance for employees. However, 9(7.9%) were neutral on the statement and 36(31.6%) of the respondents disagreed. There is an implication of some staff who does not comply with practical regulations and procedures set by Vivo Energy Uganda.

Evaluating Accounting Transactions in a Standardised Manner

Respondents were asked whether complying with accounting regulations and procedures help Vivo Energy Uganda evaluate accounting transactions in a standardised manner and their responses were as indicated in table 4.3.

Table 4.3: Evaluating Accounting Transactions in a Standardised Manner

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	10	8.8	8.8
	Disagree	18	15.8	24.6
	Neutral	11	9.6	34.2
	Agree	44	38.6	72.8
	Strongly Agree	31	27.2	100.0
	Total	114	100.0	

Source: Field Data (2018)

Findings in table 4.3 reveal that 75(65.8%) of the respondents agreed that complying with accounting regulations and procedures help Vivo Energy Uganda evaluate accounting transactions. This implies that these policies and procedures have improved efficiency and consistency of transaction processing; prevent deterioration of key elements in the entity's internal control system; maintains consistency in procedures from year to year and during employee transitions, thus improved financial performance whereas 11(9.6%) of the respondents were not sure and 28(24.6%) disagreed. Therefore, accounting policies should serve as evidence that accounting transactions are evaluated in a systematic manner, and adherence to these policies shows that transactions are processed in the same way.

Increased Clarity, Guidance and Transparency

When respondents were asked whether accounting regulations and procedures are designed to offer increased clarity, guidance and transparency in Vivo Energy Uganda, their responses were indicated in table 4.4.

Table 4.4: Increased Clarity, Guidance and Transparency

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	23	20.2	20.2
	Disagree	7	6.1	26.3
	Agree	70	61.4	87.7
	Strongly Agree	14	12.3	100.0
	Total	114	100.0	

Source: Field Data (2018)

Findings in table 4.4 indicate that 84(73.7%) of the respondents generally agreed that accounting regulations and procedures are designed to offer increased clarity, guidance and transparency in Vivo Energy Uganda. There is an implication that the Company has designed and implemented accounting regulations and procedures to improve both the quality and efficiency of financial reporting functions. Though 30(26.3%) of the respondents disagreed. Therefore, these policies and procedures should act as a roadmap for the application of generally accepted accounting principles and removes variance in employee judgment, thus improved financial performance.

Documentation of accounting regulations and procedures

A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency. Respondents were asked whether Vivo Energy Uganda documents all of the accounting regulations and procedures it follows to meet the applicable accounting and regulatory standards and their responses were as reflected in table 4.5.

Table 4.5: Documentation of accounting regulations and procedures

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	16	14.0	14.0
	Disagree	11	9.6	23.7
	Neutral	8	7.0	30.7
	Agree	47	41.2	71.9
	Strongly Agree	32	28.1	100.0
	Total	114	100.0	

Source: Field Data (2018)

Result of findings in table 4.5 present that 79(69.3%) of the respondents agreed that the Company documents all of the regulations and procedures it follows to meet the applicable accounting and regulatory standards. This clear indication that documenting accounting procedures is essential to ensure that consistency is maintained and that applicable accounting regulations and policies are appropriately followed. Though 8(7%) were not sure and 27(23.7%) of the respondents disagreed. *In an interview held with the Managing Director; elaborated that the procedures should be documented clearly and as they are intended to be performed, because it is also helpful to explain the design and purpose of the controls related to the procedures in order to increase the employees understanding and support of the controls.*

Regular Review of Accounting Regulations and Procedures

On the question whether accounting regulations and procedures are reviewed on a regular basis to ensure financial performance in Vivo Energy Uganda, their responses were as shown in table 4.6.

Table 4.6: Regular Review of Accounting Regulations and Procedures

	Frequency	Percent	Cumulative Percent
Strongly Disagree	33	28.9	28.9
Disagree	23	20.2	49.1
Neutral	11	9.6	58.8
Agree	26	22.8	81.6
Strongly Agree	21	18.4	100.0
Total	114	100.0	

Source: Field Data (2018)

According to research findings in table 4.6, the majority 56(49.1%) of the respondents disagreed that accounting regulations and procedures are reviewed on a regular basis to ensure financial performance in Vivo Energy Uganda, this means that the company do not practice regular review of its accounting policies and regulations whereas 11(9.6%) were not sure on the statement and 47(41.2%) of the respondents were in agreement. This reveals that there is a proper accounting policy that assists the Company to carry out its activities in an efficient and orderly manner to ensure proper financial information, and to secure the completeness, accuracy and reliability of records. An effective accounting policies and regulations also serve to protect the Vivo Energy from mismanagement of finances.

Accounting records retrieval is done by an authorized personnel

When respondents were asked whether accounting records retrieval is done by an authorized personnel in Vivo Energy Uganda and their responses were as summarised in table 4.7.

Table 4.7: Accounting records retrieval is done by an authorized personnel

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	14	12.3	12.3
	Disagree	9	7.9	20.2
	Neutral	21	18.4	38.6
	Agree	35	30.7	69.3
	Strongly Agree	35	30.7	100.0
	Total	114	100.0	

Source: Field Data (2018)

From table 4.7, 70(61.4%) of the respondents generally agreed that accounting records retrieval is done by an authorized personnel in Vivo Energy Uganda. This reveals that the auditors perfectly verify the Company's statement of performance and statement of financial position, and that they are prepared in compliance with the provisions of written accounting regulations and policies. The auditor reviews Vivo records to verify accuracy, adequacy of controls, and compliance with policy. However, 21(18.4%) were not sure and 23(20.2%) of the respondents disagreed. *From the interview with the respondents the Company has qualified auditors but some administrators and managers they involve in misallocation and embezzlement of funds which had affected their ethical code of conduct.*

Procedures are followed to document records

In an organization, accounting information typically requires documentation for prepared accounting reports and statements. Respondents were asked whether procedures are followed to document records until final accounts are prepared in Vivo Energy Uganda and their responses were as reflected in table 4.8.

Table 4.8: Procedures are followed to document records

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	14	12.3	21.1
	Disagree	28	24.6	36.9
	Neutral	5	4.4	41.3
	Agree	46	40.4	81.6
	Strongly Agree	21	18.4	100.0
	Total	114	100.0	

Source: Field Data (2018)

From table 4.8, the majority 67(58.8%) of the respondents were in agreement that procedures are followed to document records until final accounts are prepared in Vivo Energy Uganda. This implies that in Vivo, generally accepted accounting principles (GAAP) are the most authoritative accounting standards followed in financial statements. Though, 5(4.4%) were not sure and 42(36.9%) of the respondents were in disagreement. This means that some managers and administrators do not follow written regulations and procedures when recording company finances.

Appropriate measures are taken to correct misfeasance in operation

Misfeasance refers to the perpetrators purposefully not fulfilling the duties of their contract. This often occurs when the negligence is unknowingly perpetrated. On the question whether appropriate measures are taken to correct misfeasance in operation of Vivo Energy Uganda Accounting and Financial Management System, their responses were as presented in table 4.9.

Table 4.9: Appropriate measures are taken to correct misfeasance

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	17	14.9	14.9
	Disagree	19	16.7	31.6
	Neutral	8	7.0	38.6
	Agree	31	27.2	65.8
	Strongly Agree	39	34.2	100.0
	Total	114	100.0	

Source: Field Data (2018)

In table 4.9, the majority of 70(61.4%) of the respondents generally agreed that appropriate measures are taken to correct misfeasance in operation of Vivo Energy Uganda Accounting and Financial Management System. The Company complies with financial rules and procedures as a method to control misfeasance, though 8(7%) were not sure on the statement and 36(31.6%) were in disagreement. This implies that some company administrators and staffs are not fulfilling the duties of their contract.

Finances are received in accordance with the established policies and procedures.

Respondents were asked whether Vivo Energy Uganda finances are received in accordance with the established policies and procedures, their responses were as presented in table 4.10.

Table 4.10: Finances are received in accordance with the established policies and procedures

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	24	21.1	21.1
	Disagree	22	19.3	40.4
	Neutral	12	10.5	50.9
	Agree	45	39.5	90.4
	Strongly Agree	11	9.6	100.0
	Total	114	100.0	

Source: Field Data (2018)

Table 4.10 above indicates that the majority 56(49.1%) of the respondents were in agreement that Vivo Energy Uganda finances are received in accordance with the established policies and procedures. This reveals that the internal auditing department has helped to ensure that the Company maintains all financial transactions in accordance with the laid down accounting or financial regulations and procedures. However, 12(10.5%) were not sure whether financial transactions are maintained in accordance with established policies and procedures or not and 46(40.4%) of the respondents disagreed. This implies that some financial transactions are not properly maintained as required by Vivo Energy Uganda.

TESTING HYPOTHESIS 1

The hypothesis was tested in order to establish whether accounting regulations and procedures are complied with to enhance financial performance in Vivo Energy Uganda or not, Pearson Correlation, model summary and regression analysis were used.

Correlations

Results of the correlation analysis revealed that there is a significant and positive relationship between accounting regulations and procedures and financial performance in Vivo Energy Uganda, ($r=0.786$, $P<0.05$). This implies that there are established accounting regulations and procedures in Vivo Energy Uganda; staff complies with sound and practical regulations and procedures to ensure accurate accounting and reporting of financial information Accounting regulations and procedures are designed to offer increased clarity, guidance and transparency in Vivo Energy Uganda.

Table 4.11: Correlations between Accounting regulations and procedures and financial performance in Vivo Energy Uganda

		Accounting regulations and procedures	Financial Performance
Accounting regulations and procedures	Pearson Correlation	1	.786**
	Sig. (2-tailed)		.000
	N	114	114
Financial Performance	Pearson Correlation	.786**	1
	Sig. (2-tailed)	.000	
	N	114	114

**. Correlation is significant at the 0.01 level (2-tailed).

Model Summary

Accounting regulations and procedures was used as the independent variable and dependent variable as financial performance of Vivo Energy Uganda. It was established that there is a significant relationship between the variables. The observed value of 0.618or 61.8% of R square is significant and positive; this means that the company has policies and procedures in place; Vivo has an operating plan that specifies functions, activities and objectives, thus improved financial performance.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.786	.618	.617	.1253

a. Predictors: (Constant), Accounting regulations and procedures

Coefficients[a]

Financial Performance was used as the dependent variable and Accounting regulations and procedures as independent variable. It was established that the independent variable (ß=0.786, t=127.280, P<0.000), this indicates that Vivo Energy has quality accounting policies and procedures, quality laws and regulations, effective designed apposite objectives, proper financial planning and management, this has influenced improved financial performance in Vivo Energy Uganda.

Table 4.13: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.106	.028		3.808	.000
	Accounting regulations and procedures	.780	.008	.786	127.280	.000

a. Dependent Variable: Financial Performance

Anova

The analysis-of-variance (ANOVA) table 4.14 was used to test the equivalent positive hypothesis, the F= 162.185, p<0.000 there is a linear regression relationship between accounting regulations and procedures and financial performance in Vivo Energy Uganda. The result indicates that Vivo Energy Uganda ensures that accounting regulations and procedures are complied with to enhance financial performance.

Table 4.14: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	144.006	1	144.006	162.185	.000[a]
	Residual	.827	113	.009		
	Total	144.833	114			

a. Predictors: (Constant), Accounting regulations and procedures

b. Dependent Variable: Financial Performance

CHAPTER FIVE

INTERNAL AUDIT FUNCTION ENHANCING FINANCIAL PERFORMANCE IN VIVO ENERGY UGANDA

Introduction

This chapter is a presentation and analysis of the study findings on objective number two which sought to establish whether internal audit function enhances financial performance in Vivo Energy Uganda. In order to verify this objective descriptive Statistics was used. Respondents was asked several questions in regard to the objective and the results as presented, analyzed and interpreted as shown below.

Internal auditing serves as an important link in the business and financial reporting processes of company. Indeed, Internal Audit has become an indispensable management tool for achieving effective control in both public and private organisations. Control mechanisms are those processes set up to monitor and to direct, promote or restrain the various activities of an enterprise for the purpose of seeing that enterprise objectives are met. By detecting weaknesses in management operations, Internal Auditing provides a basis for correcting deficiencies that have eluded the first line of defense before these deficiencies become uncontrollable or are exposed in the external auditor's report. Therefore this chapter establishes whether internal audit function enhances financial performance in Vivo Energy Uganda, which is objective two of the study.

Audit Department for Proper Financial Performance

Audit Department is a unit within a company that is responsible for overseeing the procedures and accuracy of recordkeeping and accounting functions within that company. Respondents were asked whether Vivo Energy Uganda has an audit department for proper financial performance and their responses were as summarised in table 5.1.

Table 5.1: Audit Department for Proper Financial Performance

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	15	13.2	13.2
	Disagree	14	12.3	25.4
	Agree	53	46.5	71.9
	Strongly Agree	32	28.1	100.0
	Total	114	100.0	

Source: Field Data (2018)

Findings in table 5.1 indicate that 85(74.6%) of the respondents generally agreed that Vivo Energy Uganda has an audit department for proper financial performance. This is a clear indication that the audit department creates and implements procedures and controls to ensure that the finances of Vivo are managed in accordance with established principles. It also conducts periodic audits to check the accuracy of recordkeeping and accounting and to ensure that procedures and controls are working properly. However, 29(25.4%) of the respondents were in disagreement. In an interview with staff in Audit Department, they argued that Audit department is usually charged with creating and implementing procedures, controls and oversight for all business areas that have input into the financial books and records of Vivo Energy Uganda.

Vivo Energy implements all relevant aspects of the Internal Audit Manual

The internal audit manual helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Respondents were asked whether the internal auditing ensures that the Vivo Energy Uganda implements all relevant aspects of the internal audit manual, their responses were as shown in table 5.2.

Table 5.2: Implementation of all aspects of the Internal Audit Manual

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	14	12.3	12.3
	Disagree	29	25.4	37.7
	Neutral	5	4.4	42.1
	Agree	40	35.1	77.2
	Strongly Agree	26	22.8	100.0
	Total	114	100.0	

Source: Field Data (2018)

Results of findings in table 5.2 shows that 66(57.9%) of the respondents were in agreement that internal auditing department ensures that the Vivo Energy Uganda implements all relevant aspects of the internal audit manual. However, 5(4.4%) were neutral on the statement and 43(37.7%) of the respondents were in disagreement. This reveals that the departments sometime fail to promote and sustain efficient utilization of resources in accordance with existing accounting policies and regulations. From an interview with some respondents in Administration and Management Department, it was revealed that there is a need for the Vivo Energy Uganda to sensitize all its staffs upon the usefulness of internal audit department.

Maintenance of financial records

Financial records are formal documents representing the transactions of a business, individual or other organization. Respondents were asked whether the financial records are maintained in accordance with the established accounting regulations and policies. Their responses were as indicated in table 5.3.

Table 5.3: Maintenance of finance records

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	18	15.8	15.8
	Disagree	18	15.8	31.6
	Neutral	10	8.8	40.4
	Agree	29	25.4	65.8
	Strongly Agree	39	34.2	100.0
	Total	114	100.0	

Source: Field Data (2018)

Result of findings in table 5.3 indicates that the majority 68(59.6%) of the respondents were in agreement that all the financial transactions in Vivo Energy Uganda are maintained in accordance with financial regulations and procedures. This reveals that the internal auditing department has helped to ensure that the Company maintains all financial transactions in accordance with the laid down financial policies and procedures, thus improved financial performance. However, 10(8.8%) were not sure whether financial transactions are maintained in accordance with financial policies and procedures or not and 36(31.6%) of the respondents disagreed. This implies that some financial transactions are not properly maintained as required by Vivo Energy Uganda.

Monitoring of finances in Vivo Energy Uganda

Regular monitoring of finance is essential; not just to verify expenditure against target but also to identify changing patterns or circumstances that need corrective action. On the question whether there is proper monitoring of finances in Vivo Energy Uganda, their responses were as indicated in table 5.5.

Table 5.4: Monitoring of Finances

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	13	11.4	11.4
	Disagree	15	13.2	24.6
	Neutral	14	12.3	36.9
	Agree	40	35.1	72.0
	Strongly Agree	32	28.0	100.0
	Total	114	100.0	

Source: Field Data (2018)

Findings in table 5.4 indicate that the majority 72(63.1%) of the respondents were in agreement that there is proper monitoring of finances in Vivo Energy Uganda. There is an implication that the internal auditing department is competent in achieving greater monitoring, accountability, transparency, control and improved financial performance. However 28(24.6%) of the respondents were in disagreement that the department monitor Company finances and comply with the financial instructions, regulations and Acts for effective financial management and control by reviewing reports produced by Internal Auditors.

Qualified Auditors

An auditor is an official whose job it is to carefully check the accuracy of business records. An auditor might be either an internal auditor, external auditor or independent auditor for accounting firms in the public or private sectors. On the question whether Vivo Energy Uganda has well qualified auditors, their responses were as presented in table 5.5.

Table 5.5: Qualified Auditors

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	20	17.5	17.5
	Disagree	18	15.8	33.3
	Neutral	12	10.5	43.9
	Agree	41	36.0	79.8
	Strongly Agree	23	20.2	100.0
	Total	114	100.0	

Source: Field Data (2018)

Findings in table 5.5 present that 64(56.2%) of the respondents were in agreement that Vivo Energy Uganda has well qualified auditors. This reveals that auditors assess financial operations and ensure Vivo run efficiently. However, 12(10.5%) were not sure on the statement and 38(33.3%) were in disagreement. Therefore, auditors should gather appropriate and sufficient evidence and observe tests, compares and confirms until gaining reasonable assurance, auditors form an opinion of whether the financial statements are free of material misstatement, whether due to fraud or error.

Financial and Accounting Regulations are complied with

Financial and Accounting Regulations are principles that guides and standardizes accounting and financial practices in an organization. On the question whether the financial and accounting regulations are complied with, their responses were as reflected in table 5.6.

Table 5.6: Financial and Accounting Regulations are complied with

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	25	21.9	21.9
	Disagree	10	8.8	30.7
	Neutral	10	8.8	39.5
	Agree	46	40.4	79.8
	Strongly Agree	23	20.2	100.0
	Total	114	100.0	

Source: Field Data (2018)

Research findings in table 5.6 the majority 69(60.6%) of the respondents were in agreement that in Vivo Energy Uganda, financial and accounting regulations were complied with. This implies that the internal auditing department tries to ensure that Shell and Vivo Financial and Accounting Policies and Procedures, Generally Accepted Accounting Principles (GAAP), Financial Accounting Standards and Regulations and Internal Audit Manual (2007) are complied with. However, 35(30.7%) of the respondents disagreed and another 10(8.8%) were not sure, which implies failure by some company officials and stakeholders to comply with the laws, regulations and special restrictions.

Internal Auditing periodically reviews the systems

When respondents were asked whether internal auditing periodically reviews the systems established to ensure compliance with policies, plans, procedures, laws and regulations, their responses were as summarised in table 5.7.

Table 5.7: Internal Auditing periodically reviews the systems

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	23	20.2	20.2
	Disagree	10	8.8	28.9
	Neutral	19	16.7	45.6
	Agree	46	40.4	86.0
	Strongly Agree	16	14.0	100.0
	Total	114	100.0	

Source: Field Data (2018)

In table 5.7 presents that the majority 62(54.4%) of the respondents generally agreed that the internal audit department periodically reviews the systems established to ensure compliance with those policies, plans, procedures laws and regulations. The Internal Audit departments assist Vivo Energy Uganda in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Vivo's governance, risk management, and control processes. However, 33(28.9%) disagreed and 19(15.4%) were not sure on the statement. This implies that sometime the company fails to review the internal auditing department to comply with existing policies, plans, procedures laws and regulations.

Internal Auditors Exercise Transparency in Financial Matters

The internal audit function helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Respondents were asked whether internal auditors exercise transparency in financial matters, their responses were as indicated in table 5.8.

Table 5.8: Internal Auditors Exercise Transparency in Financial Matters

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	17	14.9	14.9
	Disagree	13	11.4	26.3
	Neutral	7	6.1	32.5
	Agree	45	39.5	71.9
	Strongly Agree	32	28.1	100.0
	Total	114	100.0	

Source: Field Data (2018)

Results of findings in table 5.8 reveal that the majority of 77(67.6%) of the total respondents were in agreement that the Company officers exercise transparency in financial matters. This implies that the greater transparency of Vivo officers increased understanding of how company funds are used while at the same time improving the possibilities for evaluating the effectiveness of the company spending. However 30(26.3%) of the respondents disagreed while 7(6.1%) of the respondents were not sure. This implies that there few financial officers involve in financial embezzlement of funds. *From the interview held with some respondents in audit department, it was revealed that the ineffective transparency in financial departments has failed to enable the administration to participate more closely in the decision making process and guarantees Vivo enjoy greater authenticity.*

Trained Internal Auditors

Internal Auditor is an employee of a company charged with providing independent and objective evaluations of the company's financial and operational business activities, including its corporate governance. When respondents were asked whether internal auditors are properly trained in handling and maintaining financial transactions, their responses were as indicated in table 5.9.

Table 5.9: Trained Internal Auditors

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	14	12.3	12.3
	Disagree	15	13.2	25.4
	Neutral	10	8.8	34.2
	Agree	49	43.0	77.2
	Strongly Agree	26	22.8	100.0
	Total	114	100.0	

Source: Field Data, (2018)

According to findings in table 5.9, 75(65.8%) of the respondents were in agreement that internal auditors of Vivo Energy Uganda are properly trained in handling and maintaining financial transaction. There is an implication that these internal auditors are able to evaluate operational efficiencies and usually report to the highest levels of management on how to improve the overall structure and practices of the Company. Though, 10(8.8%) were not sure and 29(25.4%) of the respondents disagreed. This reveals that staffs sometimes fail to handle and maintain financial transactions on a regular basis since they are properly trained.

Proper Financial Utilization

Financial management cannot be addressed without first designing a strategy to ensure the proper utilization of funds. One of the roles of financial manager includes effective utilization of funds. When respondents were asked whether there is proper utilization of finances in Vivo Energy Uganda and their responses were as presented in table 5.10.

Table 5.10: Proper Financial Utilization

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	13	11.4	11.4
	Disagree	23	20.2	31.6
	Neutral	10	8.8	40.4
	Agree	37	32.5	72.8
	Strongly Agree	31	27.2	100.0
	Total	114	100.0	

Source: Field Data, (2018)

The study findings from the table 5.10 indicate that the majority 68(59.7%) of the respondents were in agreement that there is proper utilization of funds in Vivo Energy Uganda. Though, 10(8.8%) were not sure whether or not the Vivo properly utilized its finances. However, 36(31.6%) of the respondents were in disagreement that the Company has been properly utilizing funds. From the interview with some respondents, it was revealed that proper fund utilization systems in petroleum industries have powerful instrument for preventing, discovering, or facilitating the punishment of fraud and corruption among officials.

TESTING HYPOTHESIS 2

There is significant relationship between internal audit function enhances financial performance in Vivo Energy Uganda or not. The hypothesis was tested with Pearson Correlation and regression analyses were used to test the hypothesis and the results are as shown below.

Correlations

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

Table 5.11: Correlations

		Internal Audit Function	Financial Performance
Internal Audit Function	Pearson Correlation	1	.796**
	Sig. (2-tailed)		.000
	N	114	114
Financial Performance	Pearson Correlation	.796**	1
	Sig. (2-tailed)	.000	
	N	114	114

**. Correlation is significant at the 0.01 level (2-tailed).

Model Summary

The model summary reflected in table 5.12 below show *R* square = 0.634 or 63.4%. The observed value of 0.796 or 79.6% is significant and positive; this means that Vivo Energy Uganda, this implies that the internal audit function has improved company's financial performance. The Adjusted R^2 (.633) is the percentage of the variability in the Vivo financial performance that explain the linear regression. The result shows that internal auditing periodically reviews the systems established to ensure compliance with accounting policies, plans, procedures laws and regulations, thus improved financial performance.

Table 5.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.796	.634	.633	. 1276

a. Predictors: (Constant), Internal Audit Function

Coefficients

In table 5.13, Financial Performance was used as the dependent variable and Internal Audit Function as independent variable. It was established that Internal Audit Function (ß=0.796, t=50.143, $P<0.05$), this indicates that Vivo Energy Uganda finances are received in accordance with the established policies and procedures; this has influenced effective financial performance in Vivo Energy Uganda.

Table 5.13: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.360	.066		5.446	.000
	Internal Audit Function	.765	.019	. 796	50.143	.000

a. Dependent Variable: Financial Performance

Analysis of Variance (Anova)

The analysis-of-variance (ANOVA) table 5.14 was used to test the equivalent positive hypothesis, the F= 254.335, $p<0.05$ there is linear relationship between independent variable and the dependent variable. The result indicates that internal audit function enhances financial performance in Vivo Energy Uganda.

Table 5.14: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	139.667	1	139.667	254.335	.000[a]
	Residual	5.166	113	.056		
	Total	144.833	114			

a. Predictors: (Constant), Internal Audit Function

b. Dependent Variable: Financial Performance

CHAPTER SIX

PHYSICAL ACCESS TO ASSETS AND FINANCIAL RECORDS IS PROPERLY AUTHORIZED TO ENHAHNCE FINANCIAL PERFORMANCE IN VIVO ENERGY UGANDA.

Introduction

Internal control over safeguarding of assets against unauthorized acquisition, use or disposition is a process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements. Such internal control can be judged effective if the board of directors and management have reasonable assurance that unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements is being prevented or detected on a timely basis.

Financial records are formal documents representing the transactions of a business, individual or other organization. Financial records maintained by most businesses include a statement of retained earnings and cash flow, income statements and the company's balance sheet and tax returns. Keeping financial records organized is a key element in a successful business. Therefore this chapter establishes whether to establish how physical access to assets and financial records is properly authorized to enhance financial performance in Vivo Energy Uganda, which is objective three of the study.

Physical Control over Assets and Records

Respondents were asked whether physical control over assets and records help protect company's assets and their responses were as indicated in table 6.1.

Table 6.1: Physical Control over Assets and Records

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	23	20.2	20.2
	Disagree	18	15.8	36.0
	Neutral	13	11.4	47.4
	Agree	47	41.2	88.6
	Strongly Agree	13	11.4	100.0
	Total	114	100.0	

Source: Field Data (2018)

Research findings in table 6.1 present that 60(52.6%) of the respondents were in agreement that physical control over assets and records help protect company's assets. However, 13(11.4%) were not sure and 51(36%) of the respondents disagreed. *In an interview held with some staff at Vivo Energy Uganda Headquarters, they argued that adequate internal control, assets, and records must be protected. If assets are left unprotected, they can be stolen. The data files are the records of the company and, if damaged, could be costly or even impossible to reconstruct, thus the company should practice proper physical asset authorisation.*

Effective internal control reduces the risk of asset loss

Respondents were asked whether effective internal control reduces the risk of asset loss in Vivo Energy Uganda and their responses were as shown in table 6.2.

Table 6.2: Effective internal control reduces the risk of asset loss

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	13	11.4	11.4
	Disagree	13	11.4	22.8
	Neutral	9	7.9	30.7
	Agree	66	57.9	88.6
	Strongly Agree	13	11.4	100.0
	Total	114	100.0	

Source: Field Data (2018)

According to table 6.2, the majority 79(69.3%) of the respondents were in agreement that effective internal control reduces the risk of asset loss in Vivo Energy Uganda and helps ensure that plan information is complete and accurate, financial statements are reliable, and the plan's operations are conducted in accordance with the provisions of applicable laws and regulations. However, 9(7.9%) were not sure on the statement and 26(22.8%) of the respondents disagreed. Therefore, internal control system should segregate responsibilities to prevent occupational fraud in the form of asset misappropriation and intentional financial misstatement, thus improved financial performance.

Safeguarding assets against unauthorized acquisition

Safeguarding of assets are those policies and procedures that provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements; when respondents were asked whether internal control system safeguards assets against unauthorized acquisitions, their responses were as shown in table 6.3.

Table 6.3: Safeguarding assets against unauthorized acquisition

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	11	9.6	9.6
	Disagree	9	7.9	17.5
	Neutral	8	7.0	24.6
	Agree	51	44.7	69.3
	Strongly Agree	35	30.7	100.0
	Total	114	100.0	

Source: Field Data (2018)

Findings in table 6.3 indicate that 86(75.4%) of the respondents were in agreement that effective internal control system safeguards assets against unauthorized acquisitions. There is an implication that Vivo Energy Uganda has effective controls to prevent or detect a material misstatement of the financial statements. However, 8(7%) were not sure on the statement and 20(17.5%) of the respondents were in disagreement. Therefore, the Company should increase supervision and monitoring to cease asset mismanagement or misallocation.

Cash Handling Duties are divided in Stages

When respondents were asked whether cash handling duties are divided in stages at Vivo Energy Uganda to ensure financial performance, their responses were as presented in table 6.4.

Table 6.4: Cash Handling Duties are divided in Stages

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	11	9.6	9.6
	Disagree	15	13.2	22.8
	Neutral	9	7.9	30.7
	Agree	33	28.9	59.6
	Strongly Agree	46	40.4	100.0
	Total	114	100.0	

Source: Field Data (2018)

Result of findings in table 6.4 above present that 79(69.3%) of the respondents were in agreement that cash handling duties are divided in stages i.e. receiving, depositing, recording, and reconciling to ensure financial performance. In Vivo Energy, the purpose of this segregation of duties is to minimize the opportunity for an employee to misappropriate funds and avoid detection. Though, 9(7.9%) were not sure on the statement and 26(22.8%) of the respondents were in disagreement. Therefore, no one person should have control over all aspects of any financial transaction or process, Vivo should divide duties among staff members to reduce risk of error or inappropriate actions.

Cash collections are reconciled on a daily basis to the cash register

Cash is the most liquid of assets and is susceptible to loss if not properly controlled. Therefore, it is extremely important all departments handling cash implement and adhere to strong internal controls. When respondents were asked whether cash collections are reconciled on a daily basis to the cash register and their responses were as indicated in table below.

Table 6.5: Cash collections are reconciled on a daily basis.

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	16	14.0	14.0
	Disagree	11	9.6	23.6
	Agree	53	46.5	70.2
	Strongly Agree	34	29.8	100.0
	Total	114	100.0	

Source: Field Data (2018)

From table 6.5, the majority 87(76.3%) of the respondents generally agreed that cash collections are reconciled on a daily basis to the cash register to ensure the completeness of receipts. Though, 27(23.6%) of the respondents were in disagreement. This implies that not all finances collected are received by cash register. Therefore, in order to ensure all transactions have been recorded correctly, (completely and accurately), several reconciliations should occur on a timely basis.

Financial statements are prepared by authorized personnel

Respondents were in agreement that financial statements are prepared by authorized personnel at Vivo Energy Uganda. Their responses were as reflected in table 6.6.

Table 6.6: Financial statements are prepared by authorized personnel

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	18	15.8	15.8
	Disagree	18	15.8	31.6
	Neutral	10	8.8	40.4
	Agree	29	25.4	65.8
	Strongly Agree	39	34.2	100.0
	Total	114	100.0	

Source: Field Data (2018)

Table 6.6 present that the majority 68 (59.6%) of the respondents agreed that financial statements prepared by authorized personnel. There is a clear indication that authorized personnel in auditing department direct and oversee the budget process, design, analyze, and present regular financial reports for various audiences, design and implement efficient, user-friendly processes to capture and report on financial transactions and ensure the integration of financial disciplines into all aspects of the organization's operations and 36(31.6%) were in disagreement. This implies some auditors and accountants are not authorized to handle cash or make cash transactions on behalf of the Vivo Energy Uganda while 10(8.8%) were not sure whether or not financial statements are prepared by authorized personnel.

Asset Access Policy and Procedure

When respondents were asked whether Vivo Energy Uganda has Asset Policy and Procedure, their responses were as summarised in table 6.7.

Table 6.7: Asset Access Policy and Procedure

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	16	14.0	14.0
	Disagree	18	15.8	29.8
	Neutral	10	8.8	38.6
	Agree	52	45.6	84.2
	Strongly Agree	18	15.8	100.0
	Total	114	100.0	

Source: Field Data (2018)

Findings in table 6.7 reveal that 70(61.4%) of the respondents were in agreement that Vivo Energy Uganda has Asset Policy and Procedure to ensure proper maintenance and allocation of assets. Though, 10(8.8%) were not sure and 34(29.8%) of the respondents disagreed. This means that not all staff at Vivo is well acquainted with asset access policies and procedures.

Maintenance of Statement of Retained Earnings, Cash Flow and Income Statement

The statement of retained earnings reconciles changes in the retained earnings account during a reporting period; a cash flow statement shows how changes in balance sheet accounts and Income Statement reports a company's financial performance over a specific accounting period. Respondents were asked whether statement of retained earnings, cash flow and income statement are properly maintained and their responses were as presented in table 6.8.

Table 6.8: Maintenance of Statement of retained earnings, cash flow and income statement

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	17	14.9	14.9
	Disagree	9	7.9	22.8
	Neutral	11	9.6	32.5
	Agree	41	36.0	68.4
	Strongly Agree	36	31.6	100.0
	Total	114	100.0	

Source: Field Data (2018)

Result of findings in table 6.9 indicate that 77(67.6%) of the respondents were in agreement that statement of retained earnings, cash flow and income statement are properly maintained. This implies that Vivo Energy Uganda present financial statements that adhere to generally accepted accounting principles (GAAP) to maintain continuity of information and presentation across international borders. Though, 11(9.6%) were not sure and 26(22.8%) of the respondents disagreed with the statement. This implies that sometime financial statements are not prepared in accordance with accounting regulations and policies in Vivo Energy Uganda.

Financial records are properly kept for further references

Keeping financial records organized is a key element in a successful business. Respondents were asked whether all financial records are properly kept for further references and their responses were as summarised in table 6.9.

Table 6.9: Financial records are properly kept for further references

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	11	9.6	9.6
	Disagree	9	7.9	17.5
	Neutral	18	15.8	33.3
	Agree	51	44.7	78.1
	Strongly Agree	25	21.9	100.0
	Total	114	100.0	

Source: Field Data (2018)

Findings in table 6.9 present that the majority 76(66.6%) of the respondents were in agreement that all financial records are properly kept for further references. There is an implication that financial records maintained by Vivo Energy Uganda include a statement of retained earnings and cash flow, income statements and balance sheet and are well kept and reserved for use. However, 18(15.8%) were not sure and 20(17.5%) of the respondents were in disagreement. This implies that some financial records are not well reserved for future finance use or reference.

TESTING HYPOTHESIS 3

The hypothesis is tested to identify whether physical access to assets and financial records is properly authorized to ensure effective financial performance in Vivo Energy Uganda or not, Pearson Correlation and regression analysis were used.

Correlations

Results of the correlation analysis revealed that there is a positive relationship between physical access to assets and financial records is properly authorised to enhance financial performance in Vivo Energy Uganda ($r=.782$, $p<0.000$). This analysis is summarized in the table 6.10. This implies that physical control over assets and records help protect company's assets; IC system safeguards assets against unauthorized acquisition; cash handling duties are divided in stages at Vivo to ensure financial performance, cash collections are reconciled on a daily basis to the cash register and financial statements are prepared by authorized personnel at Vivo Energy.

Table 6.10: Correlations

		Physical access to assets and financial records.	Financial Performance
Physical access to assets and financial records.	Pearson Correlation	1	.782**
	Sig. (2-tailed)		.000
	N	114	114
Financial Performance	Pearson Correlation	.782**	1
	Sig. (2-tailed)	.000	
	N	114	114

**. Correlation is significant at the 0.01 level (2-tailed).

Model Summary

The above hypothesis was tested and as per the model summary reflected in table 6.11 show *R* square = 0.612 of the observed variability in Vivo Energy financial performance. The observed result of 0.612 or 61.2% is significant; this is a clear indication that the internal control system has led to proper financial monitoring, proper utilization of resources in Vivo Energy Uganda and to proper management of funds in Company. The Adjusted R^2 (.611) is proportion of the variability in the dependent variable explained by the linear regression. The result shows that the physical access to assets and financial records is properly authorised to enhance financial performance in Vivo Energy Uganda.

Table 6.11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.782	.612	.611	. 12446

a. Predictors: (Constant), Physical access to assets and financial records.

Coefficients

Company Performance was used as the dependent variable and director ownership as independent variable. It was established that Physical access to assets and financial records (ß=0.782, t=35.188, P<0.000), this indicates that the company prepares financial information in accordance with high quality finance standard, the company has effective policies and procedures, directors monitor company financial activities, thus improved financial performance.

Table 6.12: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.513	.070		7.317	.000
	Physical access to assets and financial records.	.612	.020	. 782	35.188	.000

a. Dependent Variable: Financial Performance

Anova

The analysis-of-variance (ANOVA) table 6.13 below was used to test the equivalent positive hypothesis, the F= 541.939, p<0.000 there is linear relationship between independent variable and the dependent variable The result indicates that effective physical access to assets and financial records enhances financial performance in Vivo Energy Uganda.

Table 6.13: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	138.524	1	138.524	541.939	.000[a]
	Residual	6.309	113	.068		
	Total	144.833	114			

a. Predictors: (Constant), Physical Access to assets and financial records
b. Dependent Variable: financial Performance

FINANCIAL PERFORMANCE

This section presents the dependent variable of the study. Several questions were asked in respect to this variable and the findings, their analysis and interpretation are presented below.

Improved Accountability

Respondents were asked whether the internal control system has led to improved accountability in Vivo Energy Uganda and their responses are as summarised in table 6.14.

Table 6.14: Improved Accountability

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	17	14.9	14.9
	Disagree	20	17.6	32.5
	Not sure	14	12.3	44.8
	Agree	41	36.0	80.8
	Strongly Agree	22	19.2	100.0
	Total	114	100.0	

Source: Field Data (2018)

From table 6.15, the findings reveals that 63(55.2%) of the respondents were in agreement that the internal control system has led to improved accountability in Vivo Energy Uganda. This reveals that objective assurance and consulting activity designed to add value and improve Vivo's accountability, has helped the company to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of financial management, control, and governance processes. However, 37(32.5%) of the respondents disagreed and 14(12.3%) were not sure. This implies that to less extent the internal audit department fails to enhance Vivo accountability.

Proper Management of Funds

On the question whether the internal control system has led to proper allocation of funds in Vivo Energy Uganda, their responses are as reflected in the table 6.15.

Table 6.15: Proper Management of Funds

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	26	22.8	22.8
	Disagree	13	11.4	34.2
	Not sure	14	12.3	46.5
	Agree	28	24.6	71.1
	Strongly Agree	33	28.9	100.0
	Total	52	100.0	

Source: Field Data, (2018)

Findings from table 6.15 indicate that the majority of 61(53.5%) of the respondents generally agreed that there is proper management of funds at the Vivo Energy Uganda. This implies that there is proper allocation of funds in company operations. However, 39(34.2%) of the respondents were in disagreement and 14(12.3%) were not sure. This means that there is some improper allocation of funds in the Company. This includes; fund embezzlement, purchasing expensive and luxury assets, increasing salaries, among others, which has contributed to improper financial management.

Proper Utilization of Resources

Respondents were asked whether the internal control system has led to proper utilization of resources in Vivo Energy Uganda and their responses were indicated in the table 6.16.

Table 6.16: Proper utilization of resources

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	14	12.3	12.3
	Disagree	23	20.2	32.5
	Agree	28	24.6	57.1
	Strongly Agree	49	42.9	100.0
	Total	52	100.0	

Source: Field Data (2018)

In table 6.16, the findings revealed that the majority 77(67.5%) of the respondents were in agreement that internal control system has led to proper utilization of resources in Vivo Energy Uganda. This reveals that the Vivo complies with financial policies and procedures such as laid down in the Shell Financial Accounting regulations 2002, Internal Audit Manual, among others, However, 37(32.5%) of the respondents were in disagreement. This implies that the internal auditing departments have not ensured that there is proper utilization of resources in the company. From interview with some respondents, it was revealed that this may account for the poor financial management and performance in the Vivo Energy Uganda.

Proper Financial Monitoring

On the question whether the internal control system has led to proper financial monitoring in Vivo Energy Uganda, their responses are as summarised in table 6.17.

Table 6.17: Proper Financial Monitoring

		Frequency	Percent	Cumulative Percent
Valid	Strongly Disagree	18	15.8	15.8
	Disagree	17	14.9	30.7
	Not sure	10	8.8	39.5
	Agree	31	27.2	66.7
	Strongly Agree	38	33.3	100.0
	Total	114	100.0	

Source: Field Data (2018)

Table 6.17 indicates that 69(60.5%) of the respondents agreed that the internal control system has led to proper financial monitoring in Vivo Energy Uganda. This implies that internal control system has proper financial monitoring to ensure compliance with Company regulations and adherence to policies, to ensure that Company is financially accountable for funds entrusted to them, and to foster continuous improvement. However, 35(30.7%) of the respondents were in disagreement and 10(8.8%). This reveals that the Vivo Energy Uganda still has to improve its financial monitoring to enhance financial performance.

MULTIPLE REGRESSION ANALYSIS

The general hypothesis was tested to establish whether there is a relationship between Internal Control System and financial performance in Vivo Energy Uganda. The analysis applied the Statistical Package for Social Scientists (SPSS) to compute the measurements of the multiple regressions for the study. This hypothesis has been tested using various techniques such as model summary, correlation, Analysis of variance (Anova) and coefficients. The findings are provided below:

Model Summary

The model summary shows the summary of the regression analysis as shown in the regression model. Below are the findings in the table 6.18:

Table 6.18: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788[a]	.621	.620	. 12580

a. Predictors: (Constant), Accounting Regulations and Procedures, Internal Audit Function and Physical Access Assets and Financial Records.

In order to explain the percentage of variation in the dependent variable (financial performance) as explained by the independent variables. From the results of the analysis, the findings show that the independent variables (Accounting Regulations and Procedures, Internal Audit Function and Physical Access Assets and Financial Records) contributed to 78.8% of the variation in financial performance as explained by adjusted R Square of 62% which shows that the model is a good prediction.

Correlations

Results of the correlation analysis indicates that there is a significant and positive relationship between internal control system (ICS) and financial performance, the result of correlations ($r=0.788$, $P<0.000$) indicates that accounting regulations and procedures are complied with; there is an effective internal audit functions and physical access assets and financial records, thus improved financial performance in Vivo Energy Uganda.

Table 6.20: Correlations between ICS and Financial Performance

		ICS	Financial Performance
ICS	Pearson Correlation	1	.788**
	Sig. (2-tailed)		.000
	N	114	114
Financial Performance	Pearson Correlation	.788**	1
	Sig. (2-tailed)	.000	
	N	114	114

**. Correlation is significant at the 0.01 level (2-tailed).

Analysis of Variance (ANOVA)

The study conducted an Analysis of Variance, in order to test the impact of the relationship between internal controls system and financial performance of Vivo Energy Uganda. The findings were as shown below:

Table 6.21: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	82.342	1	82.342	53.523	.001[a]
	Residual	3.024	112	.027		
	Total	85.366	113			

a. Predictors: (Constant), Accounting Regulations and Procedures, Internal Audit Function and Physical Access Assets and Financial Records.

b. Dependent Variable: Financial Performance

The results of the findings above revealed that the level of significance was .001(a) this implies that the regression model is significant in predicting the relationship between internal control system and financial performance in Vivo Energy Uganda. By the help of an F-test table, the tabulated value for (F=53.523) meaning that the model was statistically significant.

Coefficients

This table shows the level of significance on the variables, it also provides the standardized and unstandardized coefficients are shown below:

Table 6.22: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.112	.026		4.244	.000
	Accounting Regulations and Policies	.892	.224	.786	5.883	.003
	Internal Audit Function	.893	.069	.796	4.426	.006
	Physical Access Asset and Financial	.377	.065	.782	5.833	.005
a. Dependent Variable: Financial Performance						

From table 6.22, the researcher sought to establish the extent to which internal control system impact on financial performance of Vivo Energy Uganda. From the above regression model holding all the other factors constant, financial performance is measured by the efficiency and effective implementation of internal control system. The results of the multiple regression model shows that there is a positive relationship between internal control system and financial performance of Vivo Energy Uganda. This implies that a single unit increase in any of the independent variables results into a corresponding increase in financial performance of the Company.

The regression analysis was undertaken at 5% significance level. The criteria for comparing whether the predictor variables were significant in the model was through comparing the corresponding probability value obtained and $\alpha=0.05$. If the probability value was less than α, then the predictor variable was significant but from the above analysis. The results above shows that the variables were significant since their corresponding predictor values were below 5% apart from physical access assets and financial records which had 6% meaning that an inverse relationship existed between internal control System and financial performance of Vivo Energy Uganda.

CHAPTER SEVEN

HARMONIZATION TOWARDS INTERNAL CONTROL SYSTEM AND FINANCIAL PERFORMANCE IN VIVO ENERGY UGANDA

Introduction

Thus chapter concentrates on harmonization towards the internal control system and financial performance in Vivo Energy Uganda.

Internal Control System

Internal control is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of a firm's objectives in the effectiveness and efficiency of operations, reliability of financial and management reporting, compliance with applicable laws and regulations and protect the organization's reputation (Kaplan,2008; Cunningham, 2004; INTOSAI, 2004; Committee of Sponsoring Organizations (COSO), 1992; Auditing Practices Board (APB), 1999).

Effective internal control system operates when some specific procedures are adopted by the management. International Accounting Standards (IAS) categorizes internal control types as a plan of organization, segregation of duties, control of documents, safeguarding of assets, competence of staff, arithmetic and accounting controls, recording and record keeping , supervision, authorization and approvals, vocation and rotation of duties, cost feasibility , routine and automatic checks.

Accounting Regulations and Procedures

Accounting principles are lenient at times, and the specific policies of a company are very important. Looking into a company's accounting policies can signal whether management is conservative or aggressive when reporting earnings. This should be taken into account by investors when reviewing earnings reports. Also, outside accountants who are hired to review a company's financial statements should check the company's policies to ensure they conform to standard accounting principles.

An appropriate level of management to emphasize their importance and authority should promulgate accounting policies and procedures. The documentation of accounting policies and procedures should be evaluated annually and updated periodically, no less than once every three years, according to a predetermined schedule. Changes in policies and procedures that occur between these periodic reviews should be updated in the documentation promptly as they occur. A specific employee should be assigned the duty of overseeing this process. Management is responsible for ensuring that this duty is performed consistently.

The documentation of accounting policies and procedures should be readily available to all employees who need it (Beeler, Hunton and Wier, 2009). It should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, the documentation of accounting policies and procedures should indicate which employees are to perform which procedures. Procedures should be described as they are actually intended to be performed rather than in some idealized form. Also, the documentation of accounting policies and procedures should explain the design and purpose of control related procedures to increase employee understanding of and support for controls.

According to CPA Australia (2008) each internal control procedure is designed to fulfill at least one of the following eight criteria: Completeness: that all records and transactions are included in the reports of business. Accuracy: the right amounts are recorded in the correct accounts. Authorization: the correct levels of authorization are in place to cover such things as approval, payments, and data entry and computer access. Validity: that the invoice is for work performed or products received and the business has incurred the liability properly.

In addition, existence of assets and liabilities: Has a purchase been recorded for goods or services that have not yet been received? Do all assets on the books actually exist? Is there correct documentation to support the item? Handling errors; that errors in the system have been identified and processed. Segregation of duties; to ensure certain functions is kept separate. For example, the person taking cash receipts does not also do the banking. Presentation and disclosure: timely preparation of financial reports in conformity with generally accepted accounting principles. All internal controls, whether administrative or accounting, are linked to a financial consequence.

For example, keeping records for long service leave entitlements is an administrative control but it does ultimately have a financial consequence.

Internal Audit Function

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes (institute of internal Auditor). Gupta (2001) asserts that “Internal audit is an independent appraisal function established within an Organization to examine and evaluate its activities as a service to the organization”.

The objective of internal audit is to assist members of the organization in the effective discharge of their responsibilities. It’s also an independent appraisal function established within an organization to examine and evaluate the effectiveness, efficiency and economy of managements control system (Subramaniam, 2006). Its objective is to provide management with re-assurance that their internal control systems are adequate for the need of the organization and are operating satisfactorily (Reid and Ashelby, 2002). It is a component of the internal control system set-up by management of an enterprise to examine, evaluate and report operations of accounting and other controls. The quality and effectiveness of internal audit procedures in practice are necessary since internal auditors cover a wide variety of assignments, not all of which will relate to accounting areas in which the external auditor is interested.

Emasu (2007) notes that "The effectiveness of internal audit function partly depends on; legal and regulatory framework, placement of the function and its independence, existence of audit/ committees, resources allocated to the function and professionalism of internal audit staff". It is however a bitter reality that internal audit departments are rarely adequately facilitated. Regarding the size and facilitation of the internal audit function, Gerrit and Mohammad (2010) found evidence in support of the monitoring role of the internal audit function. They specifically found evidence that management ownership is positively related to the relative size of the Internal Audit Function, which is inconsistent with traditional agency theory arguments that predict a negative relationship, but more in line with recent studies on earnings management.

This finding suggests that increased management ownership may influence the board of directors to support larger internal audit functions to allow them to closely monitor managers" performance. Effectiveness of internal audit procedures is a measure of the ability of the programme to produce a desired effect or a result that can be qualitatively measured (Harvey and Ostrosky, 2004). Rezaee and Zabihollah (2002) argue that there should be effective internal audit procedures to ensure reliability of financial statements, operational reports, safeguarding corporate assets and effective organizational controls.

Internal control systems including internal audits are intended primarily to enhance the reliability of financial performance, either directly or indirectly by increasing accountability among information providers in an organization (Jensen, 2003). Internal control therefore has a much broader purpose such that the organization level of control problems associated with lower revenues, which explore links between disclosure of material weakness and fraud, earnings management or restatements internal controls provide an independent appraisal of the quality of managerial performance in carrying out assigned responsibilities for better revenue generation.

Fadzil, Haron and Jantan (2005) asserted that an effective internal audit unequivocally correlates with organizational success in meeting its revenue target level. Effective internal control for revenue generation involves; regular review of the reliability and integrity of financial and operating information, a review of the controls employed to safeguard assets, an assessment of employees' compliance with management policies, procedures and applicable laws and regulations, an evaluation of the efficiency and effectiveness with which management achieves its organizational objectives (Ittner, Larcker and Randall, 2003).

Physical Access to Assets and financial records

Control activities are the specific policies and procedures management uses to achieve its objectives. The most important control activities involve segregation of duties, proper authorization of transactions and activities, adequate documents and records, physical control over assets and records, and independent checks on performance (Hutchinson and Zain, 2009).

Segregation of duties requires that different individuals be assigned responsibility for different elements of related activities, particularly those involving authorization, custody, or recordkeeping (Jones, 2007). For example, the same person who is responsible for an asset's recordkeeping should not be responsible for physical control of that asset having different individuals perform these functions creates a system of checks and balances.

Internal control over safeguarding of assets against unauthorized acquisition, use or disposition is a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements (Marssie, 2008). Such internal control can be judged effective if the board of directors and management have reasonable assurance that unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements is being prevented or detected on a timely basis.

Proper authorization of transactions and activities helps ensure that all company activities adhere to established guide lines unless responsible managers authorize another course of action. For example, a fixed price list may serve as an official authorization of price for a large sales staff. In addition, there may be a control to allow a sales manager to authorize reason able deviations from the price list (Beyanga, 2011).

Adequate documents and records provide evidence that financial statements are accurate. Controls designed to ensure adequate recordkeeping include the creation of invoices and other documents that are easy to use and sufficiently informative; the use of prenumbered, consecutive documents; and the timely preparation of documents (Keitany, 2000).

Physical control over assets and records helps protect the company's assets. These control activities may include electronic or mechanical controls (such as a safe, employee ID cards, fences, cash registers, fireproof files, and locks) or computer-related controls dealing with access privileges or established backup and recovery procedures (Marssie, 2008).

Independent checks on performances, which are carried out by employees who did not do the work being checked, help ensure the reliability of accounting information and the efficiency of operations. For example, a supervisor verifies the accuracy of a retail clerk's cash drawer at the end of the day. Internal auditors may also verity that the supervisor performed the check of the cash drawer (Keitany, 2000).

Financial Performance

Positive financial performance in a petroleum company can be achieved by eradicating waste in benefits services processes and systems. The "critical success factor" for a manufacturing firm is the degree to which it fulfills its set objectives and mission in terms of being efficient, effective and economical. The information obtained from a sound internal control system as reflected from financial statements will provide a report on a company's financial performance and position that is useful to a wide range of users for assessing the stewardship and making economic decisions (Glendinning, 2008; Davies, 2007).

Organizational performance encompasses accumulated end results of all the organization's work processes and activities. Performance measures can be financial or non-financial. Both measures are used for competitive firms in the dynamic business environment. Financial measures of organizational performance include; return on assets, return on sales, return on equity, return on investment, return on capital employed and sales growth (Gerrit and Abdolmohammadi, 2010).

According to Donald and Delno (2009), appropriate performance measures are those which enable organizations to direct their actions towards achieving their strategic objectives. Gerrit and Abdolmohammadi (2010)contends that, performance is measured by either subjective or objective criteria; arguments for subjective measures include difficulties with collecting qualitative performance data from small firms and with reliability of such data arising from differences in accounting methods used by firms.

Brennan and Soloman (2008) found out that, objective performance measures include indicators such as profit growth, revenue growth, return on capital employed. Financial consultants Stern Stewart and Co. created Market Value Added (MVA), a measure of the excess value a company has provided to its shareholders over the total amount of their investments. This ranking is based on eight more traditional aspects of financial performance including: total return for one and three years, sales growth for one and three years, profit growth for one and three years, net margin, and return on equity.

Brennan and Soloman (2008) however, mention other financial measures to include value of long-term investment, financial soundness, and use of 30 corporate assets. He also talks of non financial performances measures to include; innovation, ability to attract, develop, and keep talented people, quality of management, quality of products or services, and community and environmental responsibility. Donald and Delno (2009) mention accounting based performance using three indicators: return on assets (ROA), return on equity (ROE), and return on sales (ROS). Each measure was calculated by dividing net income by total assets, total common equity, and total net sales, respectively.

CHAPTER EIGHT

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the summary of findings from the field, basing on the study objectives; it also presents the conclusions and recommendations made to advance Internal Control System on Financial performance in the Petroleum Industry, focusing on Vivo Energy Uganda.

Summary of Findings

The study used Field Data (2018) collected from semi-structured questionnaires. Quantitative data was analyzed using descriptive statistics while qualitative data was analyzed using content analysis. Quantitative data was coded and entered into Statistical Packages for Social Scientists (SPSS Version 20). Analysis was, then, based on descriptive statistics. Multiple regression analysis was used to establish the relationship between internal controls system and financial performance of Vivo Energy Uganda. The findings from the study were as follows:

Accounting Regulations and Procedures complied with to enhance Financial Performance in Vivo Energy Uganda.

Study findings on objective one presented that 67% of the respondents agreed that there are established accounting regulations and procedures; 60.5% agreed that staff complies with sound and practical regulations and procedures to ensure accounting and reporting of financial information; 65.8% of the respondents reveal that complying with accounting regulations and procedures help Vivo Energy Uganda evaluate accounting transactions; 73.7% generally agreed that accounting regulations and procedures are designed to offer increased clarity, guidance and transparency; 69.3% stated that the Company documents all of the regulations and procedures it follows to meet the applicable accounting and 61.4% generally agreed that accounting records retrieval is done by an authorized personnel in Vivo Energy Uganda.

In addition, the study found out that 58.8% of the respondents were in agreement that procedures are followed to document records until final accounts are prepared in Vivo Energy Uganda; 61.4% agreed that appropriate measures are taken to correct misfeasance in operation of Vivo Energy Uganda Accounting and Financial Management System and 49.1% of the respondents were in agreement that Vivo Energy Uganda finances are received in accordance with the established policies and procedures.

Internal Audit Function enhancing Financial Performance in Vivo Energy Uganda.

Research findings on objective number two indicate 74.6% of the respondents generally agreed that Vivo Energy Uganda has an audit department for proper financial performance; 57.9% agreed that internal auditing department ensures that the Vivo Energy Uganda implements all relevant aspects of the internal audit manual; 59.6% of the respondents were in agreement that all the financial transactions in Vivo Energy Uganda are maintained in accordance with financial regulations and procedures; 69.2% of the respondents were in agreement that there is proper monitoring of finances in Vivo Energy Uganda and 56.2% of the respondents were in agreement that Vivo Energy Uganda has well qualified auditors; 60.6% of the respondents agreed that in Vivo Energy

Uganda, financial and accounting regulations were complied with; 54.4% agreed that the internal audit department periodically reviews the systems established to ensure compliance with those policies, plans, procedures laws and regulations.

Findings further revealed 61.6% of the total respondents were in agreement that the Company officers exercise transparency in financial matters; 65.8% of the respondents were in agreement that internal auditors of Vivo Energy Uganda are properly trained in handling and maintaining financial transaction and 59.7% of the respondents were in agreement that there is proper utilization of funds in Vivo Energy Uganda.

Physical access to assets and financial records properly authorized to enhance financial performance in Vivo Energy Uganda.

Research findings on third objective of the study presented that 52.6% of the respondents were in agreement that physical control over assets and records help protect company's assets; 69.3% of the respondents were in agreement that effective internal control reduces the risk of asset loss in Vivo Energy Uganda and helps ensure that plan information is complete and accurate; 75.4% of the respondents were in agreement that effective internal control system safeguards assets against unauthorized acquisitions; 69.3% of the respondents were in agreement that cash handling duties are divided in stages i.e. receiving, depositing, recording, and reconciling to ensure financial performance.

It was also found out that 76.3% of the respondents generally agreed that cash collections are reconciled on a daily basis to the cash register to ensure the completeness of receipts; 59.6% agreed that financial statements prepared by authorized personnel; 61.4% of the respondents were in agreement that Vivo Energy Uganda has Asset Policy and Procedure to ensure proper maintenance and allocation of assets; 67.6% of the respondents agreed that statement of retained earnings, cash flow and income statement are properly maintained and 66.6% of the respondents were in agreement that all financial records are properly kept for further references.

Financial Performance

Study findings on dependent variable indicated that 55.2% of the respondents were in agreement that the internal control system has led to improved accountability in Vivo Energy Uganda; 53.5% agreed that there is proper management of funds at the Vivo Energy Uganda; 67.5% of the respondents were in agreement that internal control system has led to proper utilization of resources in Vivo Energy Uganda and 60.5% of the respondents agreed that the internal control system has led to proper financial monitoring in Vivo Energy Uganda.

Conclusions

The study conclusions were drawn from the above findings;

Accounting Regulations and Procedures

The study concluded that Vivo Energy Uganda has established accounting regulations and procedures, staff complies with sound and practical regulations and procedures to ensure accounting and reporting of financial information and complying with accounting regulations and procedures help Vivo Energy Uganda evaluate accounting transactions, these accounting regulations and procedures are designed to offer increased clarity, guidance and transparency in each and every financial transaction. It was also revealed that the Company documents all of the regulations and procedures it follows to meet the applicable accounting.

Internal Audit Function

Secondly, the study concluded that Vivo Energy Uganda has an audit department for proper financial performance; internal auditing department ensures that the Vivo Energy Uganda implements all relevant aspects of the internal audit manual and financial transactions are maintained in accordance with financial regulations and procedures. The study found out that there is proper monitoring of finances in Vivo Energy Uganda and the company has well qualified auditors who comply with financial and accounting regulations as documented. The internal audit department periodically reviews the systems established to ensure compliance with those policies, plans, procedures laws and regulations.

Physical access to assets and financial records

Thirdly, the study concluded that physical control over assets and records help protect company's assets; effective internal control reduces the risk of asset loss in Vivo Energy Uganda and helps ensure that plan information is complete and accurate and effective internal control system safeguards assets against unauthorized acquisitions; cash handling duties are divided in stages i.e. receiving, depositing, recording, and reconciling to ensure financial performance. It was also found out that cash collections are reconciled on a daily basis to the cash register to ensure the completeness of receipts; financial statements prepared by authorized personnel; Vivo Energy Uganda has Asset Policy and Procedure to ensure proper maintenance and allocation of assets.

Financial Performance

Lastly, on the dependent variable, the study concluded that the internal control system has led to improved accountability in Vivo Energy Uganda; there is proper management of funds at the Vivo Energy Uganda; internal control system has led to proper utilization of resources in Vivo Energy Uganda and internal control system has led to proper financial monitoring in Vivo Energy Uganda.

Recommendations

The study recommends that both internal and external auditor should be constantly updated and well grounded on international financial reporting standards (IFRS) and principles in order to enhance their knowledge and skills in application of accounting regulations and policies and to keep them updated on the contemporary issues.

The study recommends that the Board of Directors of Petroleum Industry should monitor and supervise Company to ensure that the accountants comply with accounting regulations and requirement as provided by the Institute of Certified Public Accountants to ensure proper implementation and compliance with accounting standards and principles. Petroleum companies should develop a mechanism to incorporate relevant feedback from the various stakeholders into their internal control system.

Petroleum industries should develop and organize constant seminars and workshops to train and educate auditors and accountant on matters pertaining proper implementation of accounting policies and procedures to enhance their skills and expertise in their practice as professionals.

The study further recommends that the governing body of Petroleum Company, possibly supported by the audit committee, should ensure that the internal control system is periodically monitored and evaluated. The actual assessment can be executed by the organization’s management. A staff person who is sufficiently independent from those responsible for the system, such as the internal auditor, could provide additional assurance on the effectiveness and cost efficiency of the internal control system.

Lastly, the study recommends that petroleum companies should transparently report on the structure and performance of their governance, risk management, and internal control system in their various reports to internal and external stakeholders, such as through their periodic accountability reports or on the organization's website.

Areas for Further Research

The current study focused on the internal control system and financial performance in Petroleum Industry, focusing on Vivo Energy Uganda. It would be interesting to conduct a study on the determinants of internal control systems and their implications on financial performance; this will shed more light on the appropriate model to choose when implementing better internal control systems that enhance financial performance.

1. Internal control systems and financial management
2. Internal Audit Functions and Organization performance.
3. Compliance of Accounting Regulations and Organizational Growth.

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APPENDEX I

SELF ADMINISTERED QUESTIONNAIRE

I am Essa Ahmed Elzine a MBA student of Nkumba University carrying out research on the role of internal control systems and financial performance in the petroleum industry: A case of Vivo Energy Uganda. You have been selected as one of the respondents and I am kindly requesting you for your responses through this questionnaire. This information is purely for academic purposes though recommendations there from may be beneficial to the industry. Your responses will be treated with utmost confidentiality.

Thank you for your cooperation

Section A: Personal Information
Please tick the right response appropriately

1. Age
20-30 years ☐ 31-40 years ☐ 41-50 years ☐ 51-60 years ☐ above 60 yrs ☐

2. Gender

Male ☐ Female ☐

3. How long have you worked with Vivo Energy Uganda.

1-5 years☐ 6-10 years☐ 11- 15years☐ over 16 years☐

4. Highest level of qualification
Certificate ☐ Diploma level ☐ Degree☐ Masters☐

Others ………………………………………………………………

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

For each of the following statements in section B C D and E below, indicate your level of agreement by ticking one of the given statements using the following 5 points scale (1-5).

SD= Strongly Disagree, D=Disagree, N=Neutral, A=Agree, SD=Strongly Disagree

SECTION B: ACCOUNTING REGULATIONS AND PROCEDURES

1. There are established accounting regulations and procedures in Vivo Energy Uganda.

SD ☐ D ☐ N ☐ A ☐ SA ☐

2. Staff complies with sound and practical regulations and procedures to ensure accurate accounting and reporting of financial information.

SD ☐ D ☐ N ☐ A ☐ SA ☐

3. Complying with accounting regulations and procedures help Vivo Energy Uganda evaluate accounting transactions in a standardized manner.

SD ☐ D ☐ N ☐ A ☐ SA ☐

4. Accounting regulations and procedures are designed to offer increased clarity, guidance and transparency in Vivo Energy Uganda.

SD ☐ D ☐ N ☐ A ☐ SA ☐

5. Vivo Energy Uganda document all of the regulations and procedures it follows to meet the applicable accounting and regulatory standards.

SD ☐ D ☐ N ☐ A ☐ SA ☐

6. Accounting regulations and procedures are reviewed on a regular basis to ensure financial performance in Vivo Energy Uganda.

SD ☐ D ☐ N ☐ A ☐ SA ☐

7. Accounting records retrieval is done by an authorized personnel in Vivo Energy Uganda.

SD ☐ D ☐ N ☐ A ☐ SA ☐

8. Procedures are followed to document records until final accounts are prepared Vivo Energy Uganda.

SD ☐ D ☐ N ☐ A ☐ SA ☐

9. Appropriate measures are taken to correct misfeasance in operation of Vivo Accounting and Finance Management System.

SD ☐ D ☐ N ☐ A ☐ SA ☐

10. Vivo Energy Uganda finances are received in accordance with the established policies and procedures.

SD ☐ D ☐ N ☐ A ☐ SA ☐

SECTION C: INTERNAL AUDIT FUNCTION

1. Vivo Energy Uganda has an audit department for proper financial performance.
SD ☐ D ☐ N ☐ A ☐ SA ☐
2. The internal auditing ensures that the Vivo Energy Uganda implements all relevant aspects of the internal audit manual.
SD ☐ D ☐ N ☐ A ☐ SA ☐
3. The financial records are maintained in accordance with the established accounting regulations.
SD ☐ D ☐ N ☐ A ☐ SA ☐
4. There is proper monitoring of finances in Vivo Energy Uganda.
SD ☐ D ☐ N ☐ A ☐ SA ☐
5. The Vivo Energy Uganda has well qualified auditors.
SD ☐ D ☐ N ☐ A ☐ SA ☐
6. The financial and accounting regulations are complied with.
SD ☐ D ☐ N ☐ A ☐ SA ☐
7. Internal auditing periodically reviews the systems established to ensure compliance with those policies, plans, procedures laws and regulations.
SD ☐ D ☐ N ☐ A ☐ SA ☐
8. Internal auditors exercise transparency in financial matters.
SD ☐ D ☐ N ☐ A ☐ SA ☐
9. Internal auditors are properly trained in handling and maintaining financial transactions.
SD ☐ D ☐ N ☐ A ☐ SA ☐
10. There is proper utilization of finances in Vivo Energy Uganda.
SD ☐ D ☐ N ☐ A ☐ SA ☐

SECTION D: PHYSICAL ACCESS TO ASSETS AND FINANCIAL RECORDS.

1. Physical control over assets and records help protect company's assets.

   SD ☐ D ☐ N ☐ A ☐ SA ☐

2. Effective internal control reduces the risk of asset loss in Vivo Energy.

   SD ☐ D ☐ N ☐ A ☐ SA ☐

3. Internal Control system safeguards assets against unauthorized acquisition.

   SD ☐ D ☐ N ☐ A ☐ SA ☐

4. Cash handling duties are divided in stages at Vivo to ensure financial performance.

   SD ☐ D ☐ N ☐ A ☐ SA ☐

5. Cash collections are reconciled on a daily basis to the cash register.

   SD ☐ D ☐ N ☐ A ☐ SA ☐

6. Financial statements are prepared by authorized personnel at Vivo Energy.

   SD ☐ D ☐ N ☐ A ☐ SA ☐

7. Vivo Energy Uganda has Asset Access Policy and Procedure.

   SD ☐ D ☐ N ☐ A ☐ SA ☐

8. Statement of retained earnings, cash flow and income statements are properly maintained.

   SD ☐ D ☐ N ☐ A ☐ SA ☐

9. All financial records are properly kept for further references.

   SD ☐ D ☐ N ☐ A ☐ SA ☐

SECTION E: FINANCIAL PERFORMANCE

1. The internal control system has led to improved accountability in Vivo Energy Uganda.

   SD ☐ D ☐ N ☐ A ☐ SA ☐

2. The internal control system has led to proper management of funds in Company

   SD ☐ D ☐ N ☐ A ☐ SA ☐

3. The internal control system has led to proper utilization of resources in Vivo Energy Uganda.

   SD ☐ D ☐ N ☐ A ☐ SA ☐

4. The internal control system has led to proper financial monitoring in Vivo Energy Uganda.

   SD ☐ D ☐ N ☐ A ☐ SA ☐

APPENDIX II

INTERVIEW GUIDE

1. How do you understand the term internal control system?
2. How do you understand the term financial performance?
3. Do Company officers exercise transparency in financial matters?
4. How does physical control over assets and records help protect company's assets?
5. Do accounting regulations and procedures are designed to offer increased clarity, guidance and transparency in Vivo Energy Uganda?
6. Does physical control over assets and records help protect company's assets?
7. Does the internal control system have led to proper management of funds in Company?

APPENDIX III

DOCUMENT CHECKLIST

The researcher used the following relevant documents to get information on internal control systems and financial performance in Vivo Energy Uganda;

- Vivo Energy Uganda Policies and Procedures
- Shell Uganda Internal Control Policies
- Annual reports 2012-2016 and Business plan for Vivo Energy Uganda
- Dissertations of other researchers, websites, company journal, etc.