PROJECT ABSTRACT

Master of Business Administration

Adventist University of Africa

School of Postgraduate Studies

TITLE:       INTERNAL CONTROLS AND FINANCIAL PERFORMANCE: A CASE STUDY OF MUGONERO HOSPITAL AND ITS HEALTH CENTERS, RWANDA

Researcher: Rugimbabahizi Habineza

Primary Adviser: Marie-Anne Razafiarivony, PhD

Date completed: June 2018

Effective internal control systems can play a very crucial role in every organization to realize organizational goals, one of which is achieving financial performance objectives. The main objective of this study was to establish the relationship between internal control systems and the financial performance of Mugonero Hospital and its health centers. Specific objectives of the study included examining the existing internal control system in the organization and investigating the relationship between the five internal control elements and financial performance.

A correlational research design was adopted for this study. The study used a sample of 80 respondents from a targeted population, which also served as the sample. The findings of this research revealed that financial performance is quite

good where all operating costs were covered, profitability goal attainment, enough liquid cash to cover all expenses and working capital was above 100%.

The findings also indicated that internal controls were somewhat practiced and this due to the shortage of training given to the staff, segregation and separation of duties and that all risks were not daily measured. Therefore, the health institutions have to invest in establishing strong internal control systems to realize better their financial performance. Strong internal control systems must be entrenched in all levels of the organization by the managers to improve institution's financial performance.

Adventist University of Africa

School of Postgraduate Studies

INTERNAL CONTROLS AND FINANCIAL PERFORMANCE:

A CASE STUDY OF MUGONERO HOSPITAL

AND ITS HEALTH CENTERS, RWANDA

A project

presented in partial fulfillment

of the requirements for the degree

Master of Business Administration

by
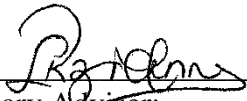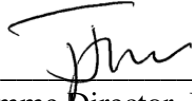
Rugimbabahizi Habineza

January 2019

INTERNAL CONTROLS AND FINANCIAL PERFORMANCE:

A CASE STUDY OF MUGONERO HOSPITAL

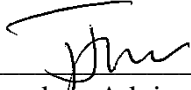AND ITS HEALTH CENTERS, RWANDA

A project

presented in partial fulfillment

of the requirements for the degree

Master of Business Administration

by
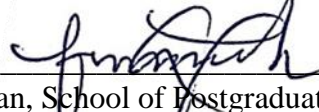
Rugimbabahizi Habineza

APPROVAL BY THE COMMITTEE:

_____          _____
Primary Adviser:                                          Programme Director, MBA
Marie-Anne Razafiarivony, PhD                Josephine Ganu, PhD

_____          _____
Secondary Adviser:                                      Dean, School of Postgraduate Studies
Josephine Ganu, PhD                                 Daniel Ganu, DrPH

AUA Main Campus

Date: January 2019

To my beloved family,

To all my relatives and friends and all my colleagues from AUA

TABLE OF CONTENTS

# LIST OF TABLES

# LIST OF ABBREVIATIONS

APC         Accounting Planning Committee

AUA         Adventist University of Africa

COSO        Committee of Sponsoring Organizations of the Treadway Commission

GAAP        General Accepted Accounting Principles

ICS         Internal Control System

NHCAFA       National Health Care Anti-Fraud Association

SPSS        Statistical Package for the Social Sciences

# ACKNOWLEDGEMENTS

CHAPTER 1

INTRODUCTION

**Background of the Study**

Internal control has gained much attention following the fraudulent financial reporting and accounting scandals that has occurred in both developed and developing countries (Channar, Khan & Shakri, 2015). Internal control is a system consisting of specific policies and procedures designed to provide management with reliable assurance. In their view, the reasons to have internal controls is to promote operational effectiveness and efficiency, provide reliable financial and administrative information, safeguard assets and records, encourage adherence to prescribed policies and compliance with regulatory agencies.

Ndamenenu (2011) notes that an internal control is a set of instructions, guidelines and procedures that a company's senior leadership establishes to prevent operating losses resulting from theft, error, technological malfunction and employee neglect or carelessness. An internal control also helps an organization/company prevent adverse regulatory initiatives, such as fines or litigation. Accounting principles and internal audit rules require that organizations or companies establish adequate and functional internal controls to improve corporate governance processes. These principles include Generally Accepted Accounting Principles and the Institute of Internal Auditors standards.

According to Davies (2007) health care fraud is an intentional deception or misrepresentation that could result in unauthorized benefit. In health care systems, which are insurance-based, health care fraud often involves fraudulent reimbursement and billing practices. Within private, for-profit providers and health care suppliers, fraud may include falsification of financial statements to deceive regulators, shareholders or industry analysts.

Embezzlement or the misappropriation of property or funds legally entrusted to someone in their formal position as agent or guardian is another type of health care fraud. Hospitals in low income countries are particularly vulnerable to fraud in part because administrative systems are not well developed or transparent, making it hard to distinguish between intentional fraud, and abuse due to incompetence or ignorance. In addition, hierarchical structures and personnel management systems may discourage people from voicing concerns or pointing out poor performance for fear of retaliation (Pearce & Robinson, 2010). Ndegwa (2013) stated that measurement and evaluation of performance is central to control, and addresses three questions namely, what happened, why it happened and what to do about it. The control system helps monitor the implementation of strategic objectives by checking the organization's position, communicating the position, confirming priorities and compelling progress.

Financial performance can be achieved by eradicating waste in benefits services processes and systems. In a hospital setting, as in any other organization, the critical success specifies 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 the financial statements will be useful to a wide range of users for decision-making (Davies, 2007). It can therefore be construed that internal controls are the means while financial performance is the end.

**Statement of the Problem**

The effectiveness of internal control on financial performance should be considered most important in every firm because the task of internal controls is to prevent and detect fraud in the firm. Internal controls are put in place to ensure safe custody of all assets; to avoid misuse or misappropriation of the firm's assets and to detect and safeguard against probable frauds. The management should meet regularly to review the affairs of the firm and to direct the strategic path of the firm and also ensure continued goal congruence (Reid & Smith, 2000).

The Report of Mugonero Hospital (2012) revealed three types of fraud in recent years. These include: diversion of patient fee revenue at point of service; diversion of accounts receivable, or checks submitted by patients or companies to pay debts owed on their accounts; and collusion between hospital purchasing agents and suppliers. These cited problems can be controlled with fairly simple internal controls; strengthening internal control systems is important, and can start with making better use of existing resources before incurring additional costs. Therefore, the aim of this study is to analyze the implementation of internal controls and its relationship with financial performance in Mugonero Hospital and its health Centers.

**Research Questions**

1. What is the level of implementation of internal controls in Mugonero Hospital and its health centers?

2. What is the financial performance of Mugonero Hospital and its health centers?

3. Is there any significant relationship between internal controls and financial performance in Mugonero Hospital and its health centers?

## Conceptual Framework

The conceptual framework shows the different variables used in the study and their relationship with each other. On one hand are represented the variables used to measure the internal control and on the other hand those measuring the financial performance.

Internal controls
Control environment
Control activities
 Risk assessment
 Information and
Communication
Monitoring and Evaluation

Financial performance

Profitability goal attainment
Liquidity
Working capital
Self-support
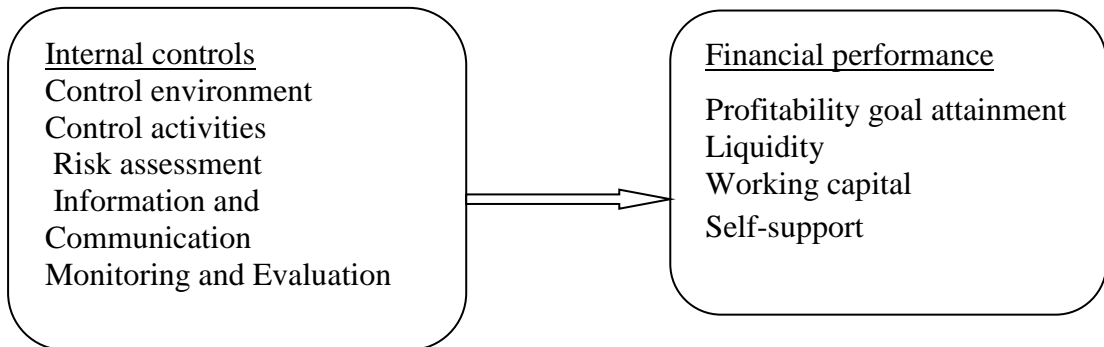
*Figure 1.* Conceptual framework

For the internal control variable to be operationally measured, the following sub-variables were used: control environment, control activities, risk assessment, information and communication; monitoring and evaluation. The financial performance is measured through the profitability goal attainment, liquidity, working capital and self-support.

## Significance of the Study

The study findings will be significant to the following: The researcher, administration, policy makers and to the health care institutions.

To the researcher, the findings of the study will allow him to deepen his knowledge about the proper internal controls within the organizations. To the administration of Mugonero Hospital and the related healthcare institutions, the study will provide strategies for improving the internal control, the financial performance as well as the design of better policies to meet the stated objectives. The recommendations of the

3

study will be of interest to the management of these institutions because they point out the areas ignored in the internal control systems as well as the ways of improving the quality of the internal control system. The study will provide information to new business entrepreneurs who wish to invest in the hospital sector, especially in Mugonero Hospital.

## Scope &Limitations of the Study

The focus of this research is to show the relationship between internal control and the financial performance of the hospital. The industry under study is therefore only the healthcare services and no other institutions.

The major constraints in this study included the unwillingness of the participants to provide information, especially with respect to their internal operation policies. Human errors and biasness were another limiting factor of this study. However, efforts were made to ensure the respondents of anonymity and the assurance that the study would be done for academic purposes only.

## Operational Definitions Terms

**Control:** Is an exercise performed in the present to achieve a plan drawn up for the future.

**Internal control:** the study adopts the definition by the Auditing planning committee (APC) as "the whole system of control financial and otherwise established by management in order to carry out the business of the enterprise in an orderly and efficient manner to safeguard the assets and secure as far as possible, the competence and accuracy of records, the prevention and detection of errors and fraud in accordance with the final preparation of financial statement.

**Performance:** Refers to the skills of an agency in acquiring resources and using those resources efficiency and effectively in achieving outcomes.

**Financial performance:** measures how well a firm can use assets from its primary mode of business and generate revenue.

CHAPTER 2

REVIEW OF LITERATURE

Norvee (2006) defined internal control as a process effected by an
organizations structure, work and authority flows, people and management
information systems designed to help the organization accomplish specific goals or
objectives. In his view, it is a means by which the organizations resources are
directed, monitored and measured. He went ahead and said that the ensured
procedures will be performed as intended; right attitudes, integrity and competence,
and monitored by managers.

COSO (1994) divided internal controls into two complementary forms, the
accounting controls and administrative controls. Accounting controls were viewed as
safeguards to control assets and ensure accuracy of financial records while
administrative controls are safeguards designed to provide operational efficiency and
adherence to policies and procedures.

Lakis and Giriūnas (2012) observed that at the organizational level, internal
control objectives relate to the reliability of financial reporting, timely feedback on
the achievement of operational or strategic goals, and compliance with laws and
regulations.

**Internal Controls in the Health Care Sector**

The National Health Care Anti-Fraud Association in the United States defines
health care fraud as an intentional deception or misrepresentation that could result in

unauthorized benefit. In health care systems which are insurance-based, health care fraud often involves fraudulent reimbursement and billing practices. Within private, for-profit providers and health care suppliers, fraud may include falsification of financial statements to deceive regulators, shareholders, or industry analysts. Embezzlement, or the misappropriation of property or funds legally entrusted to someone in their formal position as agent or guardian, is another type of health care fraud (Kakuru, 2001).

Frimpong et al. (2012) pointed that auditors who have worked in resource-constrained hospitals usually report three types of fraud: 1) diversion of patient fee revenue at point of service; 2) diversion of accounts receivable, or checks submitted by patients or companies to pay debts owed on their accounts; and 3) collusion between hospital purchasing agents and suppliers. Each of these is discussed below.

**Diversion of Fee Revenue**

Many hospitals in developing countries charge fees for services. While on average the fee revenue in public hospitals does not often amount to much generally less than 10 % of hospital revenue it can still be an important source of local funding for under-funded expense items like medicines, supplies, or small repairs. In private hospitals, fee revenue is the most significant source of funding. Generally, a patient will pay the user fee at a cash collection office, where a clerk records the amount paid and issues a receipt to the patient. There could be several cash collection offices spread across the campus of the hospital, usually close to where services are rendered. At the end of the day, the Cashier will prepare a summary of cash collections and turn this, together with the cash collected, over to the Accountant (or Chief Cashier in a large hospital). The Accountant or Chief Cashier then will "post" or record the transaction into the cash book (Frimpong et al., 2012).

One way in which fraud occurs in the process of collecting and recording of fee revenue is through the use of a "refund" account. A refund account is a legitimate accounting category, meant to include revenue to pay legitimate refunds for services which were erroneously charged or where a refund is due for some other valid reason. However, refund accounts can also be abused. Instead of posting patient user fee revenue to a patient revenue account, the accountants may post the revenue into a "refund" account. Later, they can make a fictitious "refund" to a non-existent client, which is actually their own personal account. This type of fraud can be controlled through the introduction of better internal control procedures, such as requiring a higher level of authorization for the release of refunds (Frimpong et al., 2012).

Another way to divert fee revenue is by altering receipts. Unfortunately, where this information is omitted it is much easier for a fraudster to change a number on the receipt. In one hospital, an audit detected that cashiers were in fact doing just that: altering the carbon copy of receipts after the patient had been given a receipt with the correct amount recorded. The cashiers slipped a card between the original and the copy so that they filled in a different amount on the copy after issuing the original to the patient. The use of electronic cash registers is helping to solve this problem. Another strategy for prevention is to alert patients to watch how the receipt is prepared, and to report any suspicions or concerns (Frimpong et al., 2012).

**Diversion of Accounts Receivable**

A second type of fraud involves accounts receivable. Accounts receivable is an accounting term which refers to money owed to the company by customers for services provided on credit. Patients may come in to settle their debt with a check, or a company may send a check to pay for services provided on credit to company employees (Markle, 2007).

Accounting clerks who open the mail or receive the checks from patients may deposit the check into a personal bank account. Since the debt still appears as owed by the client, the accountant may later write off the client's outstanding balance as "bad debt" or may wait for another check from a different patient/client and apply this to the account whose check was stolen. This is termed lapping, or "teeming and lading." This type of fraud can be avoided by separating duties, i.e. having one person open the mail or handle customer cash, while a different person is responsible for cash deposits and collection follow-up. Providing monthly statements to clients, and requiring employees to take regular leaves, can also help expose this fraud (Markle, 2007).

**Collusion with Suppliers**

The third major type of fraud in hospitals in developing countries involves collusion with suppliers. After personnel, purchases of goods and services is the next largest expense item. Accountants and purchasing clerks may collude with suppliers to make a deliberate overpayment for an order. The amount by which the order was overpaid is then refunded by the company to the accountant directly, as a kickback. Sometimes a supplier will legitimately offer a "discount" off the list price. In this case, the refund check may be made out to the hospital, and will be sent at a later date. In such a situation, the accountant can still commit fraud by depositing the check into his or her own personal account (Markle, 2007).

<div align="center">

**Implementation of Internal Controls**

</div>

According to Armour (2000) there exist five components internal controls that must be present in order to conclude that internal controls are effective namely:

Control environment, control activities, risk assessment, information and

communication, monitoring and evaluation.

**Control Environment**

An effective control environment is where competent people understand their

responsibilities, the limits to their authority, and are knowledgeable, mindful, and

committed to doing what is right and doing it the right way. Jenny and Pamela (2006)

point out that a governing board and management enhance the control environment

when they behave in an ethical manner - creating a positive tone at the top and when

they require that same standard of conduct from everyone in the organization. Amudo

and Inanga (2009) also noted that control environment makes organizational members

aware of the job requirements and efficiency expected of them to carry out tasks that

translate in the overall organizational performance.

Bell and Carcello (2000) subscribed to the view that control environment

exists when the responsibility to execute assigned task is not directed by anyone but

rather consciously dictated upon organizational members, and also when members

find themselves obeying, observing and responding to the desired organizational

culture, operations and activities as efficiently and effectively declared. The institute

of Internal Auditors looks at control environment as one that dictates upon

organizational members a feeling of consciousness that their continued stay at an

organization is assured by demonstration of their expected level of competence as

well as their comprehension of authority and responsibility limits. In this respect,

organizational members feel and realize that they are accountable to the organization.

Okwach (2000) disclosed that under such an environment, the organizational

members utilize the available resources efficiently and effectively, hence achieving

the expected organizational performance. On the other hand, Okwach (2000) views

control environment as an enabler of execution of tasks by organization members as set by the board members and departmental managers through attitudes and actions that encourage the highest level of integrity, appropriate leadership philosophy, operating style and personal and professional standards, thereby leading to reasonable compliance and operational efficiency levels.

**Control activities**

According to Armour (2000), control activities comprises of the policies and procedures that help to ensure that management directives are carried out. They contend that activities supported by policies and procedures, when carried out properly and in a timely manner, manage or reduce risks. In the same way that managers are responsible for identifying financial and compliance risks for their operations, they also have line responsibility for designing, implementing and monitoring their internal control systems added.

Armour (2000) considers control activities as policies and procedures established to address risks and to achieve the entity's objectives. To be effective, control activities must be appropriate, function consistently according to plan throughout the period, and be cost effective, comprehensive, reasonable, and directly relate to the control objectives. Control activities occur throughout the organization, at all levels and functions. They include a range of preventive and detective activities for example; authorization and approval procedures, segregation of duties (authorizing, processing, procuring recording, receiving), controls over access to resources and records, verifications, reconciliations, reviews of operating performance, reviews of operations and activities, and supervision (assigning, review in and approving, guidance and training), among others.

Steeves (2004) also expanded on the activities as being preventive and detective. Managerial and administrative measures that are pro-active in nature and prevent undesirable events from occurring are what he referred to as preventive controls. They comprise: proper authorization, segregation of duties, sufficient documentation, and physical control of assets. Control activities comprises of the policies and procedures that help to ensure that management directives are carried out. They contend that activities supported by policies and procedures when carried out properly and in a timely manner, manage or reduce risks. In the same way that managers are responsible for identifying financial and compliance risks for their operations, they also have line responsibility for designing, implementing and monitoring their internal control systems added.

**Risk Assessment**

According to Jenny & Pamella (2006), risk assessment refers to the identification and analyzing of relevant risks to the achievement of objectives, forming a basis for how the risks should be managed. Steeves (2004) considers the identification of risks as important for the achievement of the organization objectives because an effective internal control system, no matter how well conceived, and operated, can provide only reasonable- not absolute-assurance to management about the achievement of an entity's objectives. He says that managers should determine what can go wrong, what areas have the most risk, what asset are at risk, and who is in a position of risk . The risks may include public scandal, misuse of revenues, assets and personnel, and also the use of unreliable information for decision making. Identification of risks as a challenge to some organizations. The internal controls can give management information about the entity's progress or lack of it towards

achievement of objectives but cannot change an inherently bad manager into a good one.

**Information and Communication**

Formal channels comprise of downward or top down, upward or bottom up and horizontal or lateral forms. The informal channels comprise majority grapevine. It is further noted that for information to achieve its intended purpose, it must be identified, captured, processed and communicated in an authentic, useful and timely manner. In addition, the information communicated must be reliable, accurate, complete, specific, understandable, directed to the right people and relevant to the intended users.

Semanda (2001) considers the bottom up channel as a carrier of feedback from subordinates to management and involving verbal and nonverbal communication. Verbal method constitutes management subordinate consultations, face to face discussions, and negotiations while nonverbal methods constitute written reports and suggestion boxes. Such interactions between management and subordinates are pivotal in motivating subordinates towards achievement of expected organizational performance given their democratic nature.

Byekwasa (2000) emphasized the need for a two-way form of information flow to achieve the desired organizational performance because both information flows facilitate the implementation of planned activities. However, he stressed the need for guidance of this information by internal control objectives.

According to Akkizidis and Khandelwal (2008), the top down channel mostly occurs in an impersonal nature leading to information flow ambiguity, clear message delivery failure to subordinates contrary to what is intended by management.

However, the bottom up channel supplements the top down to enable management attain desired organizational effectiveness.

Internal controls also cover the aspects of information and communication systems or processes that support the identification, capture, and exchange of information in a form and time frame that enables people to carry out their responsibilities. Albrecht et al. (1988) said that information systems provide reports containing operational, financial and compliance related information that make it possible to run and control an organization.

However, information and communication are essential to effecting control; information about an organization's plans, control environment, risks, control activities, and performance must be communicated up down and across an organization (Wales, 2005). He emphasized that reliable and relevant information from both internal and external sources must be identified, captured, processed and communicated to people who need it in a form and tine frame that is useful.

**Monitoring and Evaluation**

COSO (2009), view monitoring as needed to ensure that planned administrative, operational and financial tasks and activities are carried out in a timely and proper manner such that set internal control objectives and organizational performance are achieved. Monitoring aims at determining whether organizational members are carrying out or have carried out their tasks efficiently and effectively as required by the organization's policies (Bell & Carcello, 2000).

According to Armour (2000), the purpose of monitoring is to determine whether internal control is adequately designed, properly executed, and effective. Internal control is adequately designed and properly executed if all the five control components (control environment, control activities, risk assessment, information and

communication and monitoring) are present and functioning as designed. Internal

control is effective if management and interested stake holders have reasonable

assurance that they understand the extent to which operational objectives are

achieved. This will help to provide a solid basis for analyzing trends and defining

strategies, and will be particularly useful when there is a change of personnel,

management, and policy makers. Changes in external factors which are relevant to the

development of the project should also be registered in the progress report. The

progress report provides major information input to the project review.

**Empirical Literature**

Muraleetharan (2011) in his study, Internal Control and Impact on Financial

Performance of the Organizations in Jaffna District in India', examined whether the

internal control systems lead to increased and better financial performance of the

Organizations. In his study, internal control was measured by control environment,

risk assessment and control activities and financial performance was measured by

profitability, efficiency and liquidity. To test his hypothesis, data was collected by use

of questionnaires, observation and personal interviews and 181 samples were selected

from employees in the offices. He used Chi square and regression analysis to measure

the variables, and a value of 161.1 (p=0) at 0.05 significant level indicated that there

was a relationship between internal control and financial performance.

Mawanda (2008) conducted a research on the effects of internal control

systems on financial performance in an institution of higher learning in Uganda. A

questionnaire was used to collect data to achieve the objectives. A census was done

from a population of 270 staff at Uganda Martyrs University. This research

established a strong relationship between internal control system and financial

performance of the Uganda Martyrs University. The study concluded that internal

control systems do function although with hiccups and that there is a significant relationship between internal control systems and financial performance in an Institution of higher learning.

Muwanga, (2013) conducted a research on effects of internal control systems on financial performance in institution of higher learning Uganda. In his study he investigated and sought to establish the relationship between internal control systems and financial performance in an Institution of higher learning in Uganda. Internal controls were looked at from the perspective of control environment, internal audit and control activities whereas financial performance focused on Liquidity, Accountability and Reporting as the measures of Financial performance. The Researcher set out to establish the causes of persistent poor financial performance from the perspective of internal controls. The study established a significant relationship between internal control system and financial performance. The investigation recommends competence profiling in the Internal Audit department which should be based on what the University expects the internal audit to do and what appropriate number staff would be required to do this job. The study therefore acknowledged role of internal audit department to establish internal controls which have an effect on the financial performance of organizations.

Feng et al (2009) also carried out a study on internal control and management guidance, used questionnaire and finally found that internal control quality has an economically significant effect on the accuracy of management guidance. The research results indicate significant relationships between years between audits, internal control adequacy, internal control effectiveness and evaluation of financial performance monitoring on local government financial performance. However, looking at the above studies that have been conducted on effective internal control

system, none of the above studies examined the relationship between effective

internal control with internal audit effectiveness particularly at health organizations.

Therefore this research extends the previous research through examining the

relationship between role of internal control and financial performance within health

organization providers.

CHAPTER 3

METHODOLOGY

**Research Design**

This study adopted correlation research design. A correlation research design describes the degree of relationship between two variables. In this research, the researcher examined the degree of relationship between of implementation of internal controls and financial performance.

**Population & Sampling Procedure**

The total population of this research study was composed of the accountants, internal auditors and administrators of the following health centers: Mugonero Hospital, Ngoma health center, Karora health center and Bisesero health center. The total number of the target population is 80, therefore no sampling was used. The table below shows the distribution of the population in the different institutions.

*Table 1*. Targeted Population

| Institutions | Administrators | Auditors | Accountants | Total |
|---|---|---|---|---|
| Mugonero Hospital | 9 | 6 | 8 | 23 |
| Ngoma Health center | 7 | 3 | 14 | 20 |
| Karora Health center | 5 | 4 | 10 | 19 |
| Bisesero health center | 4 | 5 | 9 | 18 |
| Total | | | | 80 |

Source: Mugonero Hospital (2017)

# Instrument for Data Collection

The main instruments used to collect data from respondents in this study were questionnaire and interview. The researcher designed the questionnaire based on the literature review detailed in chapter two. The questionnaires had three sections. The first section was about the demographics, the second section covered the implementation of internal controls and the third section concerned the financial performance. For the interview, the researcher asked the administrators about the implementation of internal controls in their respective organizations. Sections 2 and 3 of the questionnaire used a Likert scale with the following interpretation:

*Table 2.* Interpretation Scale

| Weight Scale | Range | Interpretation of the scale |
|---|---|---|
| 7 | 6.00 – 7.00 | Very high level/very highly practiced |
| 6 | 5.00 –5.99 | High level/highly practiced |
| 5 | 4.00 – 4.99 | Somewhat high level/practiced |
| 4 | 3.00 – 3.99 | Average level/not sure if practiced |
| 3 | 2.00 – 2.99 | Somewhat Low/practiced but not regularly |
| 2 | 1.50- 1.99 | Low/practiced rarely |
| 1 | 1.00-1.49 | Very Low/not practiced at all |

## Instrument Validity

To ensure content validity, the questionnaire was designed in such a way as to contain an adequate number of items and each item had a link with the variables under study. Then, the questionnaire was submitted to experts in the domain to be verified and corrections were implemented as suggested.

**Instrument Reliability**

For inter-item consistency, Cronbach alpha was conducted. This coefficient is a popular test and the interpretation of the results are as follows:

| Reliability test Cronbach's alpha | Internal consistency |
|---|---|
| $\alpha \geq 0.9$ | Excellent |
| $0.8 \leq \alpha < 0.9$ | Good |
| $0.7 \leq \alpha < 0.8$ | Acceptable |
| $0.6 \leq \alpha < 0.7$ | Questionable |
| $0.5 \leq \alpha < 0.6$ | Poor |
| $\alpha < 0.5$ | Unacceptable |

Source: Gliem & Rosemary, 2003.

Table 3 shows the Cronbach Alpha results for the variables under study.

*Table 3*. Reliability Test

| Variables | Cronbach's alpha | Interpretation |
|---|---|---|
| Control environment | 0.825 | Good |
| Control activities | 0.726 | Acceptable |
| Risk assessment | 0.886 | Good |
| Information & Communication | 0.706 | Acceptable |
| Monitoring | 0.781 | Acceptable |
| Financial performance | 0.718 | Acceptable |

**Ethical Considerations**

Permission was sought from the administrators of the institutions to collect data. The researcher also sought the consent of the respondents through a letter. Those who agreed to participate were given the purpose of the study; its benefits were expounded. The researcher answered all the questions raised by the respondents in

order to secure full confidence of the respondents. They were assured of confidentiality about the information that they would provide. The participants were also informed that those who were not comfortable to participate would not be coerced into doing so. The questionnaires were analyzed in an aggregate manner to protect respondents from being singled out. After the data was collected, it was placed in a secure place and no one had access to it except the researcher. Even for the interviews, the researcher reported the comments in a general manner to avoid pointing out to either the institution or the individuals. The hard copies of the questionnaires are temporarily kept securely at home until the project is complete and later will be burnt.

## Data Collection Procedure

Permission was sought from the administrators of the institutions to collect data. Data were collected from field visits to the workers of Mugonero Hospital and its health centers. The researcher administered the questionnaire himself and then retrieved them at an agreed date.

## Method of Data Analysis

The analysis of data was done using the SPSS software, version 23, which helped the researcher to summarize the data and facilitate quick interpretation of the results. Descriptive statistics included frequencies, percentages, means and standard deviation. Further, a Pearson correlation analysis was used to test the relationship between implementation of internal controls and financial performance.

CHAPTER 4

RESULTS & DISCUSSION

The purpose of the study is to find the relationship between internal control and the financial performance of the organization. This chapter presents the findings of the study. The researcher used 80 people as respondents. All questionnaires distributed to the respondents were returned to the researcher.

**Demographic Characteristics of Respondents**

In order to analyze the demographic characteristics of the respondents, descriptive statistics was used. The following table presents the findings.

*Table 4.* Gender of Respondents

| Gender | Frequency | Percent |
|--------|-----------|---------|
| Male | 35 | 43.8 |
| Female | 45 | 56.2 |
| Total | 80 | 100.0 |

**Source:** Primary data, February 2018

As it is shown on the table above 56.2 % of the respondents were females and 43.8% were males. This indicates there more female participants in this particular study.

*Table 5.* Profession of Respondents

| Profession | Frequency | Percent |
|---|---|---|
| Accountants | 41 | 51.2 |
| Auditors | 18 | 22.5 |
| Administrators | 21 | 26.2 |
| Total | 80 | 100.0 |

**Source:** Primary data, February 2018

Regarding the profession of the respondents, 51.2 % were accountants, 22.5 % were auditors whereas 26.2 % were administrators.

*Table 6.* Academic Qualification of Respondents

| Qualification | Frequency | Percent |
|---|---|---|
| Diploma | 13 | 16.2 |
| Bachelor | 61 | 76.2 |
| Postgraduate | 6 | 7.5 |
| Total | 80 | 100.0 |

**Source:** Primary data, February 2018

The respondents were asked about their level of education. 76.2 % of them have a Bachelor degree; 16.2 % have a diploma and 7.5 % were postgraduate degree holder.

*Table 7.* Length of Service of Respondents

| Years of Service | Frequency | Percent |
|---|---|---|
| Below 5 years | 16 | 20.0 |
| Between 6 to 10 years | 36 | 45.0 |
| Between 11 to 15 years. | 19 | 23.8 |
| Between 16 to 20 years. | 9 | 11.2 |
| Total | 80 | 100.0 |

**Source:** Primary data, February 2018

According to the findings of the study 20 % of respondents have less than 5 years of experience in their profession, 45 % of the respondents have 6-10 years of experience and 35 % have been working in that profession for more than 10 years. The implication is that the more years the employees have in their profession the more they are expected to know how to apply specific internal control procedures in their duties.

**Research Question 1**

**What is the level of implementation of internal controls in Mugonero Hospital and its health centers?**

The data to analyze the first research question was obtained through the second section of the questionnaire regarding internal control.  The following operational variables were used to measure the concept of internal control: Control environment, control activities, risk assessment, information and communication and monitoring.

**Findings about the Control Environment**

*Table 8.* Perception of Respondents about Control Environment

| Assertions | Mean | SD |
|---|---|---|
| The hospital has a code of conduct and/or ethics policy that has been communicated to all staff and board members. | 6.30 | 0.960 |
| The management is willing to adjust the financial statements for misstatements that approach a material amount. | 6.00 | 0.941 |
| The policies and procedures for authorizations are established at a reasonably high level. | 6.14 | 0.807 |
| The management understands the concept and importance of internal control including the division of responsibility. | 5.66 | 0.795 |
| They are sufficient training opportunities available to improve competency. | 3.88 | 1.140 |
| Overall mean | | |
| | **5.59** | **0.928** |

Source: Primary data, February 2018

Table 8 shows that the hospital has a code of conduct and/or ethics policy that has been communicated to all staff and board members (mean = 6.30 and standard deviation = 0.960). The second highest mean regards the policies and procedures for authorizations. The findings indicate that the policies and procedures are established at a high level (mean = 6.14 and standard deviation = 0.807). On the other hand, the item with the lowest mean (3.88 and standard deviation of 1.140) concerned the training opportunities. The overall mean for this variable is 5.59 with a standard deviation of 0.928 which, according to table 2 is considered a high level.

**Findings Regarding Control Activities**

Control activities are one of the functional of internal controls. According to Table 9 below, the item with the highest mean is about monthly reconciliation which

are done regularly to detect errors. (Mean = 5.99 and standard deviation = 0.984); the

second highest is about the payment procedures. The respondents agree that they are

followed for all transactions (mean = 5.95 and standard deviation = 0.884). This is

followed closely to the item regarding the payments being authorized by the

responsible officer before payment (mean = 5.82 and standard deviation = 0.938).

However, the item with the lowest mean of 3.80 and standard deviation of 0.818,

concerns establishing a continuous internal check as part of the system. The

respondents did not fully agree about that one, nor did they disagree.

*Table 9.* Perception of Respondents about Control Activities

| Assertions | Mean | SD |
|---|---|---|
| Accounts are reconciled on monthly basis to detect errors and fraud. | 5.99 | 0.984 |
| All payments are authorized by responsible officer before payment. | 5.82 | 0.938 |
| All payment procedures are followed for all transactions. | 5.95 | 0.884 |
| All financial transactions are recorded in vouchers for future references. | 3.85 | 0.813 |
| All hospital assets are corded and marked. | 5.51 | 0.551 |
| There is internal check which operates continuously as part of the system. | 3.80 | 0.818 |
| **Overall mean** | **5.15** | **0.831** |

**Source:** Primary data,  February 2018

The overall mean of 5.15 and standard deviation of 0.831 seems to indicate that control activities are highly practiced in the hospital and its entities.

**Findings Regarding Risk Assessment**

The table below shows the results of the findings regarding risk assessment.

*Table 10.* Perception of Respondents about Risk Assessment

| Assertions | Mean | SD |
|---|---|---|
| There are mechanisms in place to identify and react to changes that can have dramatic effects on hospital. | 5.74 | 0.823 |
| Risks are assessed in relation to changes in the operational environment. | 5.60 | 0.789 |
| The hospital performs risk assessment of its operations to consider risk related to fraudulent activity and how the operations could be impacted. | 5.54 | 0.674 |
| The hospital follows established policies, procedures, and processes to periodically reconcile physical assets. | 5.54 | 0.711 |
| All risks facing this hospital are measured. | 3.81 | 0.813 |
| **Overall mean** | **5.24** | **0.762** |

**Source:** Primary data,  February 2018

Table 10 indicates that the hospitals and health centers have mechanisms in place to identify risk areas. This registered the highest mean of 5.74 and standard deviation of 0.823. It is followed by the second item regarding the assessment of risk relative to the operational environment (mean = 5.6 and standard deviation = 0.789). The item with the lowest mean (3.81 with a standard deviation of 0.813) is about the risks being measured. The general perception with the mean of 5.24 and standard deviation of 0.762. The results indicate that risk assessment procedures are being implemented at a high level at the health institutions.

According to the interview held with the Health Director about the relationship between proper financial accountability and better services delivery, he has answered that accountability for all funds should be maintained at all times and also noted that a lot of benefits can be derived through the implementation of an effective Internal Control System. It prevents errors and irregularities by detecting them in a timely manner there by promoting reliable and accurate accounting records. This point of view is in the line with Dess & Shaw, (2001) stating that it can also quickly resolve issues arising as a result of reporting errors.

**Findings Regarding Information and Communication**

*Table 11.* Perception of Respondents about Information and Communication

| Assertions | Mean | SD |
|---|---|---|
| Staff has information on internal controls and accountability. | 3.32 | 1.32 |
| The hospital has clear channels of communications. | 5.00 | 0.746 |
| There is good communication between the staff of the various departments. | 5.46 | 0.502 |
| There is no ambiguity in information communicated. | 5.68 | 0.725 |
| **Overall mean** | **4.85** | **0.823** |

**Source:** Primary data,  February 2018

Table 11 shows all assertion and different perception of respondents about information & communication and how it affects financial performance. The perception of respondents on the fourth assertion indicates the perception with the highest mean of 5.68 and standard deviation of 0.725. They somewhat agree that there is no ambiguity in information communicated while the first assertion has the lowest mean of 3.32 and standard deviation of 1.32. The general perception with the mean of

4.85 and standard deviation of 0.823 Therefore, the study concluded that Mugonero Hospital & its health centers somewhat highly level implemented information and communication in their activities and functions through established policies and procedures.

**Perception of Respondents about Monitoring**

The study sought to establish the effect of monitoring as functional of internal controls on financial performance in relation to the length of operation of the organization. The results of this analysis are as provided below in Table 12.

*Table 12.* Perception of Respondents about Monitoring

| Assertions | Mean | SD |
|---|---|---|
| Hospital's projects are monitored and reported as required of their monitoring and evaluation criteria. | 5.64 | 0.830 |
| There is a reporting mechanism for all activities of this hospital. | 4.32 | 0.952 |
| Segregation of duties or mitigating controls exists within transaction processing, authorization custody, and recording functions. | 3.82 | 0.776 |
| Separation of duties exists between procurement, account payables and disbursements. | 3.64 | 0.716 |
| **Overall mean** | **4.35** | **0.818** |

**Source:** Primary data, February 2018

Table 12 shows all assertion and different perception of respondents about monitoring and how it affects financial performance. The perception of respondents on the first assertion has the highest mean of 5.64 and standard deviation of 0.830; the mean is interpreted as somewhat agree indicating that the hospital's projects are monitored and reported as required of their monitoring and evaluation criteria while

the fourth assertion indicates the perception with the lowest mean of 3.64 and standard deviation of 0.716. They neither agree nor disagree that separation of duties exists between procurement, account payables and disbursements. The general perception with the mean of 4.35 and standard deviation of 0.818. This shows that even though monitoring is an important functionality activity of the internal control of the Mugonero Hospital and its health centers in its operation period, not all health centers implemented this practice.

Armour (2000) supported the perception of respondents by stating that the purpose of monitoring is to determine whether internal control is adequately designed, properly executed, and effective. Internal control is effective if management and interested stake holders have reasonable assurance that they understand the extent to which operational objectives are achieved, published financial statements are being prepared reliably, applicable laws and regulations are being compiled.

**Research Question 2**

**What is the financial performance of Mugonero Hospital and its health centers?**

Financial performance is a measure of organization policies and operational results in monetary terms. It is a general measure of overall organization's financial health over a given period of time (Mishkin, 2007). The following are the results provided by respondents about the internal control and how financial performance is affected.

*Table 13.* Perception of Respondents on Financial Performance

| Assertions | Mean | SD |
|---|---|---|
| The organization is able to cover its operating costs from the income of its operations. | 5.84 | 0.754 |
| The organization is able to reach its profitability goals. | 5.48 | 0.675 |
| There are adequate financial resources to cover the budget needs throughout the year. | 4.35 | 0.901 |
| There is enough liquid cash to cover the immediate expenses. | 5.69 | 0.739 |
| The working capital is above 100 %. | 5.82 | 0.759 |
| The organization does not need to make debts to carry on its operations. | 3.62 | 0.663 |
| **Overall mean** | **5.01** | **0.748** |

**Source:** Primary data, February 2018

Table 13 shows all assertion and different perception of respondents about financial performance within Mugonero Hospital and its health centers. The perception of respondents on the first assertion has the highest mean of 5.84 and standard deviation of 0.754; the mean is interpreted as somewhat agree indicating that the organization is able to cover its operating costs from the income of its operations while the fifth assertion has the lowest mean of 5.82 and standard deviation of 0.759; the mean is interpreted as somewhat agree means that the working capital is above 100 %.

The general perception of the respondents with the mean of 5.01 and standard deviation of 0.748 implies that the financial performance of Mugonero Hospital and its health centers is somewhat high.

**Is there any significant relationship between internal controls and financial**

**performance in Mugonero Hospital and its health centers?**

To measure to what extent internal controls are related to the financial

performance of Mugonero Hospital and its health centers, the researcher evaluated the

relationship using Pearson Correlation. Among the elements of internal control, based

on the findings, only three seem to affect the performance of the hospitals and care

centers: control environment, control activities and information and communication.

The findings are shown below.

*Table 14.* Correlation between Control Environment and Financial Performance

|  |  | Control environment |
| --- | --- | --- |
| Financial resources | Pearson Correlation | .278[*] |
|  | Sig. (2-tailed) | .012 |
|  | Sum of Squares and Cross-products | 6.300 |
|  | Covariance | .080 |
|  | N | 80 |
| Enough liquid cash | Pearson Correlation | -.260[*] |
|  | Sig. (2-tailed) | .020 |
|  | Sum of Squares and Cross-products | -4.833 |
|  | Covariance | -.061 |
|  | N | 80 |
| Working capital | Pearson Correlation | -.310[**] |
|  | Sig. (2-tailed) | .005 |
|  | Sum of Squares and Cross-products | -5.900 |
|  | Covariance | -.075 |
|  | N | 80 |

Table 14 shows that the control environment has a relatively weak but significant relationship to an element of the financial performance, namely "There are adequate financial resources to cover the budget needs throughout the year." This is an important finding since it underlines the role the control environment plays in helping the organizations to take care of their financial needs all the year round.

Table 14 also shows that the control environment has a relatively weak inverse but significant relationship to working capital and liquid cash. This finding seems to concur with the current trend encouraged by the International Monetary Fund, especially for emerging countries. Indeed, the early 1900s until today because of the Global Financial Crisis, there is a cry for more imposition of control on capital and liquidity flows (Alfaro, 2015).

*Table 15.* Correlation between Control Activities and Financial Performance

|  |  | Control activities |
|---|---|---|
| Operating income | Pearson Correlation | .109 |
|  | Sig. (2-tailed) | .335 |
|  | Sum of Squares and Cross-products | 2.171 |
|  | Covariance | .027 |
|  | N | 80 |
| Financial resources | Pearson Correlation | .365** |
|  | Sig. (2-tailed) | .001 |
|  | Sum of Squares and Cross-products | 8.683 |
|  | Covariance | .110 |
|  | N | 80 |
| Debts for operations | Pearson Correlation | .007 |
|  | Sig. (2-tailed) | .950 |
|  | Sum of Squares and Cross-products | .125 |
|  | Covariance | .002 |
|  | N | 80 |

Table 15 shows a weak but significant relationship between control activities and the availability of financial resources to cover the budget needs over the year. The findings emphasize the importance of control activities – aside from the control environment - to enable the organizations to cover their expenses. The managers of finance need to proactively perform to allow such a happening.

*Table 16.* Correlation between Information & Communication and Financial Performance

|  |  | Information & communication |
|---|---|---|
| Profits | Pearson Correlation | .312[**] |
|  | Sig. (2-tailed) | .005 |
|  | Sum of Squares and Cross-products | 6.606 |
|  | Covariance | .084 |
|  | N | 80 |
| Enough liquid cash | Pearson Correlation | -.317[**] |
|  | Sig. (2-tailed) | .004 |
|  | Sum of Squares and Cross-products | -7.359 |
|  | Covariance | -.093 |
|  | N | 80 |

From the Table 16, statistical results indicate that there is a weak but significant relationship between information/communication and financial performance. Specifically there is a relationship between the ability of the organizations to reach their profitability goals and information/communication. This implies that the organizations involve all their internal stakeholders to reach the objective. The sharing and reinforcing of information helps in getting the cooperation of all the managers and employees.

An interesting findings, though is the inverse but significant relationship between communication/information and the availability of liquid cash. Further research is needed here to understand the phenomenon. Perhaps the organizations saw it fit not to disclose that "there is enough liquid cash to cover the immediate expenses" to prevent potential slacks in the budgets. Overall, these findings concur with a study done by Olumbe (2012) who concluded that strong internal control systems led to improved financial performance.

*Table 17.* Correlation between Risk Assessment and Financial Performance

|  |  | Risk assessment |
| --- | --- | --- |
| Operating income | Pearson Correlation | -.018 |
|  | Sig. (2-tailed) | .872 |
|  | Sum of Squares and Cross-products | -.415 |
|  | Covariance | -.005 |
|  | N | 80 |
| Debts for operations | Pearson Correlation | .128 |
|  | Sig. (2-tailed) | .258 |
|  | Sum of Squares and Cross-products | 2.550 |
|  | Covariance | .032 |
|  | N | 80 |

According to the results in Table 17, there is weak inverse significant relationship between risk assessment and financial performance in terms of operating income but there are significant weak relationship between risk assessment and debts for operations as correlation coefficients indicated respectively. This may due to that the risks that appear in the operating activities and debts of operations were not well measured.

*Table 18.* Correlation between Monitoring and Financial Performance

|  |  | Monitoring |
|---|---|---|
| Operating income | Pearson Correlation | .096 |
|  | Sig. (2-tailed) | .395 |
|  | Sum of Squares and Cross-products | 1.967 |
|  | Covariance | .025 |
|  | N | 80 |
| Financial resources | Pearson Correlation | -.164 |
|  | Sig. (2-tailed) | .146 |
|  | Sum of Squares and Cross-products | -4.006 |
|  | Covariance | -.051 |
|  | N | 80 |

Table 18 shows the weak but significant relationship between monitoring via operating income and profits as indicators of financial performance. Also weak inversely relationship between monitoring and evaluation faces to financial resources. This may be caused by low level of segregations and separation of duties and the level of monitoring performed poorly.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter presents a summary of major findings of this study, sets out the relevant conclusions and makes recommendations for practice and suggestions for further research based on the findings of this study.

**Summary of Findings**

The main objective of this study was to establish the relationship between internal control systems and the financial performance of Mugonero Hospital and its health centers. Correlational research design was adopted for this study. The study used 80 respondents from a targeted population which also served as the sample. The questionnaire was designed to be given to the accountants, auditors and Administrators of Mugonero Hospital and its health centers and all distributed questionnaires were given back for analysis.

According to the findings presented in Table 8, the respondents confirmed that control of environment is one of the pillars of improving financial performance. The researcher concludes by saying that from, the above findings, it is evident that the organization observes control environment as one of the functionality of internal controls of the organization that greatly impacts on the financial performance. Concerning the results indicated in Table 9, the general perception with the mean of 5.15 and standard deviation of 0.831. Therefore, the respondents confirmed that the policies, procedures and mechanisms put in place to ensure management directives

are properly carried out and facilitated the control of activities that led to the financial performance of Mugonero Hospital and its health centers.

According to the findings mentioned in Table 10 about the effectiveness of risk assessment, the general perception with the mean of 5.24 and standard deviation of 0.762 Therefore, these results are clear indication as it is observed risk assessment procedures as functionality of internal control of the health institutions. The results indicated in Table 11 about the effectiveness of information and communication to the financial performance, the general perception with the mean of 4.85 and standard deviation of 0.823. Therefore, the study concluded that Mugonero Hospital and its health centers large implemented information and communication in their activities and functions through established police and procedures.

Concerning to the findings mentioned in Table 12 about the effectiveness of monitoring on the financial performance of Mugonero Hospital and its health centers, the general perception with the mean of 4.35 and standard deviation of 0.818. This shows that even though monitoring is an important functionality activity of the internal control of the Mugonero Hospital and its health centers in its operation period, not all health centers implemented this practice.

According to the results indicated in Table 13 about the effectiveness of internal control in improving financial performance, results show that financial of Mugonero Hospital and its health centers has improved where its operating costs from the income of its operations were covered, profitability goals were reached, enough liquid money to cover all expenses but sometimes Mugonero Hospital and its health centers incurs debts to cover its operations. Table 14 shows that the control environment has a relatively weak but significant relationship to an element of the

financial performance and also shows that the control environment has a relatively weak inverse but significant relationship to working capital and liquid cash.

The table 15 shows a weak but significant relationship between control activities and the availability of financial resources to cover the budget needs over the year. From the Table 16, statistical results indicate that there is a weak but significant relationship between information/communication and financial performance. Table 17, there is weak inverse significant relationship between risk assessment and financial performance in terms of operating income but there are significant weak relationship between risk assessment and debts for operations as correlation coefficients indicated respectively. Table 18 shows the weak but significant relationship between monitoring via operating income and profits as indicators of financial performance. Also weak inversely relationship between monitoring faces to financial resources.

## Conclusion

Confirming the argument of the findings of this study suggests that internal control systems is one significant area quoted by health institutions should give attention to in order to improve their financial performance. The findings of this research revealed that financial performance was highly reached where all operating costs were covered, profitability goal attainment, enough liquid cash to cover all expenses and working capital was above 100 %.

The findings also indicated that the relationship between internal controls and financial performance was somewhat practiced and this due to the shortage of training given to the staff, segregation and separation of duties and that all risks were not daily measured. Therefore the health institutions have to invest in establishing strong internal control systems to realize better their financial performance. From the above

conclusion, strong internal control systems must be entrenched in all levels of the organization by the managers to improve institution's financial performance.

## Recommendations

The study recommends the following based on the weaknesses highlighted in chapter four.

- ✓ The management of Mugonero Hospital and its health centers should ensure a regular review and training of the staffs so that each member of the internal control department is fully equipped with the best skills to handle any unforeseen event that may hinder the organizational from achieving its objectives with the least possible resources.
- ✓ All risks that the Mugonero Hospital and its health centers face should be measured at a daily basis period.
- ✓ The staff should have enough information about internal controls and accountability.
- ✓ To separate and segregate all duties related to procurement and disbursements.
- ✓ To review control activities mechanisms to ensure that all costs and expenses are covered for better financial performance.

## Suggestions for Further Study

Regardless of the contributions made by this study, it highlights a few aspects to be considered by future researchers. Firstly, the propositions put forward in this study emphasize the importance of having efficient and effective internal controls. The study focused on Mugonero Hospital and its health centers by evaluating risk management, control activity and internal control environment seemed to have much impact on financial performance.

Consequent studies should consider replicating this study in tin order to establish the role of internal control to unquoted hospitals and their health centers. Secondly, future research may attempt to replicate the study in different economies to confirm the role of internal control systems on financial performance of quoted health centers working under control of Mugonero Hospital.

APPENDIXES

LETTER OF INTRODUCTION BY RESEARCHER

**Date:** _____

Dear Respondent,

This questionnaire is aimed at collecting data for academic research purposes on the implementation of internal controls in improving financial performance a case study of Mugonero Hospital and its health centers. Please be assured that any information collected through this questionnaire will be treated with utmost confidence and will be used for research purposes only. Thank you in advance for your time and cooperation.

Yours faithfully,

**RUGIMBABAHIZI HABINEZA**

QUESTIONNAIRE

**PART 1: Background Information**

Please read each question carefully and follow the instruction given. Kindly answer the questions by ticking in the box that best describes your answer or writing your answers in the spaces provided where applicable. The answers provided will be for academic purpose only and will be treated with utmost confidentiality.

1. Gender Female ( ) Male ( )

2. Please tick your appropriate position: Accountants ( ) internal auditor ( )

administrator ( )

3. Highest educational qualification. Please tick as appropriate:

Diploma ( ) Graduate ( ) Postgraduate ( ) other_____

4. Years worked in the organization: Below 5 years ( ) 6-10 years ( )   11-15 years ( )

16-20 years ( ) Over 20 years ( )

**PART 2: Implementation of Internal controls**

Using the following scale provided below, please circle on the statements which best describes your opinion:
7: Strongly agree
6: Somewhat agree
5: Agree
4: Neither agree nor disagree
3: Disagree
2: Somewhat disagree
1: Strongly disagree

| | **Control Environment** | | | | | | | |
|---|---|---|---|---|---|---|---|---|

| 1 | The hospital has a code of conduct and/or ethics policy that has been communicated to all staff and board members. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|---|---|
| 2 | The management is willing to adjust the financial statements for misstatements that approach a material amount. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 3 | The policies and procedures for authorizations are established at a reasonably high level. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 4 | The management understands the concept and importance of internal control including the division of responsibility. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 5 | They are sufficient training opportunities available to improve competency. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 6 | The management and operating decisions are determined at appropriate levels. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |

| | **Control activities** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 7 | Accounts are reconciled on monthly basis to detect errors and fraud | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 8 | All payments are authorized by responsible officer before payment | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 9 | All payment procedures are followed for all transactions | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 10 | All financial transactions are recorded in vouchers for future references | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 11 | All hospital assets are corded and marked | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 12 | There is internal check which operates continuously as part of the system | 7 | 6 | 5 | 4 | 3 | 2 | 1 |

| | **Risk assessment** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 13 | There are mechanisms in place to identify and react to changes that can have dramatic effects on hospital. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 14 | Risks are assessed in relation to changes in the operational environment. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 15 | The Hospital performs a risk assessment of its operations to consider risk related to fraudulent activity and how the operations could be impacted | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 16 | The hospital follows established policies, procedures, and processes to periodically reconcile physical assets. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 17 | All risks facing this hospital are measured | 7 | 6 | 5 | 4 | 3 | 2 | 1 |

| | **Information and Communication** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 18 | Staff have information on internal controls and accountability | 7 | 6 | 5 | 4 | 3 | 2 | 1 |

| 19 | The hospital has clear channels of communications | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|---|---|---|
| 20 | There is good communication between the staff of the various departments. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 21 | There is no ambiguity in information communicated | 7 | 6 | 5 | 4 | 3 | 2 | 1 |

| | **Monitoring** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 22 | Hospital's projects are monitored and reported as required of their monitoring and evaluation criteria. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 23 | There is a reporting mechanism for all activities of this hospital | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 24 | Segregation of duties or mitigating controls exist within transaction processing, authorization custody, and recording functions. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 25 | Separation of duties exists between procurement, account payables and disbursements. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |

## FINANCIAL PERFORMANCE

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 26 | The organization is able to cover its operating costs from the income of its operations. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 27 | The organization is able to reach its profitability goals. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 28 | There are adequate financial resources to cover the budget needs throughout the year. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 29 | There is enough liquid cash to cover the immediate expenses. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 30 | The working capital is above 100 %. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| 31 | The organization does not need to make debts to carry on its operations. | 7 | 6 | 5 | 4 | 3 | 2 | 1 |

*Thank you very much for taking your time to participate in this study*

APPENDIX C

GUIDE INTERVIEW

1. Do you think Proper financial accountability has led to better services delivery?

2. Have Proper procurement controls led to financial transparency at Mugonero Hospital and its health centers?

3. Have Mugonero Hospitals and the other health centers budgetary control on the expenditure led to proper utilization of funds?

4. Do you believe internal controls have led to compliance with rules and regulations in Mugonero Hospitals and the other health centers' operation?

5. What are some of the problems associated with internal control at Mugonero Hospitals and the other health centers?

6. What do you think can be done to improve on internal controls in Mugonero Hospitals and the other health centers?

STATISTICAL RESULTS

**Sex of the respondents**

|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Male | 35 | 43.8 | 43.8 | 43.8 |
|  | Female | 45 | 56.2 | 56.2 | 100.0 |
|  | Total | 80 | 100.0 | 100.0 |  |

**Position of Employee**

|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Accountant | 41 | 51.2 | 51.2 | 51.2 |
|  | Auditor | 18 | 22.5 | 22.5 | 73.8 |
|  | Administrator | 21 | 26.2 | 26.2 | 100.0 |
|  | Total | 80 | 100.0 | 100.0 |  |

**Qualification of employees**

|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Diploma | 13 | 16.2 | 16.2 | 16.2 |
|  | Bachelor | 61 | 76.2 | 76.2 | 92.5 |
|  | Postgraduate | 6 | 7.5 | 7.5 | 100.0 |
|  | Total | 80 | 100.0 | 100.0 |  |

**Experience of employees**

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|---|
| Valid | Below 5 years | 16 | 20.0 | 20.0 | 20.0 |
| | Between 6 to 10 years | 36 | 45.0 | 45.0 | 65.0 |
| | Between 11 to 15 years | 19 | 23.8 | 23.8 | 88.8 |
| | Between 16 to 20 years | 9 | 11.2 | 11.2 | 100.0 |
| | Total | 80 | 100.0 | 100.0 | |

**Statistics for control environment**

| | | Ethics of employees | Misstatements of financial | Authorization procedures | Concept | Training opportunities | Decisions operating |
|---|---|---|---|---|---|---|---|
| N | Valid | 80 | 80 | 80 | 80 | 80 | 80 |
| | Missing | 0 | 0 | 0 | 0 | 0 | 0 |
| Mean | | 6.30 | 6.00 | 6.14 | 5.66 | 3.88 | 5.42 |
| Std. Deviation | | .960 | .941 | .807 | .795 | 1.140 | .689 |

**Statistics for risk assessment**

| | | Mechanisms | Risks assessment | Hospital performance | Hospital policies |
|---|---|---|---|---|---|
| N | Valid | 80 | 80 | 80 | 80 |
| | Missing | 0 | 0 | 0 | 0 |
| Mean | | 5.74 | 5.60 | 5.54 | 5.54 |
| Std. Deviation | | .823 | .789 | .674 | .711 |

## Statistics for information & Communication

|  |  | Informations | Channel of communication | Various departments | Ambiguity of communicating |
|---|---|---|---|---|---|
| N | Valid | 80 | 80 | 80 | 80 |
|  | Missing | 0 | 0 | 0 | 0 |
| Mean |  | 3.32 | 5.00 | 5.46 | 5.68 |
| Std. Deviation |  | 1.329 | .746 | .502 | .725 |

## Statistics for monitoring

|  |  | Projects are monitored | All activities | Segregation of duties | Separation of duties |
|---|---|---|---|---|---|
| N | Valid | 80 | 80 | 80 | 80 |
|  | Missing | 0 | 0 | 0 | 0 |
| Mean |  | 5.64 | 4.32 | 3.82 | 3.64 |
| Std. Deviation |  | .830 | .952 | .776 | .716 |

## Statistics for financial performance

|  |  | Operating income | Profits | Financial resources | Enough liquid cash | Working capital | Debts for operations |
|---|---|---|---|---|---|---|---|
| N | Valid | 80 | 80 | 80 | 80 | 80 | 80 |
|  | Missing | 0 | 0 | 0 | 0 | 0 | 0 |
| Mean |  | 5.84 | 5.48 | 4.35 | 5.69 | 5.82 | 3.62 |
| Std. Deviation |  | .754 | .675 | .901 | .739 | .759 | .663 |

**Correlations**

| | | O. income | Profits | Finan. resources | Liquid cash | Working capital | Debts for operations | Control environment |
|---|---|---|---|---|---|---|---|---|
| Financial resources | Pearson Correlation | -.232* | .098 | 1 | .071 | -.390** | -.053 | .278* |
| | Sig. (2-tailed) | .038 | .388 | | .530 | .000 | .641 | .012 |
| | Sum of Squares and Cross-products | -12.450 | 4.700 | 64.200 | 3.750 | -21.100 | -2.500 | 6.300 |
| | Covariance | -.158 | .059 | .813 | .047 | -.267 | -.032 | .080 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Enough liquid cash | Pearson Correlation | .135 | -.105 | .071 | 1 | .014 | -.061 | -.260* |
| | Sig. (2-tailed) | .233 | .355 | .530 | | .901 | .589 | .020 |
| | Sum of Squares and Cross-products | 5.938 | -4.125 | 3.750 | 43.188 | .625 | -2.375 | -4.833 |
| | Covariance | .075 | -.052 | .047 | .547 | .008 | -.030 | -.061 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Working capital | Pearson Correlation | .259* | -.157 | -.390** | .014 | 1 | -.107 | -.310** |
| | Sig. (2-tailed) | .020 | .165 | .000 | .901 | | .346 | .005 |
| | Sum of Squares and Cross-products | 11.725 | -6.350 | -21.100 | .625 | 45.550 | -4.250 | -5.900 |
| | Covariance | .148 | -.080 | -.267 | .008 | .577 | -.054 | -.075 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |

*. Correlation is significant at the 0.05 level (2-tailed).

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

**Correlations**

| | | Operating income | Profits | Financial resources | Enough liquid cash | Working capital | Debts for operations | Control activities |
|---|---|---|---|---|---|---|---|---|
| Operating income | Pearson Correlation | 1 | -.021 | -.232$^*$ | .135 | .259$^*$ | -.123 | .109 |
| | Sig. (2-tailed) | | .857 | .038 | .233 | .020 | .275 | .335 |
| | Sum of Squares and Cross-products | 44.887 | -.825 | -12.450 | 5.938 | 11.725 | -4.875 | 2.171 |
| | Covariance | .568 | -.010 | -.158 | .075 | .148 | -.062 | .027 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Profits | Pearson Correlation | -.021 | 1 | .098 | -.105 | -.157 | .375$^{**}$ | -.020 |
| | Sig. (2-tailed) | .857 | | .388 | .355 | .165 | .001 | .859 |
| | Sum of Squares and Cross-products | -.825 | 35.950 | 4.700 | -4.125 | -6.350 | 13.250 | -.358 |
| | Covariance | -.010 | .455 | .059 | -.052 | -.080 | .168 | -.005 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Financial resources | Pearson Correlation | -.232$^*$ | .098 | 1 | .071 | -.390$^{**}$ | -.053 | .365$^{**}$ |
| | Sig. (2-tailed) | .038 | .388 | | .530 | .000 | .641 | .001 |
| | Sum of Squares and Cross-products | -12.450 | 4.700 | 64.200 | 3.750 | -21.100 | -2.500 | 8.683 |
| | Covariance | -.158 | .059 | .813 | .047 | -.267 | -.032 | .110 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Enough liquid cash | Pearson Correlation | .135 | -.105 | .071 | 1 | .014 | -.061 | -.042 |
| | Sig. (2-tailed) | .233 | .355 | .530 | | .901 | .589 | .714 |
| | Sum of Squares and Cross-products | 5.938 | -4.125 | 3.750 | 43.188 | .625 | -2.375 | -.813 |
| | Covariance | .075 | -.052 | .047 | .547 | .008 | -.030 | -.010 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Working capital | Pearson Correlation | .259* | -.157 | -.390** | .014 | 1 | -.107 | -.084 |
| | Sig. (2-tailed) | .020 | .165 | .000 | .901 | | .346 | .461 |
| | Sum of Squares and Cross-products | 11.725 | -6.350 | -21.100 | .625 | 45.550 | -4.250 | -1.675 |
| | Covariance | .148 | -.080 | -.267 | .008 | .577 | -.054 | -.021 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Debts for operations | Pearson Correlation | -.123 | .375** | -.053 | -.061 | -.107 | 1 | .007 |
| | Sig. (2-tailed) | .275 | .001 | .641 | .589 | .346 | | .950 |
| | Sum of Squares and Cross-products | -4.875 | 13.250 | -2.500 | -2.375 | -4.250 | 34.750 | .125 |
| | Covariance | -.062 | .168 | -.032 | -.030 | -.054 | .440 | .002 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |

| Control activities | | Operating income | Profits | Financial resources | Enough liquid cash | Working capital | Debts for operations | Risk assessment |
|---|---|---|---|---|---|---|---|---|
| Control activities | Pearson Correlation | .109 | -.020 | .365** | -.042 | -.084 | .007 | 1 |
| | Sig. (2-tailed) | .335 | .859 | .001 | .714 | .461 | .950 | |
| | Sum of Squares and Cross-products | 2.171 | -.358 | 8.683 | -.813 | -1.675 | .125 | 8.821 |
| | Covariance | .027 | -.005 | .110 | -.010 | -.021 | .002 | .112 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |

*. Correlation is significant at the 0.05 level (2-tailed).

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

| | | Operating income | Profits | Financial resources | Enough liquid cash | Working capital | Debts for operations | Risk assessment |
|---|---|---|---|---|---|---|---|---|
| Operating income | Pearson Correlation | 1 | -.021 | -.232* | .135 | .259* | -.123 | -.018 |
| | Sig. (2-tailed) | | .857 | .038 | .233 | .020 | .275 | .872 |
| | Sum of Squares and Cross-products | 44.887 | -.825 | -12.450 | 5.938 | 11.725 | -4.875 | -.415 |
| | Covariance | .568 | -.010 | -.158 | .075 | .148 | -.062 | -.005 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Profits | Pearson Correlation | -.021 | 1 | .098 | -.105 | -.157 | .375** | .212 |
| | Sig. (2-tailed) | .857 | | .388 | .355 | .165 | .001 | .060 |
| | Sum of Squares and Cross-products | -.825 | 35.950 | 4.700 | -4.125 | -6.350 | 13.250 | 4.290 |
| | Covariance | -.010 | .455 | .059 | -.052 | -.080 | .168 | .054 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Financial resources | Pearson Correlation | -.232* | .098 | 1 | .071 | -.390** | -.053 | .138 |
| | Sig. (2-tailed) | .038 | .388 | | .530 | .000 | .641 | .222 |
| | Sum of Squares and Cross-products | -12.450 | 4.700 | 64.200 | 3.750 | -21.100 | -2.500 | 3.740 |
| | Covariance | -.158 | .059 | .813 | .047 | -.267 | -.032 | .047 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Enough liquid cash | Pearson Correlation | .135 | -.105 | .071 | 1 | .014 | -.061 | -.201 |
| | Sig. (2-tailed) | .233 | .355 | .530 | | .901 | .589 | .073 |
| | Sum of Squares and Cross-products | 5.938 | -4.125 | 3.750 | 43.188 | .625 | -2.375 | -4.475 |
| | Covariance | .075 | -.052 | .047 | .547 | .008 | -.030 | -.057 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Working capital | Pearson Correlation | .259* | -.157 | -.390** | .014 | 1 | -.107 | -.086 |
| | Sig. (2-tailed) | .020 | .165 | .000 | .901 | | .346 | .447 |
| | Sum of Squares and Cross-products | 11.725 | -6.350 | -21.100 | .625 | 45.550 | -4.250 | -1.970 |
| | Covariance | .148 | -.080 | -.267 | .008 | .577 | -.054 | -.025 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Debts for operations | Pearson Correlation | -.123 | .375** | -.053 | -.061 | -.107 | 1 | .128 |
| | Sig. (2-tailed) | .275 | .001 | .641 | .589 | .346 | | .258 |
| | Sum of Squares and Cross-products | -4.875 | 13.250 | -2.500 | -2.375 | -4.250 | 34.750 | 2.550 |
| | Covariance | -.062 | .168 | -.032 | -.030 | -.054 | .440 | .032 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Risk assessment | Pearson Correlation | -.018 | .212 | .138 | -.201 | -.086 | .128 | 1 |
| | Sig. (2-tailed) | .872 | .060 | .222 | .073 | .447 | .258 | |
| | Sum of Squares and Cross-products | -.415 | 4.290 | 3.740 | -4.475 | -1.970 | 2.550 | 11.438 |
| | Covariance | -.005 | .054 | .047 | -.057 | -.025 | .032 | .145 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |

*. Correlation is significant at the 0.05 level (2-tailed).

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

**Correlations**

| | | Operating income | Profits | Financial resources | Enough liquid cash | Working capital | Debts for operations | Info And Communication |
|---|---|---|---|---|---|---|---|---|
| Operating income | Pearson Correlation | 1 | -.021 | -.232* | .135 | .259* | -.123 | -.105 |
| | Sig. (2-tailed) | | .857 | .038 | .233 | .020 | .275 | .352 |
| | Sum of Squares and Cross-products | 44.887 | -.825 | -12.450 | 5.938 | 11.725 | -4.875 | -2.497 |
| | Covariance | .568 | -.010 | -.158 | .075 | .148 | -.062 | -.032 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Profits | Pearson Correlation | -.021 | 1 | .098 | -.105 | -.157 | .375** | .312** |
| | Sig. (2-tailed) | .857 | | .388 | .355 | .165 | .001 | .005 |
| | Sum of Squares and Cross-products | -.825 | 35.950 | 4.700 | -4.125 | -6.350 | 13.250 | 6.606 |
| | Covariance | -.010 | .455 | .059 | -.052 | -.080 | .168 | .084 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Financial resources | Pearson Correlation | -.232* | .098 | 1 | .071 | -.390** | -.053 | .195 |
| | Sig. (2-tailed) | .038 | .388 | | .530 | .000 | .641 | .084 |
| | Sum of Squares and Cross-products | -12.450 | 4.700 | 64.200 | 3.750 | -21.100 | -2.500 | 5.513 |

|  |  | | | | | | | |
|---|---|---|---|---|---|---|---|---|
|  | Covariance | -.158 | .059 | .813 | .047 | -.267 | -.032 | .070 |
|  | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Enough liquid cash | Pearson Correlation | .135 | -.105 | .071 | 1 | .014 | -.061 | -.317** |
|  | Sig. (2-tailed) | .233 | .355 | .530 |  | .901 | .589 | .004 |
|  | Sum of Squares and Cross-products | 5.938 | -4.125 | 3.750 | 43.188 | .625 | -2.375 | -7.359 |
|  | Covariance | .075 | -.052 | .047 | .547 | .008 | -.030 | -.093 |
|  | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Working capital | Pearson Correlation | .259* | -.157 | -.390** | .014 | 1 | -.107 | -.142 |
|  | Sig. (2-tailed) | .020 | .165 | .000 | .901 |  | .346 | .210 |
|  | Sum of Squares and Cross-products | 11.725 | -6.350 | -21.100 | .625 | 45.550 | -4.250 | -3.381 |
|  | Covariance | .148 | -.080 | -.267 | .008 | .577 | -.054 | -.043 |
|  | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Debts for operations | Pearson Correlation | -.123 | .375** | -.053 | -.061 | -.107 | 1 | .106 |
|  | Sig. (2-tailed) | .275 | .001 | .641 | .589 | .346 |  | .347 |
|  | Sum of Squares and Cross-products | -4.875 | 13.250 | -2.500 | -2.375 | -4.250 | 34.750 | 2.219 |
|  | Covariance | -.062 | .168 | -.032 | -.030 | -.054 | .440 | .028 |
|  | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |

| Infoandcommunication | Pearson Correlation | -.105 | .312** | .195 | -.317** | -.142 | .106 | 1 |
|---|---|---|---|---|---|---|---|---|
| | Sig. (2-tailed) | .352 | .005 | .084 | .004 | .210 | .347 | |
| | Sum of Squares and Cross-products | -2.497 | 6.606 | 5.513 | -7.359 | -3.381 | 2.219 | 12.493 |
| | Covariance | -.032 | .084 | .070 | -.093 | -.043 | .028 | .158 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |

*. Correlation is significant at the 0.05 level (2-tailed).

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

**Correlations**

| | | Operating income | Profits | Financial resources | Enough liquid cash | Working capital | Debts for operations | Monit |
|---|---|---|---|---|---|---|---|---|
| Operating income | Pearson Correlation | 1 | -.021 | -.232* | .135 | .259* | -.123 | .096 |
| | Sig. (2-tailed) | | .857 | .038 | .233 | .020 | .275 | .395 |
| | Sum of Squares and Cross-products | 44.887 | -.825 | -12.450 | 5.938 | 11.725 | -4.875 | 1.967 |
| | Covariance | .568 | -.010 | -.158 | .075 | .148 | -.062 | .025 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Profits | Pearson Correlation | -.021 | 1 | .098 | -.105 | -.157 | .375** | .113 |
| | Sig. (2-tailed) | .857 | | .388 | .355 | .165 | .001 | .317 |
| | Sum of Squares and Cross-products | -.825 | 35.950 | 4.700 | -4.125 | -6.350 | 13.250 | 2.072 |
| | Covariance | -.010 | .455 | .059 | -.052 | -.080 | .168 | .026 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Financial resources | Pearson Correlation | -.232* | .098 | 1 | .071 | -.390** | -.053 | -.164 |
| | Sig. (2-tailed) | .038 | .388 | | .530 | .000 | .641 | .146 |
| | Sum of Squares and Cross-products | -12.450 | 4.700 | 64.200 | 3.750 | -21.100 | -2.500 | -4.006 |
| | Covariance | -.158 | .059 | .813 | .047 | -.267 | -.032 | -.051 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Enough liquid cash | Pearson Correlation | .135 | -.105 | .071 | 1 | .014 | -.061 | .085 |
| | Sig. (2-tailed) | .233 | .355 | .530 | | .901 | .589 | .451 |
| | Sum of Squares and Cross-products | 5.938 | -4.125 | 3.750 | 43.188 | .625 | -2.375 | 1.711 |
| | Covariance | .075 | -.052 | .047 | .547 | .008 | -.030 | .022 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Working capital | Pearson Correlation | .259* | -.157 | -.390** | .014 | 1 | -.107 | .146 |
| | Sig. (2-tailed) | .020 | .165 | .000 | .901 | | .346 | .196 |
| | Sum of Squares and Cross-products | 11.725 | -6.350 | -21.100 | .625 | 45.550 | -4.250 | 3.003 |
| | Covariance | .148 | -.080 | -.267 | .008 | .577 | -.054 | .038 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |
| Debts for operations | Pearson Correlation | -.123 | .375** | -.053 | -.061 | -.107 | 1 | .025 |
| | Sig. (2-tailed) | .275 | .001 | .641 | .589 | .346 | | .824 |
| | Sum of Squares and Cross-products | -4.875 | 13.250 | -2.500 | -2.375 | -4.250 | 34.750 | .453 |
| | Covariance | -.062 | .168 | -.032 | -.030 | -.054 | .440 | .006 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Monitoring | Pearson Correlation | .096 | .113 | -.164 | .085 | .146 | .025 | 1 |
| | Sig. (2-tailed) | .395 | .317 | .146 | .451 | .196 | .824 | |
| | Sum of Squares and Cross-products | 1.967 | 2.072 | -4.006 | 1.711 | 3.003 | .453 | 9.287 |
| | Covariance | .025 | .026 | -.051 | .022 | .038 | .006 | .118 |
| | N | 80 | 80 | 80 | 80 | 80 | 80 | 80 |

*. Correlation is significant at the 0.05 level (2-tailed).

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

# REFERENCES

Akkizidis, I., & Khandelwal. S. (2008). *Financial risk management for Islamic banking and finance.* London: Palgrave Macmillan.

Albrecht, W. S., Institute of Internal Auditors Research Foundations. (1988). *Evaluating the effectiveness of internal audit departments*. Altamonte Springs, FL: Institute of Internal Auditors Research Foundations.

Alfaro, L. (2015). The effect of capital controls. *World Economic Forum*. Retrieved from https://www.weforum.org/agenda/2015/01/the-effect-of-capital-controls

Amudo, A., Inanga, E. L. (2009). Evaluation of internal control system: A case study from Uganda. *International Research Journal of Finance and Economics, 1*(27), 124-144.

Armour, M. (2000). Internal control: Governance framework and business risk assessment at Reed Elsevier. *AUDITING: A Journal of Practice & Theory: Supplement, 19*(1), 75-81.

Bell, T., & Carcello, J. (2000). A decision aid for assessing the likelihood of fraudulent financial reporting. *Auditing: A Journal of Practice and Theory, 19(1),* 169-184.

Byekwasa, O. (2000). Effects of internal control systems on financial performance of sugarcane companies in Kenya. *IOSR Journal of Business and Management, 16*(12), 62-73.

Channar, Z. A., Khan, M., Shakri, I. H. (2015). Internal control effectiveness and its relationship with financial performances. *IBT Journal of Business Studies, 11* (2), 92-107.

Cochran, W. G. (1963). *Sampling techniques* (2nd ed.). New York, NY: John Wiley and Sons.

Committee of Sponsoring Organizations of the Treadway Commission (COSO). (1994). *Internal Control Integrated Framework: Executive Summary*. Jersey City, NJ: COSO.

Cox, A. (2000). Funding agency contribution to education for all. London: Oxford.

De Vos, A.S, (2001). *Research at grass roots* (3rd ed.). Pretoria, South Africa: Van Schaik.

Dess, G. & Shaw, D. (2001). Voluntary turnover, social capital and organizational performance. *The Academy of Management Review, 26*(3), 446-456.

Feng, M., Li, C. & McVay, S. (2009). Internal control and management guidance. *Journal of Accounting and Economics, 48*, 190–209.

Frimpong, E. A, Boadi, I. D., Blay, E., Frimpong, R., Akligo, B. E., Angmor B. K. (2012). *The Appraisal of Internal Control Systems: A Case Study of Akuafo Adamfo Marketing Company Limited*. Retrieved from http://docplayer.net /35167336-The-appraisal-of-internal-control-systems-a-case-study-of-akuafo -adamfo-marketing-company-limited-eric-agyarko-frimpong-isaac-domena -boadi-eddie-blay.html

Jenny, G. & Pamella, M. (2006). Internal control and its impact on financial performance of organization in Sri Lanka. Colombo: University of Jaffnan.

Joseph, A.G. & Rosemary, R.G (2003). *Calculating, interpreting and reporting Cronbach's Alpha reliability for Likert type scales*. Columbus, OH: The Ohio State University.

Kakuru, A. (2001). *The accounting system and its related internal control system.* Nairobi, Kenya: Essential Management Consultancy Services.

Kothari, C. (2004). *Research Methodology: Methods and Techniques*. New Delhi, India: New Age.

Lakis, V., Giriūnas, L. (2012). The concept of internal control system: Theoretical aspect. *Ekonomika, 91*(2), 142-152.

Lavrakas, P. (2008). *Encyclopedia of Survey Research Methods*. London, UK: Sage.

Markle, A. (2007). The impact of internal control design on banks' ability to investigate staff fraud, and life style and fraud detection in Nigeria, *International Journal of Research in Economics & Social Sciences, 2*(2), 32-43.

Mawanda, S. P., (2008). *Effects of internal control systems on financial performance in an institution of higher learning in Uganda: A case of Uganda Martyrs University* (Unpublished master's thesis). Uganda Martyrs University, Nkozi, Uganda.

Mugenda, O., & Mugenda, A. (2003). *Research methods: Quantitative and qualitative approaches*. Nairobi: Act Press.

Muraleetharan, P. (2011). Internal Control and Impact on Financial Performance of Organizations (Special Reference Public and Private Organizations in Jaffna District). Retrieved from https://docplayer.net/38481212-Internal-control-and -impact-of-financial-performance-of-the-organizations-special-reference -public-and-private-organizations-in-jaffna-district.html

Muwanga, B. (2013). Evaluation of Internal Control Systems: A case study from Uganda. *International Research Journal of Finance and Economics*. 1(27):124-144.

Ndamenenu, K. D. (2011). *Internal control and its contributions to organizational efficiency and effectiveness: A case study of ECOBANK Ghana Limited* (Unpublished master's thesis). Kwame Nkrumah University of Science and Technology, Kumasi, Ghana.

Ndegwa, E. (2013). Internal auditing practices and internal control system. *Managerial Auditing Journal, 20*(8), 844-866.

Norvee L. (2006). Evaluation of internal control over financial reporting (Unpublished thesis). *Journal of Accounting Research, 47*(1), 1-43.

Reid W. & Smith O.P. (2000). *Principles of auditing and other assurance services*. New York: McGraw-Hill.

Report. (2012). Internal Audit about Financial Performance at Mugonero Hospital, Kigali, Rwanda.

Semande, D. (2001). *The relationship between internal controls and corporate governance in commercial banks in Kenya* (Unpublished master's thesis). University of Nairobi, Nairobi, Kenya.

Steeves, P. (2004). Evaluating internal controls: Control self-assessment in government. *Journal of Finance and Accounting*, 4(3); 55-67.

Pearce, D. & Robinson, L. (2010). A new measure for assessing organizational performance. In R. Lamb (Ed.), *Advances in Strategic Management* (Vol. 2: 43-55). New York: JAI Press.

Okwach, N. (2000). Internal control system: A management tool for proper accountability. Case study of Nigerian custom service. *European scientific Journal, 10*. DOI: http://dx.doi.org/10.19044/esj.2014.v10n13p%25p

Wales, K. (2005). Asymmetry in information versus asymmetry in power: Implicit assumptions of agency theory? *The Journal Soc. Econ., 36,* 825-840.

CURRICULUM VITAE

**Name:** RUGIMBABAHIZI HABINEZA

**Background:** I was born on 10 May 1967 at Idjwi in Republic Democratic of Congo (RDC), in the Adventist family of Seventh - day Adventist church, where I was baptized in 1980, after three years of baptismal class as usually. I am a fruit of Adventist Christian education because I have attended Seventh-day Adventist schools from elementary up to university.

**Family:** I was married on 23 October 1997 to Nyiraneza Josephine and we have three children who are: Ishimwe Mediatrice (Born in 1998), Tuyizere Godson (Born in 2004), and Kwizera Good well (Born in 2008).

**Education:**

1974-1980:     Elementary school at Ruzirantaka Adventist primary school

1981-1990:     High school diploma from Secondary School of Lukanga

2009-2012       Bachelor of Business Administration in Accounting from Adventist
                University of Central Africa

2013 up to day: MBA (Major in Finance) from Adventist University of Africa

**Experience:**

1991-1999:     Personal occupation

2000-2008:      Head Boy of Mugonero Nursing School

2016 up to day: I serve as Treasurer in West Rwanda Field (WRF)