

**INTERNAL CONTROL SYSTEMS AND GROWTH OF COMPANIES: Case study of
Jessa Farm Dairy Uganda**

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**UGANDA CHRISTIAN
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DECLARATION

I declare that this dissertation is authentically mine and was conducted at Jessa Dairy Farm and has not been presented for award of any other bachelor in any University or institution of higher learning. For that reason no part of this research report may be replicated without prior permission of Atugonza Allan Cohen or Uganda Christian University.

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APPROVAL

This dissertation entitled “Internal Control System and growth of companies, a case study of Jessa Dairy Farm” has been prepared under my guidance and supervision and is ready for submission to the School of Business and finance for accreditation.

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Date:/...../.....

University Supervisor.

DEDICATION

I dedicate this research report to my parents Atuhuura Stephen and Birungi Gloria for effort to ensure my education became a reality at Uganda Christian University and Jessa Diary Farm that gave me opportunity to carry out my research from their organization as well as business faculty, procurement and logistics management students in particular.

In addition, I would like to dedicate this report to my sister Ms Karungi Noeline and my guardian Mrs Kasapuli Christine, my friends Kabajungu Veronica and Asimwe Stella, given that without their support, I would not have reached this far. You have always been there for me in whatever aspect; you have been my source of inspiration, ideas, love, and encouragement to me.

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LIST OF ACRONYMS

BCBS	Basel Committee on Banking Supervision
COSO	Committee of Sponsoring Organization
FCPA	Foreign Corrupt Practices Act
FY	Financial Year
ICS	Internal Control Systems
ICs	Internal Controls
SPSS	Statistical Package for Social Scientists

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ABSTRACT

The purpose of carrying this research was to examine the effect of Internal Control System and growth of companies using a case study of Jessa Dairy Farm. The research was guided by three objectives namely, to examine the effect of segregation of duties on the growth of companies in the study context, to examine the effect of authorization and approval on growth of companies in the study context and to examine the relationship between documentation and record keeping and growth of companies in the study context. The research adopted a descriptive cross-sectional study design with a quantitative method to carry out the investigation. The findings of the study showed that most of respondents agreed that segregation of duties has an impact on growth of companies. In the same they generally agree that also authorization and approval has an effect on growth of companies, and it was also ascertained that most respondents agree that documentation and record keeping also have huge effect on growth of companies. The findings further confirmed that there was a moderately strong relationship between the factors of Internal Control systems and the growth of companies.

In a nut shell, it can be asserted that Internal control system comprising of the segregation of duties and control principles need to be adopted by all directors and management of companies so as to achieve their objectives by ensuring practical, orderly and efficient conduct of the organization. It was recommended the Farm should respond to fraudulent issues by taking immediate action of engaging legal counsel to ensure compliance with the law, launch an internal investigation to assess the extent of the fraud, preserve critical evidence for potential legal proceedings, and if necessary, report criminal activities to law enforcement, the management should establish a transparent communication plan for stakeholders, reinforce internal controls, and provide anti-fraud training for employees. Seek recovery of losses, protect whistleblowers, and enhance compliance programs, the study recommends competence profiling which should be based on what the company expects the internal audit to do and what appropriate number of staff would be required to do this job. Similarly, it was suggested that areas of research were the influence of ICT on the effectiveness of internal control system, the effect of cultural and behavioral factors on the performance of organizations, the effect of internal control system and financial performance on a farm.

CHAPTER ONE

1.0 Introduction.

This chapter shows the background, problem statement, purpose, objectives, research questions, hypothesis, scope and significances of this study.

1.1 Background of the Study

According to Spicer and Pegler in the book of Auditing defines Internal control as the best regarded as indicating the whole system of control, financial and otherwise, estimated by the management in the conduct of a business including internal check, internal audit and other form of control. The American Institute of Accountants first defined the term Internal Control in 1949, followed by further clarifications in 1958 and 1972. In 1977 publicly held companies came under Legislation to adequately implement controls to protect their financial information. A report by the committee of sponsoring organizations in 1992 and the sarbanes-oxley Act of 2002 are these more recent documents defining internal controls. However, According to Am King 2011 defined Internal control as a process through which the enterprise reaches its goals results, also plans authority performing, arrangement, monitoring in the whole enterprise or sub divisions according to Council of the institute of chartered. Accountants of England and Wales" Internal control is the whole system of controls in order to carry on the business of the company in an orderly manner, safeguard its assets and source as far as possible the accuracy and reliability of its records.

The Internal control system (ICS) profession evolved steadily with the progress of management especially at the end of World War II. It is conceptually similar to financial auditing by public accounting firms, quality assurance and banking compliance activities. Much of the theory underlying Internal control system is derived from management consulting and public accounting professions with the implementation in United States of the Sarbanes- Oxley Act (2002, p.773). The profession's growth accelerated, as many internal auditors acquired the skills required to help companies and public institutions meet the requirements of the tales. (SAS 300). According to Auditing Standard Board, ICS is a measure of checks and balances, a method and

procedure instituted by an organization to conduct a systematic approach that management can rely on to achieve its intended goals. However, that was in the US and it was for private entities which may not be applicable in public entities and many internal auditors may not possess the required skills to help companies and public institutions meet their objectives. The concept of internal control system and financial performance took a big leap in the twenty-first century. It originally developed in Britain, when a powerful, administratively strong, centralized state emerged. It was probably the most sophisticated state since the Romans (Warren Hollister, 2009, p. 178). The English state, particularly under Henry I (1100 - 1135) and Henry II (1154- 1189), was premised on an efficient, financially strong administrative system. The findings of the Treadway Commission Reports (1987, p, 17) in the United States of America (USA) confirmed that absence of or a weak internal control and poor financial performance (FP) is primarily the cause of many cases of fraudulent acts and compromised standard of work leading to shoddy work, value for money not being realized in public service institutions and other business organization financial reporting. This has been witnessed in Uganda by the various scandals that rock the National Social Security Fund (NSSF) and the Office of the Prime Minister (OPM), the Ministry of Public Service, among others. If internal control systems were strong, such transactions would have been detected and blocked. Therefore, widespread global corporate and institutional scandals that assumed near-epidemic proportions in recent years have created concern which this study is trying to investigate. Notable cases include: Enron and World com, Xerox and recently alleged fraud cases like Lehman and Brothers in the United States of America, Parmalat in Europe, and Chuoayama in Asia (Higson, 2012, p.283) In South Africa, cases of accounting scandals were recorded in JCL and Rand gold and Exploration Companies (Randgold and Exploration Co. Ltd Annual Report (2011,p.18).

1.2 Statement of the problem

In spite of efforts made by the organizations to combat fraud in the private sectors ,millions of funds meant for national development go into the wrong pockets through fraudulent acts by individuals in the sector .some private sectors stewards spend funds on themselves According to **Csazer 2000**, there are lots of fraudulent activities in the private sectors due to weak internal control measures .Thus private sector organizations do not have strong policies and systems to check fraudulent activities in the private sectors. Financial laws and regulations are implemented and courts and tribunal continue to administer justice to fraudsters, all in bid to prevent and control fraud but to no avail due to the weak internal control systems and checks in the private sector

1.3 General objective of the Study

The purpose of the study is to examine the extent to which internal control system has impact on growth of companies using Jessa farm dairy in Kampala-Uganda

1.4 Specific Objectives of the study

- i.** To examine the effect of segregation of duties on the growth of companies in the study context.
- ii.** To examine the effect of authorization and approval on growth of companies in the study context.
- iii.** To examine the relationship between documentation and record keeping and growth of companies in the study context.

1.5 Research questions.

- i.** What is the effect is segregation of duties on the growth of companies in the study context?
- ii.** What is the effect is authorization and approval on the growth of companies in the study context?

- iii. What is the relationship between documentation and record keeping towards the growth of companies in the study context?

1.6 Scope of the study

1.6.1 Geographical scope.

The study will be carried out at the headquarters of Jessa dairy farm located along port bell road in Bugolobi, Kampala which is the capital city of Uganda.

1.6.2 Content scope

The study will cover both effects on principles and categories of internal control system on growth of companies.

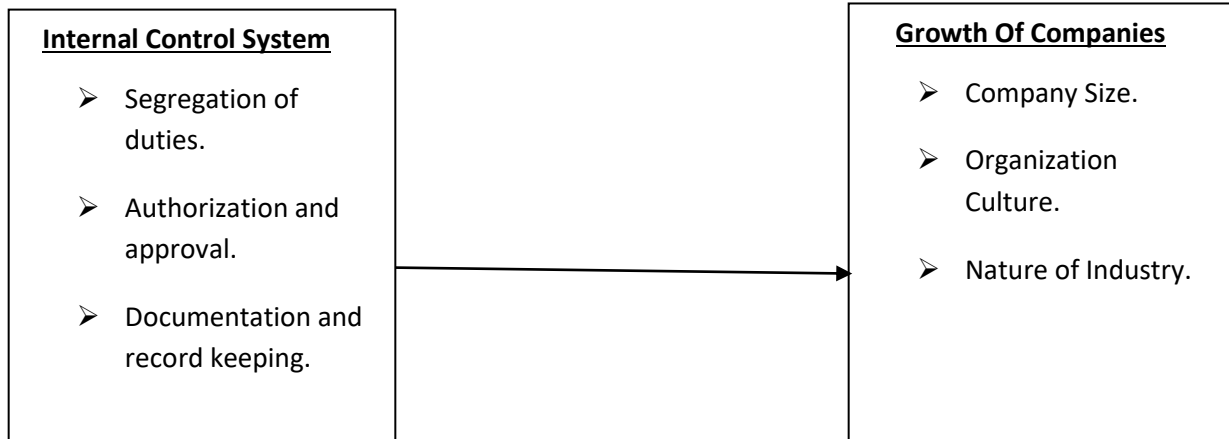
1.6.3 Time scope

The study will be a longitudinal research. The period of the study will be collected and considered at a point in time i. e 2019/20233 FY. Prior Covid 19 period, most companies as well as Jessa farm diary were negatively impacted both economically and financially. However, following those financial years (FY) to date the study will take a period of three months due to study changes over time, time and resource demand, data management and integrity, lastly sampling and responsiveness.

1.7 Conceptual frame work

FIGURE 1: This shows the relationship between internal control systems and growth of companies

Figure 1;



Source: primary data

Conceptual frame work for the study explains the relationship between variables into diagram to illustrate the interconnections between the independent and dependent variables of the study and the growth of companies is a vital objective for any organization striving to succeed in a competitive market looking at the size, nature and culture of an industry. However, this can be achieved through establishment and maintenance of effective internal control systems which encompass the processes, policies, and procedures that an organization implements to safeguard its assets, ensure compliance with regulations, and enhance the reliability and accuracy of financial reporting.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction.

This chapter presents a review of literature on the top understanding including the key terms in internal control. The chapter also goes ahead and explains the efficiency segregation of duties towards the growth of companies, how authorization and approval are fundamental as well as accuracy of documentation and records of companies.

Internal control system plays a vital role in how management meets its stewardship or agency responsibility to maintain controls that provide reasonable assurance that those adequate controls exist over entity's assets and records. Proper internal controls do not only ensure that assets and records are safeguarded but also create an environment in which efficiency and effectiveness are encouraged and monitored (Messier, et al, 2008). According to Ricchiute (2000), the success of most companies is influenced by internal control as it seeks to make efficient use of its resources.

2.1 Definition of key terms

2.1.1 Internal control system.

Didnald A. Watne and Peter B.B Turney (1984); Auditing EDP systems, defined internal control systems as that it compresses the plan of organization and all of the methods and procedures adopted by a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies.

Kermit D. Larson and John J. Wild (1999), defines internal control system, (ICS) as the policies and procedures that managers use to protect assets, ensure reliable accounting, promote efficient operations and urge adherence to company policies internal control system (ICS) apply to all asset owned by a business and to all phases of its operation so as to protect assets from fraud, theft, misuse and embezzlement.

2.1.2 Growth of companies.

The growth of Companies lies in the center of the studies on entrepreneurship. Successful entrepreneurs pursuing a growth strategy might consider dimensional growth –i.e., traditional company growth. Interestingly, a substantial group of entrepreneurs could follow a different growth strategy deciding to create and manage more than one company –i.e., business group growth (Birley and Westhead 1993; Rosa 1998; Iacobucci and Rosa 2010). This latter form of growth leads to having a set of companies that are legally and organizationally distinct yet belong to the same individual (Westhead and Wright 1998; Iacobucci and Rosa 2010).

2.2 The effect of segregation of duties on growth of companies.

A fundamental element of internal control is the maintenance of adequate segregation of duties (SoD), the allocation of work so that an individual cannot both perpetrate and conceal errors or fraud in the normal course of their duties. Notwithstanding its importance, there has been limited research describing the conceptual basis for determining how duties should be segregated. Since the implementation of the Sarbanes–Oxley Act of 2002, the effective design and implementation of internal control has been a central question in accounting and auditing research (Ogneva et al., 2007, Beneish et al., 2008, Cohen et al., 2008, Hammersley et al., 2008, Ashbaugh-Skaife et al., 2008, Jiang et al., 2010) and practice (Hare, 2009). A fundamental element of internal control is the maintenance of adequate segregation of duties (SoD), the allocation of work so that an employee cannot both perpetrate and conceal errors or fraud in the normal course of performing their duties (Stone, 2009). SoD is one of the six important characteristics to be considered in the selection and development of Control Activities (Principal 10's 'Points of Focus') in the COSO framework (COSO, 2013),¹ and is cited in PCAOB Audit Standard No. 5 (PCAOB, 2007) and in auditing standard AU 314 (AICPA, 2006). In practice, implementing adequate SoD is a challenge, particularly for small firms (COSO, 2013). Gramling et al. (2010) found that in 2008, a majority of smaller firms with material weaknesses in internal control reported one or more SoD weaknesses.

Never the less, there has been very little research describing the conceptual basis for determining how duties should be segregated to enhance internal control and how SoD differs from traditional division of labor approaches.² Further, as described in the remainder of this section, there are significant differences between the SoD proposed in the theoretical literature and that proposed in the pedagogical and practitioner literature and auditing standards, and between the latter model and practice. These include whether an authorizer is able to initiate a transaction, whether secondary authorizations are performed, whether recording need be segregated from other duties, and whether custody of physical assets should be segregated from records-based assets. The purpose of this paper is to integrate these models and practice, and present a new prescriptive model for manual and computer-supported process.

Not only that, only four theoretical research papers have addressed SoD using agency theory, and they do so by focusing on collusion. Tirole (1986) investigates the costs associated with a lack of

independence between two roles: the agent (i.e., employee) and their supervisor. Agents have custody of assets or make decisions affecting their value. Supervisors act as conduits to the principal (the owner(s) of the firm) for information about the agent's actions. This is depicted in the top row of Fig. 1. This segregation of asset custody and decision-making from independent supervisory review and reporting to the principal is the most fundamental SoD. The value of supervisory review is compromised if the supervisor colludes with agents to withhold information from the principal and share the benefits arising from this. This results in higher costs for the principal. Building on Tirole (1986), later studies examine how these costs can be reduced by providing the principal with a second source of information about the agent's activity, including another supervisor (Kofman and Lawarrée, 1993)³ or peer agents (Beck, 1986, Barra, 2010). This is depicted as 'Secondary Review' in Fig. 1. The secondary source also provides the principal with information about the quality of primary supervisory review. This leads to a model segregating three duties: having custody of and making decisions about assets (done by the agent); primary review of the agent's activity (done by an independent supervisor); and secondary review (by a second independent agent, supervisor or external auditor). Not only that but also there are two different model which are described in the pedagogical and practitioner literature and auditing standards. This model (Fig. 2), hereafter called the 'practitioner model' (Elsas, 1996, Elsas et al., 1998, Fishman, 2000, American Institute of Certified Public Accountants, 2006, Public Company Accounting Oversight Board (PCAOB), 2007, Stone, 2009, Messier et al., 2012, Weigand and Elsas, 2012, Arens et al., 2013, Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013, Louwers et al., 2013, Whittington and Pany, 2013), also recognizes the importance of segregating custody of assets from independent authorization of custody activities, with two differences.

First, in the practitioner model the term 'authorization' is used rather than 'supervisory primary review'. Second, the duties are allocated differently between custody and authorization/review. In the practitioner model authorizers are often described as being able to unilaterally initiate a transaction; i.e., have decision-making authority such as entering into commitments and setting prices or other valuations (e.g., Louwers et al. (2013), while the employee with custody merely follows the authorizer's instructions concerning the physical custody of assets. This is in contrast to agency theoretical research which places both custody and decision-making authority over the

asset in the hands of the agent, and limits the supervisor to providing an independent review of the agent's actions. As will be discussed, the practitioner model's approach limits the scope of authorizer fraud addressed to embezzlement while ignoring the potential for fraud through the authorizer's collusion with outside parties.⁵

Besides, the practitioner model does not address the value of secondary authorization by an independent supervisor or peer, which allows the principal to evaluate the quality of primary authorization, as discussed in the agency theoretic literature and recognized and implemented in internal control evaluation and organizational design in the field. In addition, theoretical literature to add a third duty to be segregated: the recording of transactions. This recognizes the critical role played by reliable records in facilitating the efficient authorization of large volumes of transactions in modern organizations. The recording duty includes keeping a record of transactions involving physical assets (e.g., sales and purchases) and decision-making or valuation involving physical assets or records-based assets and liabilities (e.g. the write-off of inventory or accounts receivable). The analysis that follows also indicates that segregation of custody and recording called for in the practitioner model is not critical to SoD. The practitioner model's segregation of custody of physical assets (custody) from valuation and decision-making relating to records-based assets (included in recording) prevents embezzlement by employees responsible for recording records-based assets and liabilities.

2.3 The effect of authorization and approval on growth of companies.

Starting with authorization and approval, we see the following common differences. While Kane and Browne (2006), some publications by the National Institute of Standards and Technology (NIST) such as Hu et al. (2014) and sources from IBM (IBM-Corporation, 2015) use them as synonyms, Bertino et al. (2011), Ferrari (2009), Josang (2017), Kizza (2020) and other NIST publications (Ross et al., 2021) clearly differentiate between them. While authorization not only refers to the result (authorizations, authorization policy), but also to the process of specifying access policies (Josang, 2017; Kizza, 2020), most sources including (Bertino et al., 2011; Ferrari, 2009; Kane and Browne, 2006; Ross et al., 2021; Hu et al., 2014; Ahmad and Whitworth, 2011) focus on the result only. Ray (2012), Authorization of transactions. This is when management establishes criteria for acceptance of a certain type of transaction. For example top management may establish general prices lists and credit policies for new customers. Transaction with customers that meet these criteria can be approved by the credit department Philip E. Fees & Cauls S. Warren, says that control procedures or principles were those policies and procedures that management has put in place within the Clear authorization processes empower employees by defining their roles and responsibilities in decision-making. This can boost employee morale, engagement, and job satisfaction, leading to higher productivity and employee retention, which are essential for sustained growth. Control environment in order to provide reasonable assurance that enterprises goals would be achieved.

General control procedures which can be integrated throughout the accounting system all therefore; Safeguarding assets is one essential characteristic of an effective system of internal control.

According to Washington State Administrative & Accounting Manual (2008, p.17) the entire transaction in a business environment requires approval and authorization by an appropriate officer and authorization limit be clearly specified. Control activities in this category are designed to provide reasonable assurance that all transactions are within the limit set by policy or that exceptions to policy have been granted by appropriate officials. In a municipal urban council approval and authorization is one of the internal control measures in place, user departments generate request for funds through the head of finance to the chief executive for approval before any transaction takes place. This is to ensure that errors and frauds are detected and prevented,

since no single individual controls the transaction from its initiation to completion. Governance of state-owned enterprises and public agencies in the Islamic Republic of Mauritania (2013, p.26), public agencies are required to have a Public Accountant that is appointed by a decree issued by the Ministry of Finance as the sole administrator of cash and advance system, in conformity with the principle of separation of the authorizing and accounting officers, the Accountant may be held to account by the financial chamber of the Supreme Court. This helps to stop the return of cash receipts to the Treasury on the condition that the Treasury is informed of the entity's monthly movement. Compliance and Governance: Clear authorization and approval processes contribute to compliance with internal policies and external regulations. Companies that adhere to best practices and governance standards are more likely to gain the trust of stakeholders and attract investors, facilitating their growth in the market. When authorization and approval are properly documented and communicated, it enhances transparency and accountability within the organization. This promotes a culture of responsibility and ethical conduct, which can positively impact the company's reputation and customer loyalty, driving growth.

However, municipal urban councils in northern Uganda have no public Accountants that can be held accountable despite the enactment of the Accountants Act 2013 Section 34(2) which states that all heads of Account, Finance and Internal audit in public and private entities with public interest shall be Public Accountants. Many factors go into control environment but this component is highly influenced by the effectiveness of the board of directors, the management, and the audit division of the organization. Internal auditors are essential to effective control environment since the effectiveness of these factors largely depends on their interaction with the internal and external auditor. Control environment sets the tone of an organization, influencing the control consciousness of its people (Aldridge and Colbert, 1994). It reflects the attitude and policies of management in regard to the importance of internal controls in revenue generation. In addition, control environment is influenced by the history and the culture of organization and has an insidious influence on the way organization activities are structured. It thus sets a positive and supportive attitude toward internal control and conscientious management.

Besides investigation was carried out on the effect of internal control systems on the performance of commercial banks in Nigeria Umar, D. et-al (2018). A survey method was employed and the study used stratified random sampling, in which a total of 382 was chosen. They collected data using questionnaire method and data was analyzed using Statistical Package for the Social Sciences (SPSS) version 23. The findings of the study revealed a positive and significant relationship between risk assessment and bank performance. It is similarly organized procedure for incorporating specialized decision regarding likely hostile situations and happenings, and evaluating the possibility of likely financial and non-financial damages attributed to their happening (Morris, 2011). The second internal control guideline focuses on risk evaluation. Internal control ought to offer for the risk evaluation the organization encounters from internal as well as external origins. After risks have been recognized, they must be inspected for their likely weight.

2.4 The relationship between record keeping and documentation on growth of companies.

Bookkeeping is the measurement technique of business activities and plays a role in developing sustainable companies (Çalışkan, 2014). Carey (2015) observed that small business owners sensed a performance gain and competitive advantage when using an accounting contractor as an advisor. The study participant's accounting contractor met his requirement of constructing and conducting a unique reporting system that enabled him to understand the historical, current, and projected transactional events (Participant, personal communication, November 25, 2015; review of cash-flow, project management, and projection reports, November 25, 2015). He admitted to changing management practices because of advice received from his accounting contractor (Participant, personal communication, November 25, 2015; confirmed by member checking, December 7, 2015). The interview responses and company documents, exhibiting the accountant's custom reports, aligns with the literature review demonstrating how accountants can help evaluate and improve company performance (Banham & He, 2014; Botham, 2012).

Additionally, the reporting system, which the accountant developed to assess the business, supports the basic principles of systems theory which incorporates the continuous input, processing, and output of information that fit the model of the business' operation (Kast & Rosenzweig, 1972; Laszlo & Krippner, 1998).

Bookkeeping and Record keeping impacts business performance positively and identified as an important feature in influencing firm performance (Drexler, Fischer, & Schoar, 2014; Musah & Ibrahim, 2014). Persistent contribution to economic growth depended fundamentally on the performance of the business (Musah & Ibrahim, 2014). Evaluating a firm's economic contribution and performance requires record keeping (Fullerton et al., 2014). Due to the complexity of accounting procedures, small business owners tended to end up with poor and unreliable data (Drexler et al., 2014). The study participant hired a person who performed both the bookkeeping and accounting functions, which helped to maintain timely and accurate records (Participant, personal communication, November 25, 2015; confirmed by member checking, December 7, 2015). Working three days a week, she provided full function accounting services, to include handling all record keeping, tax preparation, and auditing throughout the year (Participant, personal communication, November 25, 2015). A core function of business is controlling and finance; however, business owners in the growth-stage gravitate more towards

pursuing business opportunities and spending less time on core functions (Mueller, Volery, & von Siemens, 2012). Also, when faced with limited resources small business owners tended to focus more on the day-to-day revenue generating aspect of business and placed less weight on areas such as bookkeeping (Ng et al., 2013). The study participant admitted to not having the number crunching personality and was pleased to be able to pass that function off to somebody that he trusted (Participant, personal communication, November 25, 2015; confirmed by member checking, December 7, 2015). Allowing the accounting contractor to act as the CFO allowed the participant to step back so he could understand the business situation as a whole rather than become immersed in specific details (Participant, personal communication, November 25, 2015; confirmed by member checking, December 7, 2015).

In addition to bookkeeping, the participant's accounting contractor also performed managerial accounting duties to include custom reports such as a cash-flow report, job costing report, project management report, and projection report. The typical accounting systems did not hold all of the information necessary for efficient decision-making, therefore implementing a managerial accounting system provided both the financial and the economic information appropriate for his decision-making (Participant, personal communication, November 25, 2015; review of cash-flow, job costing, project management, and projection reports, November 24, 2015). Managerial accounting includes producing managerial reports, preparing cost analysis, preparing schedules, and organizing other company resources (Mistry, Sharma, & Low, 2014). The bookkeeping strategy of incorporating financial and managerial accounting process into his business helped the study participant sleep better at night (Participant, personal communication, November 25, 2015; confirmed by member checking, December 7, 2015). Finding an individual who understood both financial and managerial accounting simplified his life (Participant, personal communication, November 25, 2015; confirmed by member checking, December 7, 2015). The findings in the literature review aligned with the study results demonstrating good accounting records using information from within and outside the company contributed to improved decision-making (Abdul-Rahamon & Adejare, 2014; Mihăilă, 2014).

It was evident from the interview responses and the company documentation that the bookkeeping and accounting maintained by the accounting advisor influenced the company

reports used by the participant (review of cash-flow, job costing, project management, and projection reports, November 25, 2015). The reports were customized to track specific business functions and outcomes (Participant, personal communication, November 25, 2015). The company reports contained information on linked functions of the business which allowed the participant to view situations and apply strategies to the whole system (Participant, personal communication, November 25, 2015; confirmed by member checking, December 7, 2015). Linked functions align with systems theory as described by Laszlo and Krippner (1998) who stated systems theory draws on the environment and evolves according to the dynamics of the environment. In other words, the components of a business interact together to form a relationship or process (Laszlo & Krippner, 1998).

Bookkeeping is the measurement technique of business activities and plays a role in developing sustainable companies (Çalışkan, 2014). Carey (2015) observed that small business owners sensed a performance gain and competitive advantage when using an accounting contractor as an advisor. The study participant's accounting contractor met his requirement of constructing and conducting a unique reporting system that enabled him to understand the historical, current, and projected transactional events (Participant, personal communication, November 25, 2015; review of cash-flow, project management, and projection reports, November 25, 2015). He admitted to changing management practices because of advice received from his accounting contractor.

2.5 Summary of the literature

Based on early internal controls, studies have shown that personal judgment and professional experience have a significant impact on internal control and growth of companies which is mostly based on this (Robert, 1974; Robert and Kramer, 1980; Robert and Kramer, 1980; Hamilton and Wright, 1982), Based on the major defects published by the accounting firm as the basis for evaluation. SOX Acts 302 and 404 require listed companies not only to disclose internal control reports in their periodic reports, but also to self-evaluate the effectiveness of internal controls, and external auditors must also provide internal control visa reports, i.e., the company must disclose the substance.

CHAPTER THREE

3.1 Introduction

The purpose of this chapter described the research methodology of this study. Specifically, this section highlighted the methods and procedures that the researcher followed while collecting and analyzing data that supported the research study in the most effective manner. It explained the research design, study population, sample size and techniques as well as data collection methods, tools, procedure, data analysis, presentation and measurement of variables.

3.2 Research design

This study adopted a descriptive cross-sectional study design with a quantitative method to carry out investigation on the relationship between internal controls and growth of companies using Jessa Dairy farm. This was adopted because it is useful in understanding data in terms of breadth and depth achieved with the help of quantitative method (Creswell & Clark 2017). In view of Palinkas, Aarons, Horwitz, Chamberlain, Hurlburt, and Landsverk (2011) asserted further quantitative design gives a voice of study participants ensuring that the study findings are grounded on participants' experiences.

3.3 Study population

According to Cooper and Shindler (2011), a study population is the total collection of elements on which the researcher wishes to make some inferences. In this study, the number of population is (60) and target population of this study involved head of department, supervisors, delivery men, cleaners laboratory attendants that have been selected during Data process.

3.4 Sample size and technique

The study used the Yamane's formula for calculating sample size (Yamane, 1967). According to him, for a 95% confidence level and $p = 0.5$, size of the sample should be:

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

Where, N is the population size and e is the level of precision. In the context of this study, N = 52 with 95% level of precision. In this study the sample size was calculated in proportion to the target population of the study. Assuming 95% confidence level and $p = 0.5$, we got the sample size as $n = 60(0.05) = 52$

The sample size for this study is 54 Samples from the different sections selected using purposive and simple random sampling which provided every member of population same and known chances of being nominated in each section hence simple random sampling (Kothari, 2012, Yamane, 1967). Under this, the sampling frames (lists) were obtained from the human resource officer involving all employees in the organization. Purposive sampling technique was used to select the officials with the specific information that needed for the research objectives which line employees may not be able to provide adequately. For collecting data 52 respondents were nominated representing the study population of 165 employees as shown table 1 below;

Table.1 Target population and sample size of the study

Category	Population	Sample	Sampling technique
Head of departments	2	1	Purposive sampling
Finance and accounting	6	4	Purposive sampling
Machine engineers/attendants	20	15	Simple random sampling
Security department	10	6	Simple random sampling
Receptionist	5	4	Simple random sampling
Mechanics	15	24	Simple random sampling
Total	60	52	

Source: Primary data, 2023

3.5 Sampling technique and procedures.

The study used a purposive sampling during the process of data collection from the study respondents. The study is to use this sampling technique it enables the researcher to select the sample with experience and knowledge about the study variable and this method was used to select all the study respondents.

3.6 Data collection methods

Data collection methods are data collection techniques used for collecting information from all the relevant sources to find answers to the research problem, test the hypothesis and evaluate the outcomes (Harrell & Bradley, 2009). In this study, researcher use both primary data and secondary data in the study.

3.6.1 Primary Data

The study among other methods used primary data which involved interviews and self-administered questionnaire which served as the main technique of collecting data. According to De Leeuw (2008) a self-administered questionnaire is data collection technique in which written questions are presented that are to be answered by respondents in a written form. The self-questionnaire was preferred because it enabled the researcher to code the information easily for subsequent quantitative analysis hence reducing the error gap (Schraeder, Becton, & Portis, 2007).

The researcher collected secondary data from different sources like internet, text books, newspapers, journals and magazines. That was founded at Jessa Dairy Farm, Bugolobi. This information was reviewed by visiting libraries, and internet cafes and the type of information.

3.6.2 Secondary data

This was used to analyze the information collected from different respondents during data collection.

3.7 Data collection instruments

According Leung (2001) define data collection instruments as devices/tools used to collect data. The main data collection instruments that used for the study are questionnaires and interview guide. Both the questionnaire and interview guide were designed to collect data which answered all the research questions raised.

3.7.1 Questionnaire

The study employed a questionnaire as the main tool of data collection. The questionnaire for respondents had four sections. First section dealt with the demographic characteristics of the respondents, section two focused on the variables of rewards and motivation, and last section presented financial performance as the outcome of internal control system in Jessa Dairy Farm, Bugolobi. The questionnaire had the close-ended questions. Close-ended questions are developed to help respondents make quick decisions; in addition, they help the researcher to code the information easily for subsequent analysis and narrow down the error gap while analyzing data as observed by (De Leeuw, 2008; Sekaran & Bougie, 2003).

3.8 Study variable and their instrument.

The study constitutes two variables that is to say; internal control systems as independent variable while growth of companies as dependent variable. The internal control system was measured by internal controls principles say; segregation of duties, authorization and approval, record keeping and documentation. However, during the study Jessa Dairy Farm's performance was determined by the company size, organization culture and nature of the industry and other measures that maybe thought of during the process of undertaking the study.

3.9 Data Analysis

Data analysis is a process of inspecting, cleaning, transforming, and modeling data with the goal of discovering useful information, informing conclusions, and supporting decision-making. (Coakes & Steed 2009). Data collected was edited in order to make it easier and simpler and ready for presentation. Besides the filled questionnaires was edited to correct the errors that were done by the study respondents. This enabled accuracy, completeness, consistency and uniformity and presentation of data in generated tables from questions that were relevant to the study.

However, the edited data was then analyzed both qualitatively and quantitatively whereby qualitative data was analyzed using content analysis. Responses from key informants were grouped into recurrent issues/themes. The recurrent issues which emerge in relation to each guiding question to be presented in the results with selected direct quotations from participants who offer as illustrations. Quantitative data was grouped and statistical description such as tables showing frequencies and percentages and pie charts as well as graphs for better interpretation. The aim of this is to get responses from respondents that were relevant to the research problem.

3.10 Ethical consideration

Finally, the researcher observed ethical and legal issues in research like the principle of confidentiality, anonymity, consent and acknowledgement of other people's input into this study because it is important to respect the rights and dignity of the research subjects (Artal & Rubinfeld, 2017). This study also ensured confidentiality of respondents and that the information to be obtained will strictly be used for the intended research purpose as the instrument used in the study didn't contain any space for name or telephone number as a way of increasing confidentiality and increasing the confidence of participants to engage in the study. Further, the researcher ensured that permission is sought from the human resource officer and heads of various departments' in Jessa Dairy Farm and participation in this current study were voluntary and whoever accepted to do so were provided with the instrument in private.

CHAPTER FOUR

PRESENTATIONS, ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Findings of the study

This chapter presents the study findings on internal control system and growth of companies using a case of Jessa Dairy Farm. The first section presented response rate, this is followed by background information about the respondents and finally descriptive and inferential presentation and analysis of the study findings in relation to specific objectives.

4.1.1 Response rate

The response rate for this research was 90% which was high. Amin (2005) suggested that a high response rate also suggests more accurate survey results.

4.1.2: Table 2 Response Rate

Category	Questionnaires issued	Questionnaires returned	Response rate (%)
Head of departments	1	1	1
Finance and accounting	4	3	2
Machine engineers/attendants	18	17	36
Security department	9	8	17
Receptionist section	4	3	2
Mechanics	16	15	31
Total	52	47	90

Source: Primary data

According to the table above, the survey response rate showed that out of the 52 questionnaires issued out only 47 were returned accounting to 90% response rate.

This section gives the number of people who responded to the study against those which the researcher had targeted and also the characteristics of the respondents in relation to gender, age and level of education. This was based on the information provided in the questionnaire by the respondents.

4.2 Demographic findings of the study

4.2.1 Gender of respondents

The findings for gender composition of respondents in Jessa Diary Farm are represented in the table below;

Table 3: Gender of respondents

	Frequency	Percent
Male	29	61.7
Female	18	38.3
Total	47	100.0

Source: Primary data

The findings show that majority of the respondents were male constituting 29(61.7%), while their composition of the Female counterpart was 18(38.3%). The demographics show that more of male were staff of Jessa Diary Farm than female.

4.3 Table 4: Respondents' age group

	Frequency	Percent
21-30 years	18	38.3
31-40 years	15	31.9
41-50 years	10	21.3
Above 50 years	4	8.5
Total	47	100.0

Source: Primary Data

The findings in table above shows that majority of the respondents are in the age group of 21-30years 18(38.3%), followed by 31-40years age group 15(31.9%), and age group 41-50years and above 50years both constituting 4(8.5%) of the total age composition. The age group clearly depicts the youth recruitment policy to the staff used by Jessa Diary Farm.

4.4 Table 1: Respondents education level

	Frequency	Percent
Primary level	2	4.3
Secondary level	12	25.5
Certificate level	13	27.7
Diploma level	3	6.4
Bachelors level	13	27.7
Masters level	4	8.5
Total	47	100.0

Source: Primary data

The findings in the table above explains that majority of the respondents had at least a certificate and bachelor with both scoring 13(27.7%), this was closely followed by respondents with secondary level education constituting 12(25.5%), masters level 4(8.5%), diploma level 3(6.4%) and primary level having 2(4.3%). The findings imply that at least all staff had acquired a substantial level of education before they are recruited in Jessa Diary Farm.

4.5 Table 2: Time spent working for Jessa Diary Farm

	Frequency	Percent
1-5 years	30	63.8
6-10 years	6	12.8
10-15 years	11	23.4
Total	47	100.0

Source: primary data

Findings on the time spent by different individuals in the organization showed that majority 30(63.8%) stated they had been in Jessa Diary Farm for a time period of 1-5years, followed by those who had stayed for 10-15years (23.4%) and finally those in the range of 6-10years scoring 6(12.8%). These findings indicated that there is a balanced stay at the organization and retention levels in a time span of a decade is stable at all levels of staff recruitment.

4.6 The effect of segregation of duties on growth of companies

The findings were rated basing on a Likert scale of 1: Strongly Disagree, 2: Disagree, 3 = Not sure, 4 = Agree and 5 = Strongly Agree.

Table 4.6: Table showing findings of segregation of duties on growth of companies

A	The effect of segregation of duties on growth of companies	Mean	Standard deviation
1	Segregation of duties ensures that no single individual has unchecked control over critical processes, reducing the likelihood of financial losses that could hinder company growth.	4.0	1.069
2	Segregation of duties promotes transparency by requiring multiple individuals to collaborate and oversee various aspects of operations.	3.86	1.100
3	Assigning specific tasks to individuals with the appropriate expertise can lead to improved efficiency in business operations	<u>4.43</u>	<u>0.666</u>
4	Segregation of duties help to prevent conflicts of interest and ensure proper checks and balances.	3.71	1.169
5	Segregation of duties help maintain smooth operations and supports sustained growth.	3.71	10.927
6	Investors are more likely to have confidence in a company that has segregation of duties as strong internal controls.	3.14	1.202
7	A well-established segregation of duties framework can facilitate scalability by providing a structured approach to managing increased responsibilities without compromising control and oversight.	3.86	1.408

Source: primary data

The findings in the table above show the **effect of segregation of duties on growth of companies**. According to the findings on Segregation of duties ensures that no single individual has unchecked control over critical processes, reducing the likelihood of financial losses that could hinder company growth, an average mean of 4.0, and Standard Deviation of 1.069 were obtained which showed a high mean score which suggests that respondents generally agreed that

segregation of duties helps prevent financial losses. However, the relatively high standard deviation indicates some variability in responses, with a few respondents leaning towards disagreement or uncertainty.

Besides that, the findings on the fact that segregation of duties promotes transparency by requiring multiple individuals to collaborate and oversee various aspects of operations an average mean of 3.86 and standard deviation of 1.100 were obtained which showed that respondents on average, agreed that segregation of duties promotes transparency. The standard deviation suggests a moderate level of variability, indicating some mixed opinions within the group.

Findings on the fact that assigning specific tasks to individuals with the appropriate expertise can lead to improved efficiency in business operations, a mean of 4.43 and standard deviation of 0.666 were received with a highest mean score, indicating strong agreement that assigning tasks to individuals with the appropriate expertise improves efficiency and low standard deviation suggests a high level of agreement among respondents.

According to the findings on the fact that segregation of duties help to prevent conflicts of interest and ensure proper checks and balances. Respondents, on average, agreed with an average mean of 3.71 but the high standard deviation of 1.169 suggested that less universally was accepted among the respondents.

The survey on the fact that segregation of duties help maintain smooth operations and supports sustained growth. On average, respondents strongly agreed, agree not sure, disagree and strongly disagree. An average mean of 3.57 on agreement was scored and a relatively low standard deviation of 0.777 was also obtained which indicated a higher level of agreement within the group.

Findings on the fact that investors are more likely to have confidence in a company that has segregation of duties as strong internal controls showed a lower mean score of 3.14, indicating that respondents are somewhat uncertain or disagree that investors have confidence in companies with strong segregation of duties. The high standard deviation of 1.202 suggested a mixed opinions within the group.

Finally, findings on the fact that a well-established segregation of duties framework can facilitate scalability by providing a structured approach to managing increased responsibilities without compromising control and oversight. Majority agreed, agreed, not sure, disagreed and strongly disagreed. An average mean of 3.86 and standard deviation of 1.408 were recorded.

In summary, the results imply growth of companies in the study context a long side internal controls was highly impacted by the fact that a well-established segregation of duties framework can facilitate scalability by providing a structured approach to managing increase responsibilities without compromising control and oversight.

4.7 The effect of authorization and approval on growth of companies.

The findings were rated basing on a Likert scale of 1: Strongly Disagree, 2: Disagree, 3 = Not sure, 4 = Agree and 5 = Strongly Agree.

Table: 7 Table showing effect of authorization and approval on growth of companies.

B	The effect of authorization and approval on growth of companies.	Mean	Standard deviation
1	Authorization and approval processes ensure that expenditures, investments, and financial transactions are properly reviewed and authorized by relevant individuals.	3.14	0.983
2	Authorization and approval helps to identify and reduce potential risks and assess their implications before proceeding	3.86	0.983
3	Authorization and approval processes often align with regulatory requirements and internal policies.	4.0	1.044
4	Transparent authorization and approval processes ensure that decisions are made with clear oversight.	4.0	0.983
5	Authorization and approval processes can deter fraudulent activities or unethical behavior.	3.57	0.777
6	Structured authorization and approval processes provide a framework for handling these complexities while maintaining control and accountability.	3.57	0.903

Source: primary data

According to the findings, an average mean of 3.14 and standard deviation of 0.983 Respondents, on average, majority strongly agreed, not sure, agreed, disagreed, and strongly disagrees regarding the role of authorization and approval in ensuring proper growth of companies review. The standard deviation indicated variability in responses.

According to the findings, on average, respondents agreed, strongly agreed, not sure, strongly disagreed, and disagreed respectively that authorization and approval help identify and reduce potential risks. The standard deviation suggested some variation in opinions within the group. An average mean of 3.86 and standard deviation of 0.983 were recorded.

Findings on the fact that authorization and approval processes often align with regulatory requirements and internal policies. Average mean of 4.0 indicated agreement that these processes align with regulatory requirements, but the standard deviation of 1.044 suggested some variability in responses.

Besides that, an average mean of 4.00 and standard deviation of 0.983 were recorded: Respondents, on average, agreed that transparent authorization and approval processes provide clear oversight. The standard deviation indicates some variability in opinions.

According to the findings on a fact that transparent authorization and approval processes ensure that decisions are made with clear oversight. Majority of the respondents agreed, strongly agreed, not sure, strongly disagreed and disagreed respectively. This was evidenced by the average mean of 3.57 and standard deviation of 0.777 which showed a relatively low standard deviation that indicated a higher level of agreement within the group.

Finally, respondents strongly agreed that structured authorization and approval processes provide a framework on an average of 3.57 and a standard deviation of 0.903 that indicated some variation in opinions but generally moderate agreement.

In a nut shell, the growth of companies in the study context viser-vee internal control system was strongly impacted by the fact that authorization and approval processes often align with regulatory requirements and internal policies.

4.8 The effect of documentation and record keeping on growth of companies

The findings were rated basing on a Likert scale of 1: Strongly Disagree, 2: Disagree, 3 = Not sure, 4 = Agree and 5 = Strongly Agree.

Table: 8 Table showing findings the effect of documentation and record keeping on growth of companies

C	The effect of documentation and record keeping on growth of companies.	Mean	Standard deviation
1	Proper documentation and record-keeping ensure that a company adheres to legal and regulatory requirements.	4.0	0.907
2	Well-maintained records provide a clear and transparent view of a company's activities, decisions, and financial transactions.	4.0	0.957
3	Records serve as a historical record of the company's performance, trends, and past decisions.	4.43	0.666
4	Documentation of processes, decisions, and risk assessments helps companies identify potential issues and mitigate risks	3.86	0.983
5	Detailed records demonstrate a commitment to transparency and sound governance	4.14	0.982
6	Access to accurate records streamlines business operations by reducing the time spent searching for information or resolving discrepancies.	4.43	0.957

Source: primary data

Based on the evidence of the findings, an average mean: 4.00, Standard Deviation: 0.907: Respondents, on average, strongly agreed, strongly agreed and a few not sure which showed that proper documentation ensures legal compliance. The standard deviation indicated that some variation had a high level of agreement.

Findings show that respondents had a mean of 4.0 agreements that well-maintained records provide transparency. The standard deviation of 0.957 indicated moderate agreement and some variability.

Findings on the fact that Records serve as a historical record of the company's performance, trends, and past decisions, respondents agreed and strongly agreed with an average mean of 4.43 and a standard deviation of 0.666 since there was no any disagreement by the respondents.

Not only that, a highest mean score was received which indicated a strong agreement that records serve as a historical record. The low standard deviation suggests a high level of agreement within the group. Mean of 4.43 and standard deviation of 0.666 was recorded.

Another findings on that fact that documentation of processes, decisions, and risk assessments helps companies identify potential issues and mitigate risks showed that majority agreed, strongly agreed, a few not sure. This was supported by the fact that a mean: 3.86, Standard deviation: 0.983 were recorded.

Finally, findings on the fact that access to accurate records streamlines business operations by reducing the time spent searching for information or resolving discrepancies showed that majority strongly agreed, agreed, and not sure giving an average mean of 4.14 and standard deviation of 0.982.

In conclusion, it was observed that documentation of processes, decisions, and risk assessments helps companies identify potential issues and mitigate risks as an effect of internal control system has significant impact towards growth of companies in the study context.

4.9 Relationship between internal control systems growth of companies.

The table below explains the correlation between the independent and dependent variable having a subsequent impact on growth of Jessa Dairy Farm.

Table 4.9: Correlation between internal control systems and growth of companies.

	Segregation of duties ensures that no single individual has unchecked control over critical processes, reducing the likelihood of financial losses that could hinder company growth.	Authorization and approval processes often align with regulatory requirements and internal policies	Documentation of processes, decisions, and risk assessments helps companies identify potential issues and mitigate risks	Internal Control systems are put in place in order to facilitate the growth of companies
Segregation of duties ensures that no single individual has unchecked control over critical processes, reducing the likelihood of financial losses that could hinder company growth.	1	.346**	.155**	.339**

Authorization and approval processes often align with regulatory requirements and internal policies.	.316**	1	.219*	.014
Documentation of processes, decisions, and risk assessments helps companies identify potential issues and mitigate risks	.155**	.219*	1	.500**
Internal Control systems are put in place in order to facilitate the growth of companies	.339**	.014	.500**	1

The study employed SPSS to compute the correlation analysis. The table above shows the correlation between internal control systems (independent variable) and growth of companies (dependent variable). The correlation coefficient is 0.610 which is a relatively high degree of positive correlation between the two variables based on responses of the respondents. It is sufficient to note that correlation coefficient is significant when the p-value is 0.00 and is less than significant level ($\alpha = 5\%$). Here in this study the test values included (“Segregation of duties ensures that no single individual has unchecked control over critical processes, reducing the likelihood of financial losses that could hinder company growth.” vs “Authorization and approval processes often align with regulatory requirements and internal policies.”). Therefore,

there is a strong relationship between the principles of internal control systems and the rate of growth of companies in the study context.

CHAPTER FIVE

DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study investigated the effect of internal control and growth of companies. This chapter presents a summary, discussion, conclusions and recommendations of the study on Internal control system and growth of companies. The first section presents a summary of the study findings in relation to the specific objectives. This is followed by a discussion, conclusion and recommendations of the study in relation to the objectives of the study. Limitations of the study, as well as contributions of the study and recommendations for further studies.

5.2 Discussion of findings

5.2.1 The effect of segregation of duties on growth of companies.

According to research findings for objective 1 in Table 3 explaining the effect of segregation of duties on growth of companies, it was investigated the perceptions of respondents regarding the impact of segregation of duties on company growth. According to Whittington and Pany (2016) in relation this findings, respondents strongly agreed that segregation of duties helps prevent financial losses. However, the relatively high standard deviation suggests some variability in opinions. This may be due to differing views on the effectiveness of this control measure. There was agreement that segregation of duties promotes transparency as noted by Johnson et al. (2018). However, the standard deviation indicated that while there is agreement, there's also notable variation in opinions within the group. In addition, respondents generally demonstrated a consensus regarding the importance of segregation of duties within organizations. It was evident that this control measure plays a pivotal role in preventing financial losses, promoting transparency, and improving operational efficiency according to Robinson and White (2020), Moreover, the practice of assigning tasks to individuals with the appropriate expertise was highly valued by the respondents. While there was overall agreement, some variability in opinions was observed, particularly concerning the prevention of conflicts of interest and its impact on

investor confidence Smith and Brown (2019). This suggests that while segregation of duties is recognized as beneficial, its effectiveness in addressing certain issues may be subject to interpretation, Martinez and Davis (2019),

5.2.2 The effect of authorization and approval on growth of companies.

Research findings for objective 2 in Table 4 showed that respondents' views on the impact of authorization and approval processes on company growth. The overall mean score for this section is 3.69, indicating moderate agreement among respondents Turner and Green (2017). In addition to that, it was evident that this control measure plays a pivotal role in preventing financial losses, promoting transparency, and improving operational efficiency Hall and Perez (2020). Moreover, the practice of assigning tasks to individuals with the appropriate expertise was highly valued by the respondents. While there was overall agreement, some variability in opinions was observed, particularly concerning the prevention of conflicts of interest and its impact on investor confidence Turner and Adams (2018). This suggests that while segregation of duties is recognized as beneficial, its effectiveness in addressing certain issues may be subject to interpretation and decision making Smith and Robinson (2019)

5.2.3 The effect of documentation and record keeping on growth of companies

Research findings for objective 3 in Table 5 illustrated that respondents strongly agreed with average mean of 4.0 on the importance of documentation and record keeping in company operations as per Whittington and Pany (2016),. Besides that, respondents recognized the value of proper documentation in ensuring legal compliance, providing transparency, and serving as a historical record Turner and Garcia (2021). Additionally, respondents agreed that detailed records demonstrate a commitment to transparency and that access to accurate records streamlines operations Smith and Perez (2019). The discussion highlighted a consensus among respondents on the critical role of documentation and record keeping in maintaining efficient and compliant business operations. While some variability existed, the overall agreement was strong.

5.3 Conclusion

In a nut shell the relationship between internal control systems and the growth of companies in Uganda as far as all three aspects of Segregation of Duties, Authorization and Approval, and Documentation and Record Keeping showed positive outcomes with company growth, their

strengths of association vary. Authorization and Approval processes exhibit a moderate positive correlation, suggesting that companies benefit from robust review and authorization mechanisms. Segregation of Duties and Documentation and Record Keeping, However, it's crucial to acknowledge that various other factors may influence company growth, and further research and analysis are essential for a more comprehensive understanding of this relationship.

5.4 Recommendations.

Jessa Dairy Farm should respond to fraudulent issues by taking immediate action of engaging legal counsel to ensure compliance with the law, launch an internal investigation to assess the extent of the fraud, preserve critical evidence for potential legal proceedings, and if necessary, report criminal activities to law enforcement.

The management should establish a transparent communication plan for stakeholders, reinforce internal controls, and provide anti-fraud training for employees. Seek recovery of losses, protect whistleblowers, and enhance compliance programs.

The study recommends competence profiling which should be based on what the company expects the internal audit to do and what appropriate number of staff would be required to do this job.

5.5 Areas of Research.

- a) The influence of ICT on the effectiveness of internal control system.
- b) The effect of cultural and behavioral factors on the performance of organizations.
- c) The effect of internal control system and financial performance on a firm

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APPENDICES
QUESTIONNAIRE

UGANDA CHRISTIAN UNIVERSITY
SCHOOL OF BUSINESS

A questionnaire for the staff and customers of Jessa Dairy Farm in Bugolobi, Kampala central. I am Atugonza Allan Cohen a student of Uganda Christian University conducting a research study on “Internal Control Systems and Growth Of Companies” using Jessa Dairy Farm as my case study in Kampala Central as a requirement for the award of Bachelor’s degree in Business and Administration of Uganda Christian University.

I am kindly requesting you to assist me in this study by answering the following questions. I assure you that your information will be treated with utmost confidentiality.

SECTION A: Demographic Data

Please tick (✓) in the appropriate box as the most agreed answer to the following statements.

1. Gender of the respondent.

Male Female

2. Age group of the respondent.

21-30 years 31-40 years 41-50 years above 50 years

3. Education level of the respondent.

Primary level Secondary level Certificate level
Diploma level Bachelor’s level Masters Level

Others specify.....

4. For how long have you been working with this company?

1- 5 years 6-10 years 10-15 years 16-20 years

SECTION B

Rate your degree of agreement on the effect of advertng on the effect of internal control systems on growth of companies in Uganda.

Using a scale of 1= Strongly Disagree; 2= Disagree; 3= Not sure; 4= Agree; 5=Strongly Agree.

A	The effect of segregation of duties on growth of companies	1	2	3	4	5
1	Segregation of duties ensures that no single individual has unchecked control over critical processes, reducing the likelihood of financial losses that could hinder company growth.					
2	Segregation of duties promotes transparency by requiring multiple individuals to collaborate and oversee various aspects of operations.					
3	Assigning specific tasks to individuals with the appropriate expertise can lead to improved efficiency in business operations					
4	Segregation of duties help to prevent conflicts of interest and ensure proper checks and balances.					
5	Segregation of duties help maintain smooth operations and supports sustained growth.					
6	Investors are more likely to have confidence in a company that has segregation of duties as strong internal controls.					
7	A well-established segregation of duties framework can facilitate scalability by providing a structured approach to managing increased responsibilities without compromising control and oversight.					
B	The effect of authorization and approval on growth of					

	companies.					
1	Authorization and approval processes ensure that expenditures, investments, and financial transactions are properly reviewed and authorized by relevant individuals.					
2	Authorization and approval helps to identify and reduce potential risks and assess their implications before proceeding					
3	Authorization and approval processes often align with regulatory requirements and internal policies.					
4	Transparent authorization and approval processes ensure that decisions are made with clear oversight.					
5	Authorization and approval processes can deter fraudulent activities or unethical behavior.					
6	Structured authorization and approval processes provide a framework for handling these complexities while maintaining control and accountability.					
C	The effect of documentation and record keeping on growth of companies.					
1	Proper documentation and record-keeping ensure that a company adheres to legal and regulatory requirements.					
2	Well-maintained records provide a clear and transparent view of a company's activities, decisions, and financial transactions.					
3	Records serve as a historical record of the company's performance, trends, and past decisions.					
4	Documentation of processes, decisions, and risk assessments helps companies identify potential issues and mitigate risks					
5	Detailed records demonstrate a commitment to transparency and sound governance					
	Access to accurate records streamlines business operations by reducing the time spent searching for information or resolving discrepancies.					

Thank you