INTERNAL CONTROL SYSTEM: A MANAGERIAL TOOL FOR FINANCIAL ACCOUNTABILITY IN PUBLIC INSTITUTION. A CASE OF MINISTRY OF FINANCE AND ECONOMIC PLANNING

A Dissertation Submitted to the University of Rwanda, College of Business and Economics in Partial Fulfillment of the Requirements for the Award of a Master Degree of Business Administration (Finance Option)

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Approval Sheet

This thesis Entitled Internal Control System: a Managerial Tool for Financial Accountability in Public Institution. A Case of Ministry of Finance And Economic Planning, written and submitted by **SAM KAGORORA** in partial fulfilment of the requirements for the degree of Master of Business Administration (MBA) Finance Option is hereby accepted and approved.

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DECLARATION

I certify that this work is entirely original work and unique research that has not been published for the award of the master degree.

I hereby declare that this submission is my own work and effort**.**

Signature---

Date…………………………………………………………

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DEDICATION

I lovely dedicate this thesis to my parents for their love and advices that the largest task can be accomplished if it is done one step at a time, along with God, have been my foot prints.

To my lovely wife and daughters whose steadfast support was greatly needed and deeply appreciated.

I am grateful for my brothers and sisters because they care about me.

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Foremost, thanks be to GOD who has enabled me to complete this research successfully. May His name be exalted, honored and glorified.

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My deepest gratitude goes to my wife and my daughters for their unweaving love, encouragement and quiet patience.

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ABSTRACT

Purpose of this research is to find out whether internal control is a managerial tool for financial accountability. The demographic information was Sex, rank, experience and department. The main objective is to find out whether public institutions were practicing internal control system to ensure financial accountability. To achieve objective of the study data were gathered through the distribution of one hundred forty three (143) copies of questionnaire to the Directors of Finance and Administrations, Directors of Audit, Budget officers, Accountants and Budget officers. A four Likert scale was used to measure respondent's knowledge and perception on internal controls as a managerial tool for financial accountability. Statistical package for social sciences (SPSS) was used to analyze data and presented in form of mean and standard deviations for each question. Findings on two objectives were highly rated by respondents with average means (internal control operation in MINICOFIN 3.296) and (control procedures established by managers in ensuring financial accountability3.573) respectively. The study recommended that the Ministry of Finance and its agencies should not be complacent about the findings but should work hard to ensure that controls really exist and properly functioning for the better accountability of public resources. The findings however on the second objective is averagely 2.465which is an indication that the Internal control should continue to be built to help run the entity and achieve its aims on ongoing basis to ensure that organization is accountable for its finances and programs to its public.

The findings of this study also show that that the financial accountability depends extensively on the strength of the installed system of internal control(r =.632**) and the understanding of it by the employees. People are what make internal control work and they play important roles in making accountability happen.

It is along the line of these findings that the study concluded that there is a need for proper education of the employees on the intention of policy creation by the management to ensure value addition and better implementation of new financial guidelines.

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CHAPTER ONE: INTRODUCTION

1.1. INTRODUCTION

Internal control system is a topical issue following global fraudulent financial reporting and accounting scandals in both developed and developing countries (COSO 1992).Tread Commission report of 1987 in USA confirmed that the fraud cases of WorldCom and the collapse of the US energy giant of Enron resulted from weak internal control system.

(IFAC 2006), (Lee Johnson and Joyce 2014), (Omolehinwa 2003) share a core principle that good governance by its nature, demands effective systems of internal control. This view was supported by (Dandago2008)'s study on the fight against government corruption in Nigeria which stated that Nigeria at all levels must make it a duty to dig out the root cause(s) of corruption and provide lasting solutions to it, no matter how bitter, painful or difficult the actualization of the solutions would be. Also a (National Integrity System Study 2008) on corruption in Rwanda concluded that various indicators indicate that Rwanda performs relatively well in terms of control of corruption compared to many African countries. In spite of these efforts, corruption remains prevalent in the Rwanda and there have been instances of tax and public fund embezzlement, fraudulent procurement practices and judicial corruption.

(Mustapha .M. Bashir et Sanusi.F2015) found out that local government authority should increase their effort to ensure proper and highly effective control system are in place within the local government to ensure financial accountability. The importance of the internal control cannot be undermined. Since the lack of an effective internal control system is the major cause of frauds. The management should create and establish internal control system, strong enough to stand against the lines of fraud in order not only to promote continuity of operations and ensure the liquidity but also to facilitate quality audit work (Augustine.Oet Francis A 2013).

Improving internal control in companies may lead to improvement of financial reporting and decrease of bankruptcy risk (Dumitrascu .M 2012). An organization without an efficient internal control mechanism cannot be sustainable (Savulescu .L 2012). The head of each government organization must ensure that a proper internal control structure is instituted, reviewed and updated to keep it effective. A positive and supportive attitude on the part of all managers is critical (internal control standards committee 2001).

Following an audit in (Merril Lynch & Co 2009 announced that the company had understated their losses in 2008 by $500 million. Auditors Deloitte and Touche said that Merill Lynch had not maintained effective internal control over financial reporting. The failure of internal controls remains the reason behind losses, whether they are the result of ineffective management or fraudulent conduct. The view was support by UBS, the Swiss bank hit by an alleged rogue trading incidents, admitted that its internal controls had failed and that it was looking at whether to "Claw back" bonuses from some individuals as a result of the incident. While the overall bank was able to report a SFR 1 billion (Euro711m) profit for the third quarter, the investment bank posted a pre-tax loss of Sfr 650M after the unauthorized trading loss. The bank highlighted two control deficiencies,

1. The control requiring confirmation with counterparties of trades within the investment banking equities business.
2. The controls for relationships between different trading desks within the investment bank's equities and fixed income, currencies and commodities businesses to ensure that internal transactions are valid and accurately recorded in UBS's books and records.

In (report to the Nations 2012), the Association of Certified Fraud Examiners overriding internal controls were a weakness in over 19% of fraud cases reviewed. Over 18% involved internal controls that were lacking in management review and 9% illustrated a failure on the part of management to set an appropriate attitude or tone to internal control matters. Clearly, management problems can be seen as a contributing factor in over 46% of the reported incidents reviewed by ACFE. In addition, management were perpetrators of fraud in over 34% of cases. ACFE has found that nearly 50% of all fraud investigations begin with a tip. This is why ACFE recommends that small business incorporate some type of confidential reporting mechanisms as part of an anti-fraud program. The other necessary components are commitment by management to ethnical conduct and the inclusion of employees in anti-fraud training. Adopt a code of ethics and state the intention to prosecute fraud to create that expectation in the minds of employees. These are recommended by ACFE as the most cost effective anti-fraud programs for small business. Creation of a positive environment that rewards honesty and does not tolerate dishonesty starts at the top. Business owners, institutional managers should consider ways to reward employees, such as an employee assistance program. Demonstrated commitment to employees can be returned in increased loyalty and attention to the best interests of your business.

(Kaplan 2007) reflected that poor standards of the corporate governance had led to insufficient controls being in place to prevent wrong doing. By following these best practices, managers can avoid and prevent most internal frauds by use of appropriate segregation of duties , dual approval and restricting transactions with institutional employees.

(Babatunde and Shakirat. A2013) study which examined Stakeholder’s Perception on the Effective of Internal Control System on Financial Accountability in the Nigerian Public Sector found that a strong internal control system adds value and leads to better performance. They found that public sector failures were partly due to lack of adherence to accountability as it relates to internal control system. According to (Wilhelm 2006) internal control is especially important for non-profit organizations which rely on public trust more than other organizations. Poor internal controls lead to asset misappropriations, corruption, fraud and fraudulent financial statements (Miller 2005). (Mwinda 2008) also defined internal control as process defined and affected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of an entity’s objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. According to (Cunningham 2004), internal control systems begin as internal process with the positive goals of helping a corporation meet its set objectives.

(Feng. M and Hollis S 2015) which investigated on Ineffective Internal Control over Financial Reporting found that inventory turnover ratios, sales, gross margin and cash flows from operations improve when weaknesses are remediated. The study has also provided evidence that firms with inventory related material weakness internal control (MWIC) are more likely to experience the real effects to stock shortages, excess inventory and greater inventory obsolescence as a consequence of maintaining ineffective inventory related ICFR, leading to lower inventory turnover and more inventory impairments. (Quaisar and Javid2012) found that a properly developed and effectively implemented internal control system helps to protect against wastage of resources and a basis for the smooth operations of all types of organizations.

1.2. PROBLEM STATEMENT

Accountability for all funds should be maintained at all times (Chen 2004). (Lame et Tan 2000) noted that a lot of benefits can be delivered through the implementation of an effective internal control system. (Shungisa2001) found that ICS prevents errors and irregularities by detecting them in a timely manner there by promoting operation efficiency, reliability of financial reporting and compliance with relevant laws and regulations. Cox (2000) said that internal control leads to efficiency in utilization of organization resources where by jobs are carried out as explained by their description. Internal control is a management function that is critical for proper accountability (Gendion et Townley 2000). (Horngren 1982) in his study identified that an institution with an operation effectiveness and efficient internal control has better chances of improved accountability than one with weak internal control system.

(Anthony etGovindavajan2004) identified several aspects or activities of what instructions should do to achieve accountability, namely: Planning, organizing, controlling and monitoring financial resources in order to achieve organizational objectives.

Accountability requires an entity to justify the raising and management of public resources and how the resources are used. Public accountability is based on the premise that the public has the right to know and receive openly declared facts that may lead to debates. There should be competent public officers to work out the logic of standard internal control.

In spite of government efforts to improve public sector performance, there have been instances of tax and public funds embezzlement, fraudulent payment, wasteful expenditure, poor management of fixed assets, weakness in contract management, judicial corruption as well as high ranking officials involved in corrupt practices.

Most of Public institutions are affected by problems like deliberate errors and frauds of their financial operations, corruption and falsification, inappropriate procedures of inquiry and lack of documentation.

Therefore, the main objective of this study is to find out whether government institutions were practicing internal control system to ensure financial accountability. This study answers the research questions:

Q1: Does internal control operates in MINECOFIN?

Q2: Does internal control system play any role in financial accountability in MINECOFIN?

1.3. GENERAL OBJECTIVES OF THE STUDY

To find out whether government institutions were practicing internal control system to ensure financial accountability

1.4. SPECIFIC OBJECTIVES

1. To ascertain how the internal control operates in MINECOFIN.
2. To identify the source of internal control discrepancies on financial accountability.
3. To analyze control procedures established by managers in ensuring financial accountability.

CHAPTER TWO: LITURETURE REVIEW

Key words: Internal Control System, Financial Accountability & Public Institutions.

INTRODUCTIONS

It is important to be able to analyze literature reviews so I can work out precisely what is required for the analysis of my results.

2.1 INTERNAL CONTROL SYSTEM

Internal control system is defined as referring to both Administration control and accounting control. Administration control organization showing who reports to who and all the methods, planning and control operations. According to the auditing practices committee guideline, internal control system can be defined as the whole system of control, financial or otherwise established by the management in order to carry out on the business of the enterprise in an orderly and efficient manner, ensure adherence to management's policies and secure as far as possible the completeness and accuracy of the records (Adeniyi 2010).

(Daniel Draz March 2002)found thatwhile no organization, even with the strongest internal control system, is immune from fraud, the donors/ funders are demanding great transparency and strengthening internal control policies, processes and procedures to ensure that resources are in order to deliver efficiencies. The primary part of strengthening internal control system involves changing attitude some employees have towards spending of government money. Internal auditors and government Auditors' presence is critical in order to assess whether the controls are properly designed, implemented and working effectively and make recommendations to managers on how to improve internal control and that every public money be properly accounted. Responsibility for the internal control system within an organization is a shared responsibility among all the executives such as BODs, management and auditors. Every institution should have an internal control system firmly in place. Proper internal controls should be designed to make it as difficult as possible to commit errors and fraud. Policies and procedures establishing guidelines for the financial and liability recording, valuing, processing, posting and reporting of financial data and safeguarding of an organization's assets is vital in preventing cases of embezzlement. Many of the frauds discovered in business are uncovered through internal controls, strong system play an important role. The risk of fraud is substantially reduced by ensuring (segregation of duties, integrity and accuracy) that no single person has too much control in any one financial area. When more than one people handle different aspects of regular transactions such as preparation, verification, authorization etc, this provides the chance of spotting signs of any fraud that still may occur. If anyone tries to steal or commit any kind of fraud, it most likely will be discovered by someone else close to the process. Managers need regularly to evaluate their distribution of duties. The frequency of the evaluations makes it difficult for employees to commit or cover up theft. And if your staff knows you're on a constant look out for fraud, it makes them less likely to try anything.

Management is responsible for the determination of the extent to which internal controls are able to be applied within the organization. Internal control is the integration of the activities, plans, attitudes, policies and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its objectives and mission (Thomas 2007). This definition establishes that internal control:

1. Affects every aspects of an institution (people, processes and infrastructure)
2. Incorporate the qualities of good management
3. Will succeed or fail depending on the attention people give it
4. Only effective when all of the people and surrounding environment work together
5. Help an organization achieve its mission

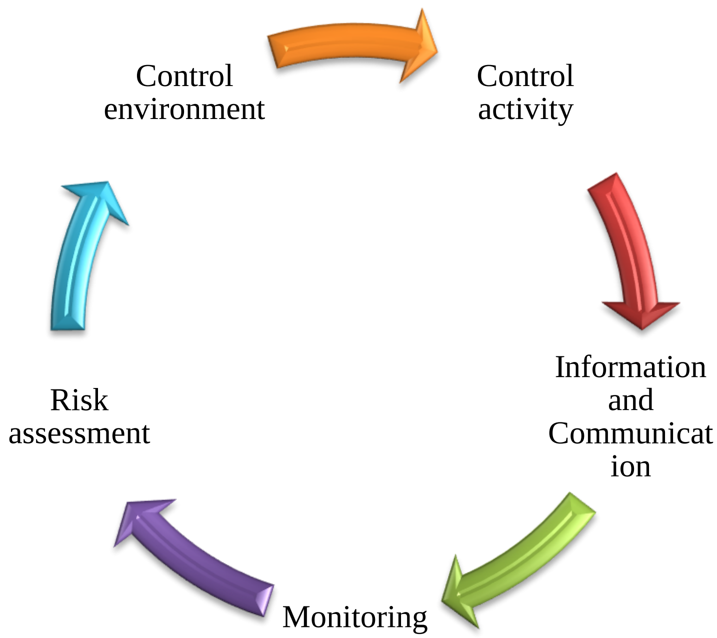
According to (Lee et al 2004) organization should have their internal controls firmly in place. Solid and strong controls in preventing cases of errors, fraud and embezzlement, sets forth policies and procedures establishing guidelines for the recording, processing, authorizing and reporting of financial data and the safeguarding of an entity's assets. Adequate internal controls should be designed to make it as difficult as possible to commit fraud and to minimize innocent mistakes.

Studies have identified that an effective control helps to ensure that reliable financial reporting, efficient operations, compliance with applicable laws and resources safeguarded deter and detect errors, fraud and theft. An organization should put in place methods to ensure the integrity of financial and accounting information. Internal control is designed to provide reasonable assurance regarding the achievement of objectives (INTOSA 2004)

2.2 COMPONENTS OF INTERNAL CONTROL

The Committee of sponsoring organizations of the Tread way commission (COSO 2011) identified five interrelated components of internal control systems as,

Figure 1: Internal Control Process



Source: COSO 2011

2.2.1 Control environment

The control environment is concerned with the actions, policies and procedures that reflect the overall attitude of the clients, top management, directors and owners of an entity about internal control and its importance (Thomas 2007). The control environment factors are:

a) Governance: The leadership actions and tone established and practiced by the governing body can have a profound impact on how the employees of the organization performs their responsibilities, which in turn affects the achievement of the organization's mission.

b) Ethical values and integrity: Ethical values are the standards of behavior that form the framework for employee conduct. Management encourages integrity by establishing and publishing a code of conduct, rewarding employee's commitment to the organization's ethical values, establish methods of reporting ethical violations and consistently enforcing disciplinary practices for all ethical violations.

c) Management operating style: Management should practice the most effective style and philosophy for the organization making sure that they reflect ethnical values of the organization, and positively affect staff morale.

d) Competence: Managers are responsible for ensuring the competency of its employees and should begin with establishing appropriate human resource policies and practices.

e) Organizational structure: An organization chart can provide a clear picture of the authority and accountability relationships among functions.

f) Human resource policies and practices: The most important element of the control environment is personnel, which is why human resource policies and practices are essential. An organization should take care in hiring, orienting, training, evaluation and promotion.

2.2.2 Risk assessment

A risk assessment in an organization is a careful examination of what could cause harm to operations, so that an institution can weigh up whether it has taken enough precautions or should do more to prevent harm from happening. Employees have a right to assess the risks in their departments so that they put in place a control mechanism. When risks are well known, necessary control measures are easy to apply. Managers should make sure that they involve their staff in the process of assessment for thorough and effective risk identification and prevention.

When thinking about risk assessment of your organization, remember to ask these key questions,

- What obstacles could stand in the way of achieving your ministry's objective?
- What can go wrong in the company?
- What is the worst thing that could happen in the ministry?

- What is the worst thing that has happened?
- Are there new Processes in the organization?
- Are there processes that have changed so far?
- Are there new goals and legislation adopted?
- Are there staffing changes in key positions?

In risk assessment, you need to identify which operations might be harmed and then place the best way of managing the risk. Think about what controls organization have in place and how the work is organized. Improving internal controls need not cost a lot. Failure to take simple precautions and corrections can cost you a lot more if fraud does happen.

2.2.3 Control activities

Management should establish control activities that are effective and efficient. When designing, management should try to get maximum benefit at the lowest possible costs (Thomas). Many different control activities can be used to counter the risks that threaten an organization's success. Most control activities can be grouped into two categories: Preventive controls activities and detection control activities. Preventive controls are designed to deter the occurrence of undesirable events. These controls involve predicting potential problems before they occur and ways to avoid them are implemented while as detection activities are designed to identify undesirable events that do occur and alert management about what has happened. Other control activities are,

a) Corrective controls e.g. design of contract terms to allow recovery of overpayment
b) Directive controls e.g. to ensure that undesirable events is avoided
c) Performance controls e.g. these controls are taken to address risks to the achievement of the entity's objectives for operations, financial reporting and compliance control procedures. Generally control procedures fall into four broad categories namely: performance reviews, information processing, physical controls and segregation of duties. Segregation of duties entails three fundamental functions that must be separated and adequately supervised: Authorization, custody and recording.

2.2.4 Information and communication

This component encompasses the identification and flow of information within an entity in a way that enables people to perform their role and discharge their responsibilities (Rick 2005). The accounting system is the part of the information system that is most directly relevant to financial reporting objectives. The information systems used by institutions include the accounting systems, production system, budget information, personnel system, system software, and all the records and files generated by this software such as customer and vendor records (Ratcliff 2009)

2.2.5 Monitoring and Evaluation

Internal control systems need to be monitored which is a process that assesses the quality of the system's performance overtime. Managers should have high level firsthand knowledge of an organizational activity and closely involve in operations which position them to identify variances from expectations and potential inaccuracies in reported financial information (Thomas 2006).

Five components of internal control are applicable to all entities, but how they are configured within an entity will depend on several factors among them ((Vincent et al 1990) are as follows,

- The size of an entity
- Its organization and ownership characteristics
- The business nature
- The diversity and complexity of its operations
- Its methods of transmitting, processing, maintaining and access information
- Applicable legal and regulatory requirements

Management need to evaluate their distribution of duties more often, whenever key employees are placed within an organization. And if the staff knows managers are on a constant lookout, it makes them less likely to try anything. But even if supervisors are unable to follow all of the suggestions recommended, they should at least be aware of their significance and keep a watchful eye out for signs of fraud and errors process before his/her intended bad action is performed **(www.macintyrehudson.co.uk**. (COSO 1992) suggested that if the internal controls are established and implemented only to prevent embezzlement, corruption, fraudulent cases and to observe strictly internal and external orders then it does not mean so much. The same internal controls can also be used to systematically improve all business operations, particularly in regard to effectiveness and efficiency.

According to (Gendion 2000), internal control is a management function that is crucial for proper accountability and, accountability for all funds should be maintained at all times. (Widner 1999) said that every organization is subject to some kind of risks depending upon several factors such as; the products and services it offers, the market in which it functions, the sources through which it is financed, and the way it utilizes it resources. In addition, the innovation developments in the financial sector have led to increased demand for an effective risk management as well as sophisticated corporate governance. Hence, the activities that are covered in the implementation of a good corporate internal control are overseeing activities in connection with authorizations and reconciliations, reviewing of employee performance, security assets, and segregation of duties (Chambers 1995). A lot of benefits can be derived through the effective implementation of an effective internal control system (Ishumgisa 2001). Among others, it prevents errors and irregularities by detecting them in a timely manner there by promoting reliable and accurate records (Lame et Tan 2000). It can also quickly resolve issues arising as a result of reporting errors. It protects the interests of employees by clearly specifying to them their duties and responsibilities and safeguarding them against being accused of irregularities or misappropriations (Dess& Shaw, 2001). The internal system is the heart of any organization and argued that strong internal control functions helps firms to operate strongly and profitably (Lawrence 2000). When proper internal controls are exercised, it helps in preparation of sound statistics that helps in planning of the way forward (Kwoh 2002). If internal control is not well implemented, it will negatively affect performance and productivity of the business hence retards its capacity. Internal control assists managers to get the best measures of the impact of different transactions geared towards generating a diversified portfolio of investments, thus enhancing proper accountability. According to (ACCA 2004) assessment of risk involves the analysis and establishment of plans in order to prevent the risks associated with the attainment of company objectives. The majority of studies on monitoring and accountability have suggested that fostering it will lead to higher performance. Strengthening Financial Accounting, Reporting and

Auditing System, the Governments, conscious of the need to improve its accountability systems and processes, is implementing within its financial management reform program.

2.3 FINANCIAL ACCOUNTABILITY

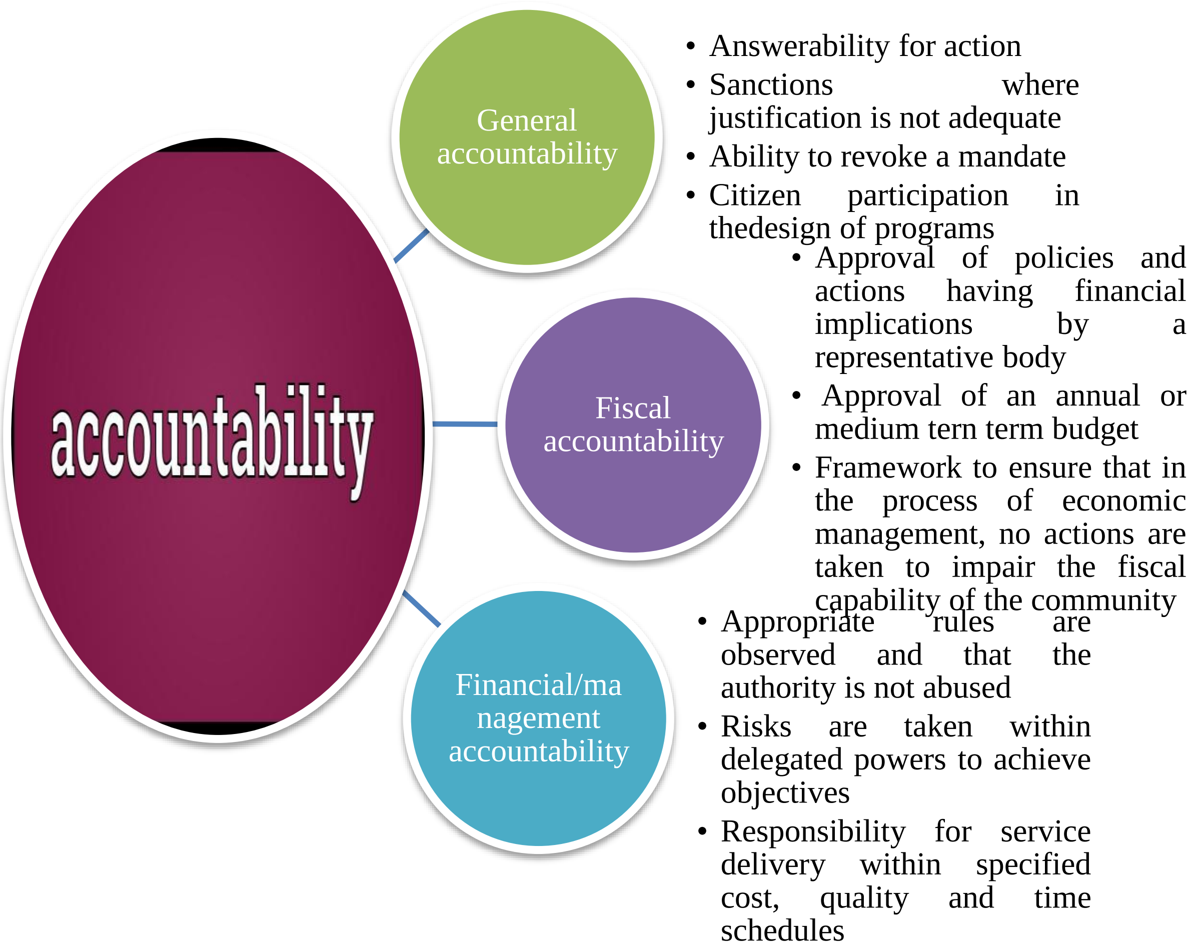
Accountability is a type of relationship that comes to existence when an obligation is taken on by an individual such as the responsibility to assume a role or discharge a task. Accountability requires a relationship of conferring responsibility and reporting back on the expected and agreed performance and on the manner in which the responsibility was fulfilled (Cornwall 2000**).** Accountability is the key to achieving results and helping identify the opportunities in the organization. Holding employees accountable helps them to know the satisfaction of achieving a goal and performance to a standard. Accountability is the reliability assumed by all there who exercise authority to account for manner in which they have fulfilled responsibilities entrusted to them.

Public sector entities do not exist to generate a financial return on investment but rather to provide public services and goods as determined through political process in an effective and efficient manner (IMF working paper 2009).

The existence of properly constituted and adequately resourced independent accountability institutions is the primary indicators of a robust accountability framework (hupkes 2006). It means institutions such as independent auditor general, public procurement authority, public accountants committee, anticorruption agencies and ombudsman for investigating into corruption and fraud cases should be established under the appropriate legal cover. A system of checks and balances should exist to oversee the work of each other by these institutions (Ottawa: treasury board secretariat 2005).

Accountability implies the existence of a body oversight charged with the responsibility of reviewing the content of information provided and reporting on that to the general public. The term accountability notwithstanding the long lineage remains a fuzzy concept, with each analyst tending to define it in his/her own way. For the sake of precision, the scope of accountability as interpreted here is given below:

Figure 2: The scope of accountability



Source: (Arigapudi Premchand 1999)

According to financial control and accountability (tool kit by Janet Shapiro 2002) every financial transaction must go through the following steps:

- ✓ The transaction (money is spent or received) takes place
- ✓ The transaction is recorded in writing as proof that it has taken place

- ✓ The transaction is then recorded in an accounting book. For all money received and spent
- ✓ A summary is made of all transactions and written in a monthly statement
- ✓ A summary is made of all transactions and written in an annual statement

The key to a useful book keeping system is,

1. Keep it simple
2. Keep it detailed
3. Keep it logical
4. Keep it up-to-date
5. Keep supporting documentation (evidence) for every transaction

Good policies express a fair and sensible way of dealing with issues and crisis, while they can be changed, no organization/ institution should change its policies too often. They are intended to guide the work of our institutions for a reasonable length of time. Once a policy is adopted by the Board of directors or governance structure, it is binding on everyone in the organization.

A good policy has the following elements,

I. A good policy is fair
II. Meets legal requirements
III. Is comprehensive (cover all likely situation)
IV. Is realistic

The principal purpose of the entities is to provide services that enhance or maintain the wellbeing of the public. Maximizing the value generated by every francs raised is an expectation of the public who have provided the resources (Si et hungodube 2011)

Organizations, be public sector entities or private, apply a variety of measures in their routine operations to ensure that their objectives are met, that financial reporting is of required quality, timing and that rules and legislations are followed. Such measures include: Expenditure controls to ensure compliance with the budget, segregation of duties to lower risks of error and fraud.

Internal control is the responsibility of the management of the organization, and carried out by staff throughout the organization as part of their everyday work.

For the first time, the government will have access to a set of consolidated public accounts showing the revenues, expenditures, financial assets and liabilities at a national level. The consolidated public accounts include all the institutions which have received funding from the central government namely,

a. The central government Ministries
b. Autonomous agencies
c. Commissions
d. Local authorities
e. And the state owned corporations who are recipients of subsidies from central government

Government Institution Is the steering mechanism for a given society, it forms the policies that keep a particular society heading in the right direction. Institutions of the government regulate the relationships among members of a society and outsiders' and that they have the authority to make decisions for the society to meet goals and maintain order. Government is the authority that sets rules for a society, helps its members relate to one another and to others (Harold Damerow 2016)

.It is clearly said that the risk of fraud is largely minimized by ensuring that no one person has too much control in any one financial section. Segregation of duties ensures a system of cross-checking for your organization. When a mixture of people handle different aspects of regular financial transactions, this provides a solution (prevention) to fraud while increasing the chance of spotting signs of any embezzlement or and fraud that still may occur (Miller et Scapens 1992)

Cross-checking is very important and aims at seeking to convey that if anyone has an agenda and tries to steal or commit any kind of fraud, it most likely will be discovered by someone else. This message should be clear that discovering theft is not the only result of segregating duties properly among your employees. Having more than one person involved in a process (preparation, verification, approval, authorization) or series of transactions greatly minimizes the chance that an error will go unfound. Controls will facilitate you to catch mistakes earlier before they cause dangers to your institution (Dandago 2008)

Management need to evaluate their distribution of duties more often, whenever key employees are placed within an organization. And if the staff knows managers are on a constant lookout, it makes them less likely to try anything. But even if supervisors are unable to follow all of the suggestions recommended, they should at least be aware of their significance and keep a watchful eye out for signs of fraud and errors process before his/her intended bad action is performed (www.macintyrehudson.co.uk. (COSO 1992) suggested that if the internal controls are established and implemented only to prevent embezzlement, corruption, fraudulent cases and to observe strictly internal and external orders then it does not mean so much. The same internal controls can also be used to systematically improve all business operations, particularly in regard to effectiveness and efficiency.

The ideal approach is that management regularly reviews progress of the organization and performance along with leading indicators to determine if intended objectives will be fulfilled, and if not, identify if any prompt corrective actions should be taken to orient business in the right direction. Truly sometimes there may be valid and strong reasons for missing objectives: how well they are considered interpreted and absorbed into the organizational knowledge is also a function of the Control Environment. Participative and collaborative management is one of the most important approaches to determine adequate system and strongly communicate that using resources to reach objectives actually means something equivalent to tangible output as originally intended, not empty phrasing. Effectiveness of the ICS involves measuring the time it takes to find failures and the time taken to rectify the damage. It is understandable and logic to state that effectiveness of the system is judged on the basis of the results on the implementation of internal control system. In a ministry (organization), the success of internal control system (ICS) as well as recognizing its effectiveness is based on meeting its intended out. The management has a responsibility to ensure that there is adequate internal control and therefore, emphasizing their function in monitoring the effective financial performance of various institutions(William list et Dr. David Brewer 2005).

Effective management of employees must be organizational first concern if they are to accomplish their goals at work. Effective employee management and supervision allow organizations to capitalize on the strengthens of their employees and their ability to work hard to the accomplishment of work goals. Employee engagement, motivation, development and retention are promoted by successful employee management, leadership and supervision. A manager can only be the successful manager who makes a serious difference in the work life of employee and for institution only when he/she performs employee practices that keep employees motivated, inspired, developing, and attaining goals with your coaching and guidance (Jong-Hag Choi 2013). Employee involvements are a strategy that enables employees own their work and take responsibility for their results. Involvement helps employees serve customers at the level of the organization where the customer interface exists. Employee retention, especially most desirable, is a key challenge in organizations today when institutions effectively involve people, loyalty and fosters ownership increases. Ineffective management approach affects employee morale, and there is no productive result. Organizational employees are developed and educated through methods other than training classes and seminars. The prime among these are management responsibilities of coaching, mentoring, and building your organization into a learning organization.

2.4 RWANDA FINANCIAL SYSTEM STABILITY ASSESSMENT

Significant progress has been made in reforming the financial system since initial 2005 financial sector assessment program (FSAP), improving the stability, structure and efficiency of the financial system, modernizing financial sector legislation and infrastructure, and strengthening the framework for monitoring systematic risks. The banking sector has recovered from a period of restructuring and cleaning up legacy problems. The industry as whole can absorb major shock but few banks are still vulnerable.

The financial sector faces few challenges affecting financial stability and development, posed in particular by the agenda to improve access to finance and provide more long term financing to the economy. The ambitious objectives pose significant risks if steps are taken too fast and or not sequenced appropriately, especially in light of considerable capacity constraints for qualified personnel in both the public and private sector (International Monetary Fund Report No.11/244 of August 2011). In recent years, the Government of Rwanda has made impressive progress in rebuilding its Public Financial Management System, which like so much of the country was largely destroyed during genocide and civil war of 1994. For example an MTEF –based approach to budgeting has been introduced linked to the PRSP, a modern Public Procurement Authority and a National Audit Office has been established. However much remains to be achieved before Rwanda can claim to have a fully coherent, modern and effective PFM system. Auditable consolidated public accountants have been produced since 2007, and various audits of individual Ministries and agencies have identified as one of the major concerns the existence of diverse and inadequate accounting practices across Government.

At the national level, government has undertaken a number of measures, focusing from 1997 on strengthening the legal and institution frame work. Major reforms have taken place between 1997 and 2004, with the establishment of a number of government institutions that controls if organizations fulfill suitably their mission and participates to spread the compliance of rules, good practices such as planning, reporting and delivering good services. These include the office of the Ombudsman, the Auditor General, the Rwanda Public Procurement Authority (RPPA) and pursuant to the constitution of the Republic of Rwanda of 04 June 2003 as amended to date.(The MINECOFIN magazine of April 2006).

The Ministry of Finance and Economic Planning are responsible for overall public financial management. They issue guidelines for budget submissions, preparation and reconciliation of receipts and payments accounts, planning and asset management.

The consolidated financial statements are based on the financial statements prepared and submitted by the individual budget agencies. The Chief Budget Managers are responsible for maintaining proper books of accounts for their institutions and the preparation of financial statements (The Ministry of Finance and Economic Planning magazine of April 2006)

Figure 3: The Roles CBM in public institutions

Source: Rwanda Organic Budget Law no12/2013/OL of 12/09/2013

- Maintain accounts and records of the budget agency in format prescribed by the Minister of Finance
- CBM has the responsibility to exercise control over the execution of the budget of his or agency, in respect of all related provisions of the Organic Law on State Finances and Property as well as all regulations issued by the Minister of Finance.
- Prepare and transmitting to MINECOFIN, all reports on budget execution and financial reports
- Prepare, maintaining and coordinating the use of financial plans and managing revenues and expenditures in consultation with MINECOFIN
- Manage effectively, efficiently and transparently the financial resources meant for the budget agency with an aim of achieving the objectives of the organic law
- Provide any other information as may be required by MINECOFIN and the Auditor General of State Finances
- Ensure sound internal controls in the budget agency

- Appoint a Public Officer in charge of Finance to assist the CBM carry out his/her technical responsibilities under these Ministerial Orders as they relate to overall budget management and control.

Based on the constitution of May 2003, that will form the basis for the new Public Financial Management System, the implementation of Organic Budget Law, and associated financial regulations, will bring about important changes in the way the public financial management system works and will require the development of significant new capacity (Implementation of Public Financial Management Performance Measurement Framework 2006).

The rapid achievement in Rwanda is facilitated immensely by the accountability and effective internal control adapted by the organization (Anderson 2009).Major reforms have taken place between 1997 and 2004, with the establishment of a number of government institutions that controls if organizations fulfill suitably their mission and participates to spread the compliance of rules, good practices such as planning, reporting and delivering good services. These include the office of the Ombudsman, the Auditor General and Rwanda Public Procurement Authority (pursuant to the constitution of the Republic of Rwanda of 04 June 2003 as amended to date, especially in articles 120,121 and 201). The consolidated financial statements are based on the financial statements prepared and submitted by the individual budget agencies. The Chief Budget Managers are responsible for maintaining proper books of accounts for their institutions and the preparation of financial statements (The Ministry of Finance and Economic Planning magazine of April 2006)

Public sector entities do not exist to generate a financial return on investment but rather to provide public services and goods as determined through political process in an effective and efficient manner (IMF working paper 2009)
The principal purpose of the entities is to provide services that enhance or maintain the wellbeing of the public. Maximizing the value generated by every francs raised is an expectation of the public who have provided the resources (Si ethungodube 2011)
Organizations, be public sector entities or private, apply a variety of measures in their routine operations to ensure that their objectives are met, that financial reporting is of required quality,

timing and that rules and legislations are followed. Such measures include: Expenditure controls to ensure compliance with the budget, segregation of duties to lower risks of error and fraud.

Internal control is the responsibility of the management of the organization, and carried out by staff throughout the organization as part of their everyday work.

For example, when an employee in the Ministry of Refuges and Disaster Management checks whether works early warnings and disaster mitigations are proceeding according to the agreed specifications and quality, it is considered part of the internal control framework of the Ministry.

In designing the internal control system, it is important to take into account the specific characteristics, operations and risks of the organization. The main focus on internal control system is often on assuring compliance with rules and regulations and annual budget preparations (DanielTommasi 2013)

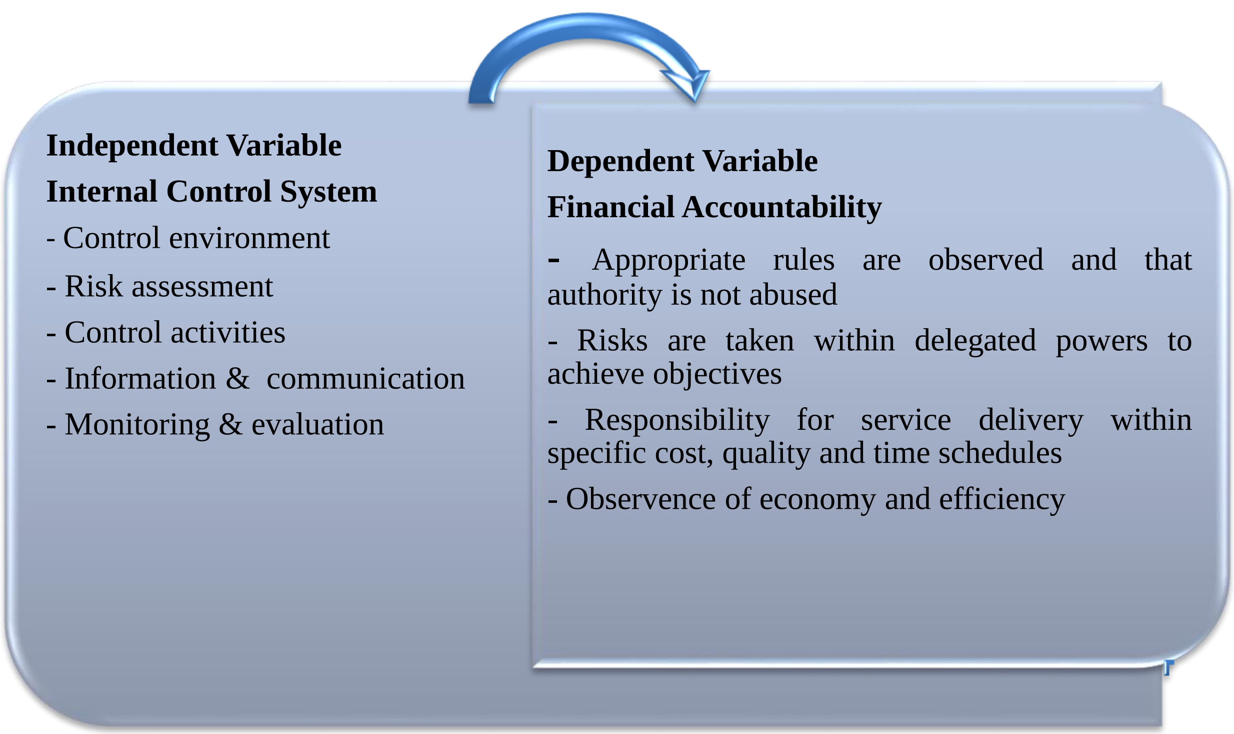
Although all public servants are accountable for the performance of their respective functions, the senior management has a broader responsibility to account for the resources at their disposal. Public managers make decisions for conducting the official business (COSO 1992). A significant number of these decisions involve expenditure of financial resources in the formal of procurement of goods and services. An essential aspect of accountability is that the public managers routinely take decisions with due regard for probity, prudence, and value for money. It means there should be a conscious analysis and efficiency aspects of a proposal before a decision is taken (Abbas 2012). They should manage the assets, liabilities, revenues and expenditure to optimize cash flows and minimize costs. Public managers should accurate and consistent financial reports and should be answerable for ensuring that all internal controls relating to financial management in their respective areas were in place and functioning satisfactorily (IPSAS handbook 20).

2.5 CONCEPTUAL FRAMEWORK

In an effective internal control system, the five components of environment (the control environment, risk assessment, control activities, information and communication, monitoring and evaluation work to support the achievements of an entity's mission, strategies and related business objectives (COSO 1992).

It is important that the framework for financial accountability be formulated with care and caution, so as to inspire public confidence and restore the credibility of government (ArigapudiPremachad 1999)

Figure 4: Conceptual Framework



Source: (ArigapudiPremchand 1999)

For control environment, it is about the attitude of the organization, management and staff regarding internal controls. Do they take internal control seriously or do they ignore them?

Control activities concerns policies and procedures that help ensure that management directives are carried out. To evaluate whether management has identified its riskiest areas and implemented controls to prevent or detect errors or fraud that could result in material misstatement one has to conduct risk assessment. Information and communication is also internal control component and to run an organization effectively you should understand information, accounting and communication systems and processes.For example, is the system manual or computerized? Back up done frequently? The understanding of how management monitor its controls and how effective the monitoring is, one of the key components of the internal control system.

According to (Premchand 1999) financial accountability is concerned with tracking and reporting on allocation, disbursement and utilization of financial resources using the tools of auditing, budgeting and accounting. In another perspective (Bothwell 2001) asserts that financial accountability as a performance indicator is connected with ensuring that money given to people is spent according to the budgeted items and activities using the set rules. Financial accountability as assessment of value for money and acceptance by individuals of personnel responsibility for their actions in relation to quality of their outputs and decisions (Brown 1998)

(Cox 2000) noted that financial accountability implies accountability to the public. In essence, this suggested need for management to be transparent and conscious when spending the organization resources while undertaking their activities in a bid to effectively achieve the institutional mission, ethical standards and good governance.

Some people may feel that implementing strict financial procedures is an insult to the integrity and honesty of those who manage funds the organization. In reality, procedures of this type are as much for the protection of those people who manage funds as they are for the protection of the organization. Proper financial procedures help to take the entire burden off the shoulders of the CBM and eliminate temptations for anyone involved in managing the assets of the organization. In many organizations 3 or 4 will be authorized to provide 2 signatures so that if 1 person becomes absent the organization always has at least 2 people to sign cheques.

The financial books or records of the organization are property of the organization and not the accounting officer (CBM). They should be open for examination at any reasonable time by an independent person for review. A financial review completed by a professional in the field will provide the organization with a credible opinion about the accuracy of the financial statements, how fairly the statements reflect the financial situation of the organization and the degree to which the organization has complied with generally accepted accounting principles.

An entity that has an operationally effective and efficient internal control system has better chances of improved accountability than one with weak internal control system (Horngren 1982). A proper internal control system ensures that the organizational managers would utilize the financial resources in a way that will safeguard the interests of donors and/or contributors (Sulaiman et al 2008). Internal control structure includes policies and procedures on control such as withdraw applications for funds, bank & cash, purchases, payments, monitoring, evaluation and reporting. Thus, to have a successful organization, it requires a proper accounting record and appropriate management control system.

Accountability requires an entity to justify the raising and management of public resources and how the resources are used. Public accountability is based on the premise that the public has the right to know and receive openly declared facts that may lead to debates. Financial reporting plays a major role in fulfilling a public sector entity's duty publicly accountable. Public accountability normally involves a responsibility conferred, an obligation to report back on the discharge of that responsibility, monitoring to ensure accountability and possible sanctions for non-performance (Jack Diamond 2013)

2.6 EMPERICAL REVIEW

Recent works provide direct empirical evidence for the internal control as a managerial tool for financial accountability.

In previous studies, the problem center on what is the responsible for the failure of the proper accountability in the organization having the required capabilities to survive in the tense environment (Odunayo Henry Adewale 2004). Past studies have aimed at finding out whether a properly developed and effectively implemented internal control system helps to protect against wastage of resources and a basis for reliable financial reports (Abbas 2012). According to

(Cangemi and singleton 2003) to improve the performance of local government required the effectiveness of internal control and internal audit role.

The study also ascertains that effective internal control system ensures high revenue generation (Amudo, 2008).

The study on internal control system and quality audit work reveals that internal control system has a great influence on the operations of the organization (Augustine 2013).The study recommended that strong internal control system is an important and a prerequisite for effective audit program (AtalaQtish 2012). In the research, internal control and impact on corporate governance, the researcher found out that strong internal control system leads to a fair presentation of the financial statements and thus increases stakeholder's confidence in the financial statements. The previous studies also intend to explore the influence of internal control on the effectiveness of the remittances (Olatunji 2009). To have a successful government institutions, it requires in build strong internal controls that leads financial accountability whereby managers ensures that would use resources in a way that will safeguard the interests of the public.

2.7 GAP ANALYSIS

Most study are focused on the ineffective internal control over financial reporting (Mei et Sarah 2015), internal control effectiveness and internal audit role (Odunayo Henry 2014), effect of human resource investment in internal control (reporting (Jong –hag choir 2013), Corruption control and management (Mustapha 2015), but there are still short of explaining the extent at which managers are responsible for making sure the controls are in place. Most researchers have only shown that internal control system helps the organization to reduce operational inefficiency and risks, improve the reliability of financial reporting to building trust and confidence of the shareholders (QaisaretJavin 2012). The study found that now days, the embezzlement of funds from public organizations is more common due to lack of accountability and lack of commitment to accounting..

The researchers in their previous studies have not shown that internal control system is positively significant for good financial accountability in the government institution.

It is on this basis the researcher put it that the internal control is a managerial function for proper accountability thus the researcher wants to carry out investigations about the same.

CHAPTER THREE: METHODOLOGY

The main purpose of chapter three is to structure appropriately all major parts of entire projects, including measures and methods of assignment that should work together in order to successfully address the main question of the study**.**

3.1 RESEARCH DESIGN

Research methods used in the study is the census, the method of research in which all elements of the population studied (Indriantoro et Bambangsupomo 1999). The study area was 143 employees in the area of Finance/Accounting and Auditing. In this study, respondents comprises of individuals who can provide reliable information. These included all people in Finance departments (Units), internal audit and accountants in the Ministry of Finance and its affiliated institutions which are Rwanda Social Security Board, Rwanda Public Procurement Authority, Rwanda Revenue Authority, National Institute of Statistics and National Bank of Rwanda. Researcher conducted a qualitative research based on observation of some aspects, but also quantitative one.

Many written documents were in circulation comprising policy papers, letters, decision proposals, audit reports and memoranda, consultancy reports, press releases and numerous newspaper articles. Information crafted for public consumption has also been used. Considering the accuracy and reliability of the data source the researcher was in contact with 81 of the key actors.

Interviews were structured and differed according to the interview.

I studied the case by understanding the following steps:

1. A timeline of events is discussed to present the chronological development agenda of the Ministry
2. Specific conditions that characterized the management of the Ministry (affiliated institutions), its programs and structure.
3. The specific characteristics, operations and risks of the organization.

The operational definition of variables in this study is as follows:

1. Internal control system. This is a process that is integral to the actions and activities carried out continuously by management and all employees to provide reasonable assurance for achieving organizational goals through effective, efficient, the reliability of financial reporting, safeguarding of state assets, and adherence to laws and regulations. Variable internal control consists of five dimensions, namely the control environment, risk assessment, control activities, information and communication, monitoring as measured by ordinal scale. (COSO 1994), (Boynton 2006), (Messier 2008), (Arens et al 2010)
2. Managerial tool for financial accountability. According to (Marshell 1984) stated that the success of any organization is dependent on its management which reflects their ability to control cost to minimum level and hence make profit. Without accountability no organization could exist for long, since it might not coordinate its various activities. Accountable institutions are more effective:
   - They know how their budget is being spent
   - They get feedback on their activities
   - It is harder for criminals to commit fraud or abuse undetected.
3. Government Institution: Is the steering mechanism for a given society, it forms the policies that keep a particular society heading in the right direction. Institutions of the government regulate the relationships among members of a society and outsiders' and that they have the authority to make decisions for the society to meet goals and maintain order. Government is the authority that sets rules for a society, helps its members relate to one another and to others (Harold Damerow 2016)

3.2 DATA COLLECTION

The major instrument used to obtain data for this research work is questionnaire. The questionnaire consists of questions that are related to internal control and financial accountability performance as identified in the literature review. Likert four point scales ranging from (Strongly agree to strongly disagree were used as a basis of the questions. The likert scale was used to measure respondent's knowledge and perception of internal control system and the financial accountability in government institutions. Statistical package for social sciences (SPSS) was used to analyze data and presented in the form of means and standard deviations for each question. Eighty two (82) of the respondents were found useful for the purpose of this research representing 56% of the total population (143).

3.3 MEAN AND STANDARD DEVIATION

In my research, enormous data is collected and, to describe it meaningfully, one needs to summarize the same. The bulkiness of the data can be reduced by organizing it into a table which aims to provide an articulate description of the midpoint of a set of values and the spread out over a wide range.

3.4 CORRELATION COEFFICIENT

The analysis involved Pearson correlation coefficient analysis to determine the relationship between the study of two variables of the research which is internal control system and financial accountability.

3.5 INSTRUMENT VALIDATION AND RELIABILITY

In the light of this, the research instrument was subjected to content validation to ensure that the content of the instrument measures the variables investigated in the study. The first draft of the questionnaire was given to two Ph.D. lecturers in finance. Based on their suggestions improvements were made.

Cronbach's alpha was also computed to test consistency for each section of the questionnaire, before and after 2012. The Cronbach's alpha forinternal control system as a managerial tool for financial accountability in public institution is **0.854.**The value between **0.70** and above can be regarded as satisfactory (Nunnery et Bernstein 1994).

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.854	**20**

Source: Primary source

Earlier on, a sample of twenty (20) non-participants was analyzed to test for reliability of the instrument. This was done through the cronbach's alpha.

3.6 POPULATION

Research method used in the study is the census, the method of research in which all elements of the population (143) studied. The Ministry of Finance and Economic Planning (MINECOFIN) was formed in order to improve the coordination between the functions of finance and planning. The Ministry supervises five institutions namely,

The Rwanda Social Security Board which is responsible for administering social security in the country. The Rwanda Revenue Authority which is responsible for participating in fixing, collecting, controlling and managing taxes in accordance with the laws. The National Bank of Rwanda is to ensure price stability and a sound financial system. The Rwanda Public Procurement Authority is in charge of overseeing the implementation of the existing Public Procurement laws as well as policies issued by the Cabinet. The last but not least is National Statistics of Rwanda whose responsibility is to improve capacity to use information for evidence based decision making by coordinating national effort to collect and achieve reliable data, to analyze document and disseminate data within an integrated and sustainable framework.

CHAPTER FOUR: INTERPRETATION AND ANALYSIS OF FINDIGS

This chapter includes analysis of data collected from the field by use of questionnaire and interview as well as observation. This has been arrived at after editing for consistency of results. The data analysis process began with a study of the demographic information. The respondents were invited to participate in the study through a covering letter explaining the main purpose of the study. Four-point Likert scale was used in this study as it is very simple and clearer than other scales:

Table 2: Mean interpretation

Mean interpretation	**Range**
Very weak	1-1.75
Weak	1.75 – 2.5
Strong	2.5 – 3.25
Very strong	3.25 - 4

Very week means that the respondent is in total disagreement with the statement. Weak means that the respondent disagrees with the statement for the most part. Strong means that the respondent agrees for the most part, and Very Strongly means that the respondent is in total agreement with the statement.

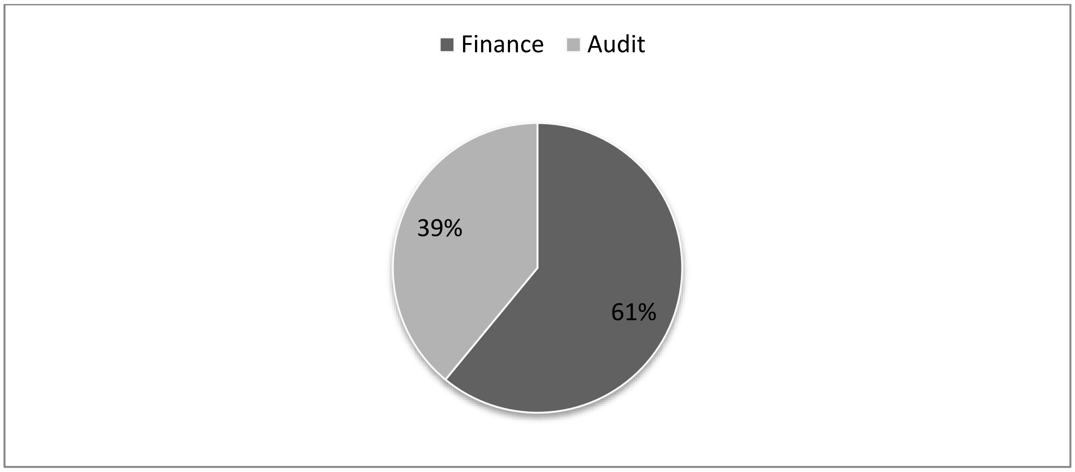
Table 3: Questionnaires retrieved

Institution	**Function**	**Number**
Ministry of Finance and Economic planning	Finance	3
	Public accounts	12
	Principal auditors	8
	Internal auditors	0
	Total	**23**
Rwanda Social Security Board	Finance	16
	Audit	12
	Total	**28**
Rwanda Revenue Authority	Finance	6
	Audit	7
	Total	**13**
National Bank of Rwanda	Finance	5
	Audit	3
	Total	**8**
Rwanda Public Procurement	Finance	3
	Audit	1
	Total	**4**
National Institute of Statistics	Finance	5
	Audit	1
	Total	**6**
57% of the questionnaires distributed were retrieved		**82**

Source: Primary source

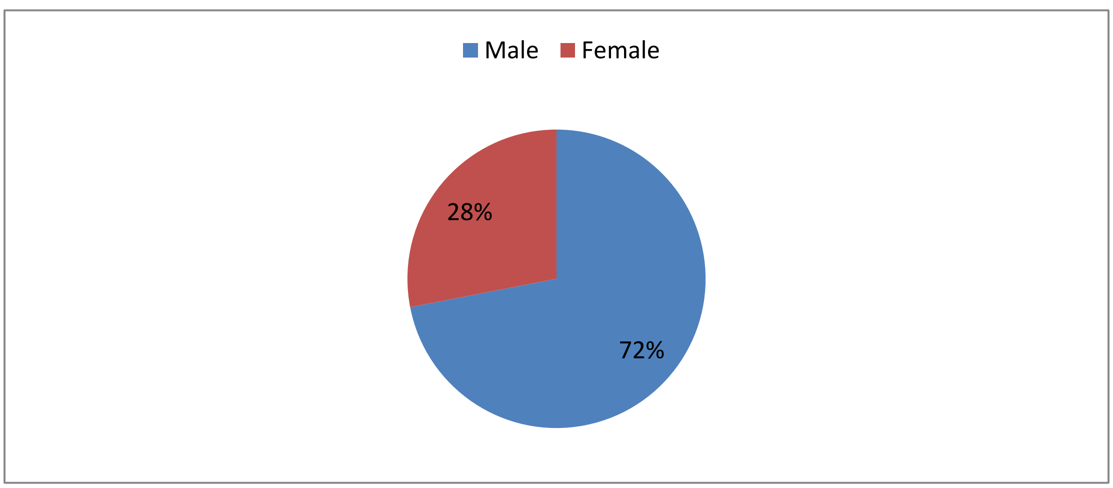
In particular 143 questionnaires were distributed with 82 questionnaires collected and found useful for the purpose of this research. This yields a response rate of 57% of the total questionnaires distributed, which is very good. The study instrument was tested and edited many times before distribution.

Figure 5: Departments



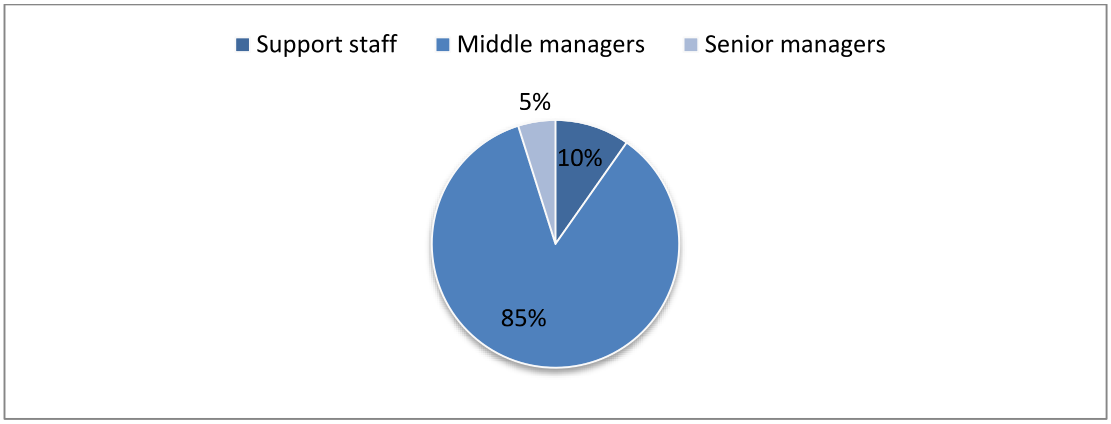
Graph clearly indicates that 61% of the respondents returned the questionnaires are in Finance department/unit (Director of finance, accountant or/and budget officers) whereas 39% of the respondents represents Internal auditors and principal auditors. The representation is real and significant in conveying facts and opinions. Care taken during this research yielded significant results and it was the basis for valid findings here below,

Figure 6: Gender



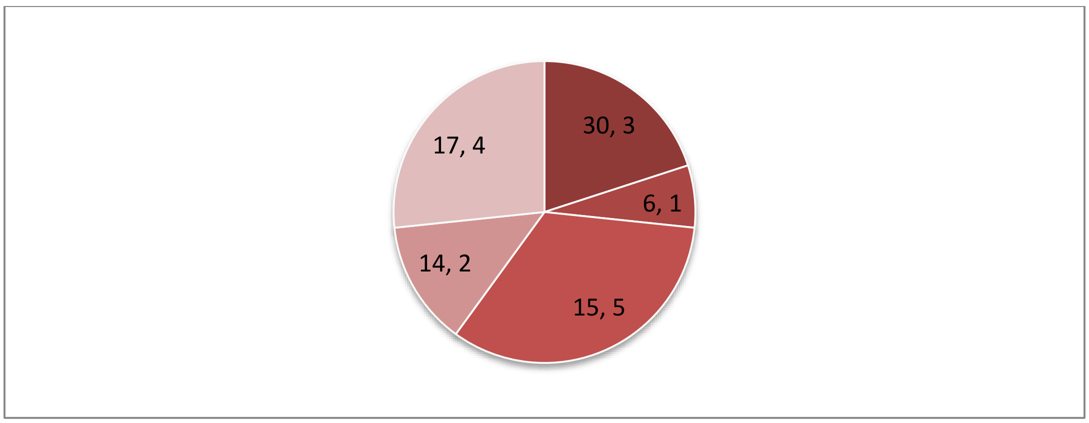
72% of the respondents were male, while 28% are female. The constitution guarantees a minimum of 30% to women in each position and in this case 28% is less than the constitutional percentage.

Figure 7: Employee rank



85% of the respondents represent middle managers, 10% senior managers and 5% of the respondents are support staff. This is an indication that the respondents are not the ultimate source of authority but responsible to the BODs,Minister, CEO and Chief Budget Manager for the functioning of their units.

Figure 8: Experience



36 respondents out of 82 have experience of above 10 years, 17 respondents have experience of 10-5 years, 15 of the respondents have 5-3 years of experience, and 14 respondents have 2-1 years of experience.

Demographic information collected in the research was helpful in compiling the picture of the management level, staff composition, duration of service and the sex.

Table 4: Operation of internal control in MINECOFIN

Variables	Mean	Std. Deviation	Interpretation
Staff have good working relations between themselves	3.439	1.353	Very strong
Jobs are given on competency basis	3.273	1.326	Very strong
Duties are performed according to the approved standards	3.434	1.291	Very strong
There is a reporting mechanisms for all activities	3.337	1.219	Strong
Separation of duties exist between employees	3.571	1.277	Very strong
External auditors can rely on the work of internal auditors	2.968	1.505	Strong
Monthly reconciliation for all cash accounts	3.513	1.289	Very strong
Assets are coded and marked	2.870	1.491	Strong
Staff have access to information	3.209	1.245	Strong
Payment procedures are followed for all transaction	3.463	1.325	Very strong
Internal auditing is a value added service to the organization	2.890	1.334	Strong
There is enough prompt and proper resolution and implementation of audit recommendation	3.268	1.579	Very strong
Surprise cash accounts of the organization petty cash performed on a regular basis	3.281	1.390	Very strong
Travel expense report reviewed thoroughly before being approved for reimbursement	2.768	1.605	Strong
Employee performance reviewed and documented on a regular basis	3.402	1.481	Very strong
The actual income and expenditure monitored against budget on monthly basis with significant variances identified and reported to management	3.476	1.326	Very strong
Reward for good accountability	3.463	1.326	Very strong
The list of receipts compared to the duplicate bank deposit slip	3.524	1.317	Very strong
There is enough budget allocation to the government institutions for their targets	3.109	1.449	Strong
Internal control appear adequate for the budget and accounting transactions	3.670	1.277	Very strong
Total average	**3.296**	**1.370**	**Very strong**

Source: Primary data

The results from the table above show that the respondents examined have confirmed that there is effective operation of internal control in the Ministry. 70% of the respondents range from 3.25 and above i.e. very strongly believing that the existing internal control provides reasonable assurance regarding achievements of an entity's objectives. This is an indication that staff have a very strong working relations (M = 3.439), Jobs are given on competency basis , duties are performed according to the approved standards (3.434), separation of duties very strongly exist between employees, monthly reconciliation for all cash accounts (M =3.513), staff have access to information and payment procedures are followed for all transactions (3.463). However, on six items (30%) which are, external auditor's reliance on the work of internal auditors, assets are codification,hiring on competency basis,travel expense report thoroughly reviewed before being approved for reimbursement and enough budget allocation to the government institutions for their targets respondentsscores are in a range of below 3.25 which is strong. This is an indication that an improvement is needed.

This means that many of the respondents strongly believe that the controls in use are appropriate leads to efficient management. The results showed that the government institutions have shown strong commitment in the establishment of adequate internal controls for the budget and accounting. Respondents also confirmed that monthly matching of transactions to check register against bank statements helps keep accurate accounting records. If an item is on the books but not appeared on the bank statement, adjustment to create reconcile is done.

Respondents also strongly believe that there is enough budget allocation to the government institutions for their targets (M =3.109), the last scores were internal auditing's ability in value addition to the organization (M= 2.890), assets are coded and marked (M = 2.870), external auditors reliance on the work of internal auditors (M = 2.968), staff having access to information (M = 3.209)and Travel expense report reviewed thoroughly before being approved for reimbursement (M= 2.768), expenditure is monitored against income to ensure that spending is appropriate. This is done by reviewing actual budget against expenditure, details of money committed during the month and a list of unpaid invoices. Results show that respondents agree that public servants are rewarded for their performance. Reward for good performance has created higher employee morale and satisfaction. Managers involve employees in setting clear goals and objectives and once performance is up to the expectations, the employee is recognized formally and informally. This is an indication that managers are aware that if going to hold subordinates accountable for results, they also have to recognize employees' for their efforts. According to the views of the respondents, cash account exists and when received is recorded, kept secured and supervisor approve all transactions. On the audit recommendations, respondents agree that proposed recommendations are discussed with the auditable department and subsequently action plan is developed to indicate how the agreed recommendations will be implemented. For enough budget allocation to the government institutions for their targets, respondents agreed that there is enough budgets simply because government institutions prioritize its spending and focus on the things that are most important based on the given ceiling.

Results show that auditors have been relied on for objective assurance and insight on the sound internal control, governance and risk management. A well run internal audit department add significant value to an organization and its connected parties.

Lastly, respondents were able to make their ruling that travel order is required from competent authorities before any payment processing. For foreign trips, all travel orders are signed by the Prime Minister and all public servants are obliged to fly by RwandAir.

The management has established both the financial and non-financial (employee satisfaction, hiring, retention) and is paying special attention by monitoring and evaluating them consistently. The results are better indicators that the risks of not achieving Ministry's objectives have been reduced to acceptable level. Looking at the scores on operation of the Ministry, all in the efforts of increasing their ultimate goal, that is, improving the coordination between the functions of finance and planning.

This is an indication that at the national level, government has undertaken a number of measures, focusing from 1997 on strengthening the legal and institution frame work. Major reforms have taken place since 1997, to date with the establishment of a number of government institutions that controls if organizations fulfill suitably their mission and participates to spread the compliance of rules, good practices such as planning, reporting and delivering good services. These include the office of the Ombudsman, the Auditor General, and the Rwanda Public Procurement Authority (RPPA).

Table 5: Source of internal control errors/ discrepancies on financial accountability

Variables	Mean	Std. Deviation	Interpretation
Outdated financial policies and procedures manual	2.390	1.554	Weak
Organizational chart that unclearly defines lines of authority and responsibility	2.622	1.302	Strong
No written conflict of interest policy	3.634	1.329	Very strong
Checks not payable to the names and account numbers of the organization	2.398	1.554	Weak
Software not licensed to the organization used on organization computers	2.405	1.659	Weak
Checks are not made regularly to ensure that government guidelines are respected	2.670	1.491	Strong
Cash receipts deviated from the purpose for which they were received	2.963	1.201	Strong
The authorization (processing, check signing, recording and bank reconciliation functions) unclearly segregated.	2.988	1.478	Strong
Uncompetitive bidding policies for its purchases	2.585	1.352	Strong
Changes to employee status or pay rate unauthorized by non-appropriate official	2.425	1.207	Weak
Average	**2.465**	**1.413**	**Weak**

Source: Primary data

Table 4.3, present the computations and output of SPSS based on researchers' field survey. The findings indicates that the respondents strongly agree that the lack of written conflict of interest policy (M=3.634 & SDV = 1.329) cause unreliable internal control and poor financial accountability. Respondents have also agreed that the following are the causes of unreliable internal controls, the authorization unclearly segregated (M= 2.988 & SDV=1.478), cash receipts deviated from the purpose for which they were received (M=2.963 & SDV =1.201), Checks are not made regularly to ensure that government guidelines are respected (M = 2.670 & SDV =1.491), Organizational chart that unclearly defines lines of authority and responsibility (M = 2.622 & SDV = 1.302), Uncompetitive bidding policies for its purchases (M= 2.585 & SDV = 1.352).

On the other hand the respondents have disagreed the following to be the causes of unreliable internal control and poor financial accountability in public institutions: Outdated financial policies and procedures manual (M=2.390 & SDV=1.554), Checks not payable to the names and account numbers of the organization (M = 2.398 & SDV = 1.554), Software not licensed to the organization used on organization computers (M = 2.405 & SDV = 1.659), Changes to employee status or pay rate unauthorized by non-appropriate official (M= 2.425& SDV= 1.207)

By instituting a comprehensive set of policies and procedures, the Ministry of Finance and its affiliated institutions have been able to mitigate the problems associated with outdated financial policies and procedures manual, checks not payable to the names and account numbers of the organization, software not licensed to the organization used on organization computers, changes to employee status or pay rate unauthorized by non-appropriate official. Making each employee accountable for ethical behavior and adherence to laws ensures that transactions occur in a reliable way. Ensuring that only trained, knowledgeable and competent personnel perform tasks prevents errors, irregularities and fraud. Internal control system must be monitored and maintained.

However, all government reforms can be made possible by the top level's commitment to put in place a conflict of interest policy, to clearly define lines of authority, to ensure allocated budget is used for the purpose as of which was allocated for, to restrict tendering processing (open and competitive) and to ensure approvals have been appropriately done. Lack of internal controls typically results in the lack of ability to track performance against budgets, forecasts and schedules. Unauthorized access to financial data results in security breaches and compromised accounts. Illegal transactions which includes theft, falsification of records or/and misappropriation of assets by employees have been minimized in public institutions.

Table 6: Analyze controls procedures established by managers in ensuring financial accountability

Variables	Mean	Std. Deviation	Interpretation
Managers ensure that policies and procedures are adequately followed	3.439	1.353	Very strong
Management review key performance indicators	3.463	1.326	Very strong
Individuals are accountable for their internal responsibilities in the pursuit of objectives	3.634	1.291	Very strong
Signatures required evidencing the performance of critical control functions such as reconciliation.	3.537	1.219	Very strong
Management review information such as long outstanding items or unusual entries	3.671	1.277	Very strong
Management communicate its expectations to employees	3.425	1.406	Very strong
Implementation plan reviewed and approved by the management	3.513	1.289	Very strong
System in place to provide appropriate management with explanations of variation between budgeted and actual financial status	3.573	1.218	Very strong
Safeguards in place to prevent lost/unauthorized access to data	3.609	1.245	Very strong
Senior managers demonstrate commitment to integrity and ethical values.	3.866	1.131	Very strong
Average	**3.573**	**1.275**	**Very strong**

Source: Primary data

The result shows that the statements such as senior managers demonstrate commitment to integrity and ethical values (M= 3.866 & SDV =1.131), Management review information such as long outstanding items or unusual entries (M=3.671 & SDV =1.277), Individuals are accountable for their internal responsibilities in the pursuit of objectives (M =3.634 & SDV =1.291), Safeguards in place to prevent lost/unauthorized access to data (M = 3.609 & SDV = 1.245) had the highest scores from the respondents respectively.

Also according to table 4.4, this was followed by, System in place to provide appropriate management with explanations of variation between budgeted and actual financial status (M = 3.573 & SDV = 1.218), Signatures required evidencing the performance of critical control functions such as reconciliation (M = 3.537 & SDV = 1.219) and Implementation plan reviewed and approved by the management (3.513 & 1.289).

The last scores from the respondents were, management review key performance indicators (M = 3.463 & SDV = 1.326), managers ensure that policies and procedures are adequately followed (M = 3.439 & SDV =1.353) and management communicate its expectations to employees (M = 3.425 & SDV = 1.406).

The result shows that management understands their responsibility related to internal control establishment over financial accountability (3.25 and above). Institutional managers ultimately have been responsible for monitoring and evaluation mechanisms to track changes in financial figures. And once managers understands and fully embrace controls there is commitment, assurance towards meeting set targets, safety procedures and timely identification of any variation from standards adopted.

Management should continue to ensure that there is maximum employee participation and recognition and that the rule of law is used to enforce financial compliance, and that those found neglecting government policies at the expense of the public are guided the right way or prosecuted in case of gross misconduct.

A successful internal control environment requires ministry's management to be committed and supportive. Ministry's goal is not to make each person an expert in internal controls, by increasing the awareness and understanding of why we need active controls, how we use them and strongly encourages adherence for betterment of the ministry's financial system.

Table 7: Relationship of internal control and financial accountability (summarizing research variables of the study)

Variables	Mean	Std. Deviation	Interpretation
Internal Control			
Your organization has an organizational chart with clear reporting lines and authority	3.327	1.342	Very strong
There are policies and procedures for authorization and approval of transactions	3.436	1.323	Very strong
Ministry have a contingency plan if there were a major disruption in provision of services e.g. information system crash	3.523	1.291	Very strong
An entity has an overall I.T plan	3.236	1.207	Strong
Monitoring and evaluation of internal control deficiencies is timely for tracking corrective action	3.560	1.277	Very strong
Sub average total	**3.416**	**1.288**	**Very strong**
Financial accountability			
Institution devote adequate resources to its compliance function	3.213	1.289	Strong
Employee objectives are usually more specific and aligned with financial plan	3.464	1.213	Very strong
Have all financial problems been resolved in your department to your complete satisfaction	2.607	1.243	Strong
Institutional targets influenced by changes in financial circumstances	3.635	1.121	Very strong
Accounting practices conform to accepted standards	3.356	1.216	Very strong
Average	**3.255**	**1.216**	**Very strong**
Overall average	**3.335**	**1.252**	**Very strong**

Source: Primary data

Following the above results from respondents (> 3.25 – very strong), the actions, policies and procedures provide clear signals of a reliable system which is capable of protecting its resources against waste, ensuring accuracy and reliability in accounting and operating data, securing compliance with policies of the Ministry and evaluating the level of performance in all public institutions.

It is important to note that the Ministry is truly making a difference and does practice sound financial stewardship (goal alignment, effective and efficient use of resources, reliability of reporting and compliance with applicable laws). Institutions surveyed are committed to using resources in the most efficient ways possible. Financial accountability has been placed as a high priority in government institutions.

Table 8: Correlations Analysis of two research variables

Variables		**Internal control System**	**Financial Accountability**
Internal control System	Pearson Correlation	1	.632**
	Sig. (2-tailed)		.000
	N	82	82
Financial Accountability	Pearson Correlation	.632**	1
	Sig. (2-tailed)	.000	
	N	82	82

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

Results from the table above revealed that there was a significant positive relationship between internal control system and financial accountability (r =.632) in the public institutions. According to Cohen (1998) cited in Pallant (2007), the r .632 suggested strong correlation. This is an indication that if internal controls are strengthened, then accountability will be enhanced. It is also obvious from findings that internal control system pave ways to financial accountability, therefore, the control mechanisms such as organizational chart, authorization and approval, risk management, plans and asset register must always be in place. The association between the two variables showed a high statistically significant result. The suggestion of the researcher for MINECOFIN in particular and public institutions in general is that they sustain the control system to help align daily operations and clarify how work unit activities contribute to the Ministry's goals and objectives.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS AND PROPOSED AREAS FOR FURTHER RESEARCH.

5.1 INTRODUCTION

The intent of this chapter is to present findings of the research in line with the research objectives as well as conclusions and recommendations based on various methodologies used to gather information.

5.2 FINDINGS

5.2.1 The first specific research objective was to ascertain how the internal control operates in MINECOFIN

- It is not sufficient to simply have an internal control system since a system can be ineffective and fail without full support of the highest levels of management and the employee attitude and awareness (COSO 1992**).** According to the findings, results of the study (very strong) show that the Public Institutionshave good working relationships with their staff, employees are hired on competence based, standards of performance are followed and reporting mechanism for all activities adhered to make effective and efficient use of resources. The findings also confirmed that appropriate policies and procedures have been established to protect the interests of both employees and employer by clearly specifying duties and responsibilities of each side (segregation of duties 3.571/very strong).
- The internal control system have been remolded and strengthen to position the staff in carrying out their duties efficiently and effectively. The findings have confirmed that the employees have deep understanding of controls in public institution and the implementation is smooth.
- The organization operates in its intended manner to achieve its goals because their employees are aware about the necessity of control mechanism.Employees understand their role within their organization related to the internal controls and accept to comply with applicable laws and regulations such as Organic law on State Finances and Property

(OBL) which establishes the principles of planning, budgeting and monitoring of state resources and management of state budget.

- The results are better indicators that the risks of not achieving Ministry's objectives have been reduced to acceptable level. Looking at the scores on operation of the Ministry, all in the efforts of increasing their ultimate goal,which is, improving the coordination between the functions of finance and planning. The results also confirm the auditor general's report of June 2015 to 30th April 2016 that the number of reports with unqualified audit opinion on financial statements increased from 36% to 50%. These reports comprise of 16 reports from the Ministries, 34 reports for Government projects and 26 reports for Central Government entities.

- There is a need however of continuing to monitor and maintain the system to assure the audit independence (M=2.890) to regularly monitor standards to ensure ministerial standards and guidelines are respected. Thorough review of the expense (M = 2.768).Expenses should regularly and formally reviewed and documented simply telling employees that there are not meeting set standards.

5.2.2 The second specific research objective was to identify the source of errors on financial accountability

- Lack of internal control and their deficient operations make organizations vulnerable to number of risks such as improper recording of accounting transactions, unauthorized access to financial data, misappropriation of assets and falsification of records. The result of the findings indicate that there is a need for conflict of interest policy (M=3.634). Most of the respondents strongly agree that lack of written conflict of interest policy is a major cause of poor internal control system. A conflict of interests can result in an economic or financial loss to the organization through waste, abuse and fraud.
- According to the results, the respondents have agreed (M= 2.988) that unclear segregation of authority is one of the causes of unreliable internal control system. It is the responsibility of public officials to ensure clear segregation of authority where employees are involved in the corrective action process without lack of clarity, each duty and tasks are separate and have different responsibilities.

- A number of respondents also agreed (M =2.670) that when checks are not regularly made it can cause weak internal control system. Timely review help assess threats which could impose a significant risk (cost) to ministries. Establishing good working relations and regular interaction can go a long way in helping public institutions meet their responsibilities. With the establishment of a number of government institutions that controls if government ministries and agencies fulfill suitably their mission, once a problem is identified should be reported to actively adjust with the original plans

- Respondents agree that Public Institutions have a way to go to ensures fair and open process of bids to all interested offers (mean 2.585). Even though processes and procedures in bidding are immensely complex with many steps, public officers have the responsibility to ensure all tenders are open, competitive and transparent.

On the other hand, the respondents have disagreed that the following are not the causes of unreliable internal controls on financial accountability in public institutions.

- On outdated financial policies and procedures manual, respondents disagreed (M=2.390) that it is one of the causes of unreliable internal control. This is an indication that the Public Institutions have considerably improved its system of public financial management to make efficient and effective use of its resources. A policy reform in Rwanda is moving ahead at an astonishing pace and it has improved accountability in public financial management.
- Also checks not payable to the names and account numbers of the organization are no longer one of the causes to the unreliable internal controls system(2.398) Payments are subjected to very strict controls including supervisory authorities such as National Bank and the Ministry of Finance.
- Unlicensed software no longer accepted on organizational computer hence not a cause for unreliable internal control system (M = 2.402). Over the years (2008) there has been an introduction of the integrated financial management information system (IFMS) reforms practices aimed at the promotion of efficiency, effectiveness, accountability and comprehensive financial reporting. IFMS has improved public sector management by providing real time financial information in order to enhance

decision making capabilities. PFM reforms have reached a satisfactory level of implementation based on a diagnostic analysis of the status of accounting and finance functions. Government budgeting, accounting and financial reporting are using a fully automated, integrated and interfaced financial accounting and budgeting system under a new accounting model.

- Changes of employee status or pay rate unauthorized by non-appropriate official were resolved and no longer a cause of unreliable internal control. For speedy and safe payments of salaries, Rwanda has introduced integrated personnel and payroll system (IPPS) in public institutions. There is more clarity and issues related to employee ranks, status and pay rates. The system is also more secure and friendly.

5.2.3 The third specific research objective was to analyze control procedures established by managers in ensuring financial accountability.

- Managers have played an important role in informing and motivating employees to ensure that they understand and respond to changes such as new procedures (M= 3.439). It is the role of management to address specific training and development needs to fill accountability gaps (3.634))
  - Management has regularly reviewed the key performance indicators (3.463) which have facilitated the establishment of priorities for the allocation of resources and monitor the core business activities of each department of the ministry and agencies. When the plans are coordinated it is very simple to identify and report failures to the appropriate level, along with collective suggestions.
  - Critical control functions such as reconciliation has been performed. The management of public institution has a complete control to ensure all departments are complying. The Chief Budget Managers will exercise control over the execution of the budget and coordinate the use of financial plans.
  - Managers understand and fully embrace communication of its expectations and information flow. They have known how useful it is to interact and extract relevant information for the task at hand and a decision guiding tool.

- Managers review plans to ensure performance is against original approved plans. This is useful because any deviation from the standard is timely identified and rectified accordingly.
- Safeguards have been installed to limit unauthorized access to information. Counter measures available to an entity that enables it to protect its interests in case of an attack.
- Senior managers demonstrate commitment to integrity and ethical values. They have established the tone at the top and those who demonstrate integrity draw others to them.

5.3 CONCLUSION

Internal control involves financial and non-financial control set up by the management in order to ensure achievements of its planned objective. These objectives entails keeping of proper records of accounting transactions, ensuring compliance with applicable laws and regulations and ensuring performance is against actions planned and financial budget as well.

This study has endeavored to find out whether internal control is a managerial tool for financial accountability. Based on the research findings, the researcher therefore, concludes thatthe financial accountability depends extensively on the strength of the installed system of internal control and the understanding of it by the employees and their acceptance to comply with set standards to ensure guidelines are respected. People are what make internal control work and they play important roles in making accountability happen.

Since a weak or non-existence of internal control is blamed on to the management, manager's central responsibility is to establish the whole system of control, financial and otherwise in order to carry on the business of the public institutions in an orderly and efficient manner. Internal control must be built to help run the entity and achieve its aims on ongoing basis to ensure that organization is accountable for its finances and programs to its public.

Financial accountability requires that the public institutions create and adhere to conflict of interest policy, clear segregation of duties, regular checks and balances and competitive tendering processes.

It is obvious from the study that internal control system paves away to good financial accountability in public institution ((r =.632). Since the introduction of PFM reforms, there has been improved public sector management and public officers should increase their effort to ensure establishment of good working relations and regular interaction in helping public institutions meet their responsibilities. For numbers of years Rwanda has been trying to establish solid and strong effective financial performance (PFM reform agenda in Rwanda and MTEF based approach to budgeting) in order for allocation of resources to the priority needs to the people and the level at which today makes all players more assured that funds are used for its intended projects. PFM reforms have reached a satisfactory level of implementation based on a diagnostic analysis of the status of accounting and finance functions. Government budgeting, accounting and financial reporting are using a fully automated, integrated and interfaced financial accounting and budgeting system under a new accounting model.

5.4 RECOMMENDATIONS:

- I recommend that there is a need for proper education of the employees to clearly understand the intention of policy creation by the management to ensure value addition and better implementation of new financial guidelines.
- The challenges of the system should be addressed by the people who know where the risks are for the government to rely more on post payment assurance.
- Financial Accountability requires an entity to justify the raising and management of public resources and how the resources are used. Public accountability is based on the premise that the public has the right to know and receive openly declared facts that may lead to debates.
- To document all controls and follow up activities (M&E) will improve the situation of public institutions and bloc errors and mistakes from occurring. Minimizing and voiding critical errors in the Ministry and agencies will result into success of its financial operations as well as to report accurately.
- It is important to note that Rwanda has improved on its public financial management system. The more policies are aligned to the national priorities and the more the mistrust indicators are pushed down. Managers in the ministry must ensure awareness of employees and mastery of key controls in order to change their core beliefs and help to ensure efficient and effective operations that accomplish the goals of the public institutions.

- There is a need for the managers to fully understand their obligations and take necessary actions as for their institutions to be in a better position of accountability. Once strong internal control system is established will enhance operational efficiency and effectiveness and therefore contribute to the public interests by enhancing and improving the financial accountability of the government entities.

5.5 AREAS FOR FURTHER RESEARCH

There is a need to carry out a research onkey competencies and capabilities required to ensure accountability of financial managers. Further research should also be conducted to find out quick procedures for reporting bugs and failures in public financial management to the appropriate management levels.All the above problems and many more that have not been answered are left open for future researchers who will be interested in covering this topic.

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- Government of Rwanda Internal Audit Procedures Manual Published by Ministry of Finance and Economic Planning (2011)

5.6.3 Other resources/Websites:

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- **http://www.bnr.gov.rw**
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APPENDICES

<u>**Appendix A**</u>

QUESTIONNAIRE FOR FINANCE AND AUDIT DEPARTMENTS FOR THE MINISTRY OF FINANCE AND ITS AFFLIATED INSTITUTIONS

My name is **KAGORORA Sam (0788590181)**. I am a student in my final year, University of Rwanda – College of Business and Economics. This is a research project for completion of a Master of Business Administration (MBA) in Finance option. Whatever information you give is to be treated as confidential and is entirely for research purposes.

Name: ________________________

Department ______________________________

Email: ___________________________________

Duration of work: _________________________

Position/rank_________________________________

Sex: Male ☐ Female ☐

When responding, specify your level of agreement or disagreement. Four ordered response levels are used 1-4

	Questions	**SD**	**D**	**A**	**SA**
1. Operation of internal control					
	Scale	**1**	**2**	**3**	**4**
1	Staff have good working relations between themselves				
2	Jobs are given on competency basis				
3	Duties are performed according to the approved standards				
4	There is a reporting mechanisms for all activities				
5	Separation of duties exist between employees				
6	External auditors can rely on the work of internal auditors				
7	Monthly reconciliation for all cash accounts				
8	Assets are coded and marked				
9	Staff have access to information				
10	Payment procedures are followed for all transaction				

11	Internal auditing is a value added service to the organization				
12	There is enough prompt and proper resolution and implementation of audit recommendation				
13	Surprise cash accounts of the organization petty cash performed on a regular basis				
14	Travel expense report reviewed thoroughly before being approved for reimbursement				
15	Employee performance reviewed and documented on a regular basis				
16	The actual income and expenditure monitored against budget on monthly basis with significant variances identified and reported to management				
17	Reward for good accountability				
18	The list of receipts compared to the duplicate bank deposit slip				
19	There is enough budget allocation to the government institutions for their targets				
20	Internal control appear adequate for the budget and accounting transactions				
	2. Identify source of errors/ discrepancies on financial accountability				
1	Outdated financial policies and procedures manual				
2	Organizational chart that unclearly defines lines of authority and responsibility				
3	No written conflict of interest policy				
4	Checks not payable to the names and account numbers of the organization				
5	Software not licensed to the organization used on organization computers				
6	Checks are not made regularly to ensure that government guidelines are respected				
7	Cash receipts deviated from the purpose for which they were received				
8	The authorization (processing, check signing, recording and bank				

	reconciliation functions) unclearly segregated.				
9	Uncompetitive bidding policies for its purchases				
10	Changes to employee status or pay rate unauthorized by non-appropriate official				
3. Procedures established by managers in ensuring financial accountability					
1.	Managers ensure that policies and procedures are adequately followed				
2.	Management review key performance indicators				
3.	Individuals are accountable for their internal responsibilities in the pursuit of objectives.				
4.	Signatures required evidencing the performance of critical control functions such as reconciliation.				
5.	Management review information such as long outstanding items or unusual entries				
6.	Management communicate its expectations to employees				
7	Implementation plan reviewed and approved by the management				
8	System in place to provide appropriate management with explanations of variation between budgeted and actual financial status				
9	Safeguards in place to prevent lost/unauthorized access to data				
10	Senior managers demonstrate commitment to integrity and ethical values.				
	Relationship of two research variables				
	A) Internal Control System				
1	Your organization has an organizational chart with clear reporting lines and authority				
2	There are policies and procedures for authorization and approval of transactions				
3	Ministry have a contingency plan if there were a major				

	disruption in provision of services e.g. information system crash				
4	An entity has an overall I.T plan				
5	Monitoring and evaluation of internal control deficiencies is timely for tracking corrective action				
	B) Financial accountability				
6	Institution devote adequate resources to its compliance function				
7	Employee objectives are usually more specific and aligned with financial plan				
8	Have all financial problems been resolved in your department to your complete satisfaction				
9	Institutional targets influenced by changes in financial circumstances				
10	Accounting practices conform to accepted standards				

SD: Strong disagree, D: Disagree, A: Agree, SA: Strongly agree.

Appendix B

KAGORORA Sam
Reg. No. 216367069
Tel. 0788590181

University of Rwanda

College of Business and Economics

TO…………………………………………………
…………………………………………………….

May 2017.

Dear Ms/Mr,

RE: REQUEST FOR PERMISSION TO CONDUCT RESEARCH

I am a registered Master's student in the Department of Finance at the University of Rwanda/College of Business and Economics. My supervisor is Dr.GASHEJA Faustin

The research topic is **INTERNAL CONTROL SYSTEM: A MANAGERIAL TOOL FOR FINANCIAL ACCOUNTABILITY IN PUBLIC INSTITUTION. A CASE OF MINISTRY OF FINANCE AND ECONOMIC PLANNING.**

I am hereby seeking your permission to conduct research in your institution. All interviews, surveys, observation and the distribution of questionnaires will target people in Finance/accounting and Auditing Departments of the Ministry of Finance and its affiliated institutions.

Should you require any further information, please do not hesitate to contact me or my supervisor. Our contact details are as follows: 0788590181 & 0788305615

(skagorora@gmail.com or hullosam@yahoo.co.uk)

Upon completion of the study, I undertake to provide you with copies of the dissertation.

Your permission to conduct this study will be greatly appreciated.

KAGORORA Sam
UR – MBA Student

Appendix C

Reliability Statistics

Cronbach's Alpha	N of Items
.854	20

Descriptive Statistics

	N	Mean	Std. Deviation
Staff have good working relations between themselves	82	3.439	1.353
Jobs are given on competency basis	82	3.273	1.326
Duties are performed according to the approved standards	82	3.434	1.291
There is a reporting mechanisms for all activities	82	3.337	1.219
Separation of duties exist between employees	82	3.571	1.277
External auditors can rely on the work of internal auditors	82	2.968	1.505
Monthly reconciliation for all cash accounts	82	3.513	1.289
Assets are coded and marked	82	2.870	1.491
Staff have access to information	82	3.209	1.245
Payment procedures are followed for all transaction	82	3.463	1.325

Descriptive Statistics

	N	Mean	Std. Deviation
Internal auditing is a value added service to the organization	82	2.890	1.334
There is enough prompt and proper resolution and implementation of audit recommendation	82	3.268	1.579
Surprise cash accounts of the organization petty cash performed on a regular basis	82	3.281	1.390
Travel expense report reviewed thoroughly before being approved for reimbursement	82	2.768	1.605
Employee performance reviewed and documented on a regular basis	82	3.402	1.481
The actual income and expenditure monitored against budget on monthly basis with significant variances identified and reported to management	82	3.476	1.326
Reward for good accountability	82	3.463	1.326
The list of receipts compared to the duplicate bank deposit slip	82	3.524	1.317
There is enough budget allocation to the government institutions for their targets	82	3.109	1.449
Internal control appear adequate for the budget and accounting transactions	82	3.670	1.277

	N	Mean	Std. Deviation
Managers ensure that policies and procedures are adequately followed	82	3.439	1.353
Management review key performance indicators	82	3.463	1.326
Individuals are accountable for their internal responsibilities in the pursuit of objectives	82	3.634	1.291
Signatures required evidencing the performance of critical control functions such as reconciliation.	82	3.537	1.219
Management review information such as long outstanding items or unusual entries	82	3.671	1.277
Management communicate its expectations to employees	82	3.425	1.406
Implementation plan reviewed and approved by the management	82	3.513	1.289
System in place to provide appropriate management with explanations of variation between budgeted and actual financial status	82	3.573	1.218
Safeguards in place to prevent lost/unauthorized access to data	82	3.609	1.245
Senior managers demonstrate commitment to integrity and ethical values.	82	3.866	1.131

Descriptive Statistics

	N	Mean	Std. Deviation
Outdated financial policies and procedures manual	82	2.3902	1.55362
Organizational chart that unclearly defines lines of authority and responsibility	82	2.6220	1.30185
No written conflict of interest policy	82	3.6341	1.32881
Checks not payable to the names and account numbers of the organization	82	2.5976	1.55444
Software not licensed to the organization used on organization computers	82	2.8049	1.65879
Checks are not made regularly to ensure that government guidelines are respected	82	2.6707	1.49117
Cash receipts deviated from the purpose for which they were received	82	2.9634	1.20129
The authorization (processing, check signing, recording and bank reconciliation functions) unclearly segregated.	82	2.9878	1.47819
Uncompetitive bidding policies for its purchases	82	2.5854	1.35128
Changes to employee status or pay rate unauthorized by non-appropriate official	82	3.4268	1.20729

Descriptive Statistics

	N	Mean	Std. Deviation
Your organization has an organizational chart with clear reporting lines and authority	82	3.327	1.342
There are policies and procedures for authorization and approval of transactions	82	3.436	1.323
Ministry have a contingency plan if there were a major disruption in provision of services e.g. information system crash	82	3.523	1.291
An entity has an overall I.T plan	82	3.236	1.207
Monitoring and evaluation of internal control deficiencies is timely for tracking corrective action	82	3.560	1.277
Institution devote adequate resources to its compliance function	82	3.213	1.289
Employee objectives are usually more specific and aligned with financial plan	82	3.464	1.213
Have all financial problems been resolved in your department to your complete satisfaction	82	2.607	1.243
Institutional targets influenced by changes in financial circumstances	82	3.635	1.121
Accounting practices conform to accepted standards	82	3.356	1.216

Variables		**Internal control System**	**Financial Accountability**
Internal control System	Pearson Correlation	1	.632**
	Sig. (2-tailed)		.000
	N	82	82
Financial Accountability	Pearson Correlation	.632**	1
	Sig. (2-tailed)	.000	
	N	82	82

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