

Internal Control Systems and Procurement Effectiveness in Public Entities of Uganda: A Case of Uganda Human Rights Commission

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Abstract: *This study was an assessment of the effect of internal control systems on procurement effectiveness at Uganda Human Rights Commission. Specifically, the study examined: The effect of internal Control environment on procurement effectiveness; the effect of internal control activities on procurement effectiveness and; the effect of procurement rules and regulations on procurement effectiveness. A descriptive survey research design was used for the study, with a blend of both qualitative and quantitative approaches. Quantitative and qualitative data were collected from a sample of 88 respondents who were identified from a study population of 140 staff of UHRC, comprising of top management staff, Human Rights staff and support staff. Quantitative and qualitative data were collected using survey questionnaires and key informant interviews. Quantitative data were analysed with the aid of Statistical Package for Social Scientists (SPSS) for descriptive and inferential statistics, while qualitative data were analysed by making deductions, using the content and thematic analysis methods. Study findings revealed that positive changes in internal control activities would lead to 38.4% in procurement effectiveness, positive changes in internal control environment would lead to 37.7% of procurement effectiveness while Procurement rules and regulations would account for 26% procurement effectiveness. Basing on the study findings, it was concluded that with efficient internal control activities, a favourable internal control environment and adherence to procurement rules and regulations, procurement effectiveness can be easily realised. The study thus recommended; Top reviews in the procurement function in order to have a more accountable system, having continuous review of the organisational culture, encouraging staff to address audit findings in time and lastly, training staff on the procurement rules and regulations as well as enforcing a culture of adherence to the rules and regulations.*

Keywords: Internal Control Systems ; Procurement ; Effectiveness ; Public Entities ;Uganda; Uganda Human Rights Commission; Procurement Effectiveness

1.1. Introduction

This study examined the effect of Internal Control Systems on Procurement effectiveness in the public entities in Uganda, with specific focus on Uganda Human Rights Commission (UHRC). Procurement Internal Control systems were considered as the independent variables and were further conceptualised as internal control environment and internal control activities based on the Committee of Sponsoring Organizations of the Tread Way Commission (COSO) Model (2013). On the other hand, Procurement effectiveness was perceived as the dependent variable of the study and was measured in terms of contract cost performance, timeliness of transactions and the completeness of records kept. In addition, the study examined the moderating effect of procurement rules and regulations on the relationship between the dependent and independent variables. This Chapter constitutes the background to the study, Statement of the problem, General objectives, specific objectives, research questions, study hypotheses, conceptual framework, scope of the study, study significance and justification, as well as the operational definition of key terms and concepts.

1.2. Back ground of the Study

This section presents the background to the study, developed in line with the four dimensional approach of historical, theoretical, conceptual and contextual background, as recommended by Amin (2005).

1.2.1 Historical Background

The internal control systems concept is historically linked to the domain of accounting and mainly focused on safe guarding the organization assets and on provision of assurances on the correctness and accuracy of accounting records. However, the now strategic

nature of procurement requires that internal control systems are developed to safe guard the strategic importance. Although a number of procurement internal controls have been put in place, there has been noticeable procurement ineffectiveness. According to Krstić and Đorđević (2012) the increased transactional costs and procurement delays persist despite the established and monitored procurement internal control systems.

Globally, Procurement relevance has had a number of paradigm shifts in terms of regulation and relevance. Procurement as a function had been viewed as a cost-centre relating to purchasing of materials for organizations, with no strategic value addition. However this perception started changing in the late 1990s due to World Bank and World Trade Organizations spearheaded reforms (Assabehji and Moorhouse, 2008).

According to Zheng (2007), there has previously been a mental shift in addressing the challenges faced by the procurement function within organizations. A number of internal control systems and regulation reforms have been devised to address the challenges. In a related view, Giunipero (2005) argues that there has been increased emphasis on using the procurement function as a means of attaining organizational goals. As such, procurement's core functions changed to include processes of supply chain management, with activities such as supplier coordination, supplier market research, cost analysis, supplier development, supplier bench marking, sourcing strategy formulation, and out sourcing.

According to Tassabehji and Moorhouse (2008), Procurement is now seen as an essential function to any organization's operations and these organizations strategically place them at the top hierarchy. This however means that organizations have to put in place robust internal control systems to benefit from its strategic importance.

Similarly, Basheka and Mugabira (2010) hold the opinion that the procurement function has in the past metamorphosed to include processes such as; market intelligence, buyer collaborations, cost-benefit analysis, market research, supplier referencing, detailed supplier capability analysis, supplier market research, supplier development, bench marking, supplier performance recognition, out sourcing strategies and electronic sourcing.

In Uganda, the procurement function has undergone various reforms intended to increase the levels of procurement professionalism, as per the recommendations of the Country Procurement Assessment Report of 1999. The Report recommendations involved establishing (1) a comprehensive legal framework, (2) an effective monitoring and auditing procedures that ensures compliance with the regulations, (3) setting standard terms and conditions of contracts, (4) improving openness and transparency within the process, and (5) putting in place mechanisms of developing and retaining people with professional skills in procurement. These recommendations have seen a number of regulatory paradigms that culminated into the Public Procurement and Disposal Act, 2003, that was subsequently amended in 2010.

1.2.2 Theoretical Background

This study was rooted in the "Committee of Sponsoring Organizations of the Tread way Commission (COSO) Model" and the "Principal-Agency theory" as further discussed here below;

The COSO Model

According to Krstić and Dornević (2013), the COSO framework is recognized by regulatory bodies as a defacto standard for realizing controls. The model is one of the most authoritative frameworks that determine the degree to which the internal control systems are effective.

According to McNally (2013), components of the updated COSO model and the 17 fundamental principles are a key tool management uses to establish, design, implement and maintain internal control systems. The Model also assists in assessing whether the 17 principles are present and functioning.

This COSO framework involves elements of internal control: Control activities, control environment, risk assessment, monitoring, information and communication where by each element strongly impacts on the effectiveness of risk management. According to Godon (2009), the control environment is the basis of the overall internal control system since it creates an environment where management and staff of the organization perform their duties and roles.

Control activities on the other hand, include policies and procedures undertaken to identify and safeguard against any future risk occurrences that may deter achievement of organizational goals. Control activities include core functions that have to be accordingly separated and adequately supervised (McNally, 2013): authorization, recording, physical control of stock. These internal control activities to a certain extent deter the occurrence of risks. They perform a preventive role of risk assessment, avoidance and mitigation.

The COSO framework stresses the need to timely prevent and detect fraud risks while complying to the set standards of assessing internal controls as per the 2014 Financial Year Audits (Ernst and Young Report (2014). This therefore means the same model can successfully be applied to the procurement function. Krstic and Dornevic (2012) further argue that the COSO Model provides special emphasis on reducing risks when used as a framework for designing internal control systems. This therefore means that that inherent procurement risks can be identified, assessed, and mitigated using the model.

Creating, implementing and monitoring performance of internal control systems in accordance with the COSO Model promotes the effectiveness of internal control systems towards goal achievement. The framework ensures that business processes are of the right quality, contribute to achieving the objectives, ensure optimum use of resources and protect corporate assets, among others. The model provides assurance on effectiveness of the operations when rightly applied. The researcher found the model relevant to this study of internal controls systems and procurement effectiveness.

The Principal-Agent Theory

The Principal- Agent theory model was developed to sort out the conflicts that exist between the employers and employees where the principals are in better positions to motivate agents, to perform some tasks in the principals' interests, but not necessarily the agents' (Health and Norman, 2004). The theory enshrines the power in the public to demand for accountability from the office bearers on the effective provision of services. This advocates for increased public awareness and interest in demanding for their entitlements from the governments since the principal is not aware the extent of satisfaction (McNally, 2013)

According to Yukins (2010), the theory provides a model that explains the achievements and failures in organization systems and structures like procurement, and further aids in the understanding of the relevance of procurement rules and regulations. Further, since procurement ineffectiveness is perpetrated by individuals with significant operational knowledge of the systems and processes, as Lefevre (2010) argues, the Principal-Agency theory was considered applicable in examining the effect of internal control systems on procurement effectiveness.

In support of the relevance of the model to this study, Yukins (2010) argues that many procurement stakeholders have always tried to mitigate conflict of interest concerns by establishing internal control systems that keep procurement staff aligned to their goals. In the same breath Shah (2014) opine that in majority of the cases, the procurement department staff and government relationship is so sophisticated that appropriate internal control systems have to be instituted for better Procurement effectiveness. He adds that when an entity adopts internal control system in their operational framework, the entire skeleton gets under scrutiny.

1.2.3 Conceptual Background

This study is premised on the conceptualization that "internal control systems" affect "Procurement effectiveness." Therefore, the major concepts in this study are; internal control systems (independent variable) and procurement effectiveness (dependent variable). It is worth noting that effective public procurement internal control systems translate into wider economic, social and environment development. There is therefore a need to recognize procurement effectiveness as a tool for economic transformation OECD (2007).

McNally (2013) defines procurement effectiveness as a process of acquiring goods, services and works for the right cost, quality and quantity at the right time and location. Relatedly, the Public Procurement and Disposal of Assets (PPDA) Act (2003) defines procurement effectiveness as acquisition of goods, services and works in a manner that ensures value-for-money, competition, integrity, accountability, transparency.

Procurement effectiveness, however may only be realized once a proper internal control system is in place (Jokiipii, 2010). The COSO (2013) model whose components of control activities, control environment, risk assessment, information and communication, and monitoring as elements of an effective internal control system provide a base for establishing procurement internal control systems.

In this study, "Internal control systems" was conceptualized as control activities and control environment. Internal control systems in this study were conceptualised as the various checks and measures put in place by management to ensure that the goals and objectives of the organization are met. Control activities included; approval and authorization of transactions, verifications of processes, record keeping and document reviews and segregation of duties and responsibilities. Control environment on the other hand, referred to having integrity and ethical values within the organization, having the right number of staff with the right qualifications within the procurement function, management style and philosophy and the delegation of authority and responsibility. The variable was further conceptualised as, adherence to the ethical standards of the organisation (UHRC), abiding by ethical codes, level of management consciousness on internal control systems, clear reporting lines, appropriate human resource policies, organization cultural reviews.

Since only two components of the COSO Model were considered for this study (control environment and control activities), the researcher found necessary to include a moderating factor, and that was ‘‘procurement rules and regulations’’, so as to ascertain their effect on the relationship between internal control systems and procurement effectiveness. The moderating variable was proposed due to the fact that internal control environment and internal control activities are guided by the PPDA Act(2003)

1.2.4 Contextual Background

The Uganda Human Rights Commission has a fully-fledged Procurement and disposal Unit that is operationalized by the PPDA Act 2003. This is a support function expected to ensure the availability of right quantity, right quality, right price, right location and right time. The function has a number of internal control systems related to control activities, control environment, risk assessment, information and communication, and monitoring.

The literature review and interview findings revealed that the procurement function has an archive of procurement records, well experienced and skilled staff, conducts activities in line with rules and regulations, seeks necessary approvals of procurement decisions, safe guards procured assets, and submits reports to PPDA Authority. These instituted procurement internal control systems were geared towards the effective operation of the function and ensuring that Uganda Human Rights Commission meets its overall strategic goals. However, review of the internal audit reports revealed that the level of procurement effectiveness at Uganda Human Rights Commission still fell short of the desired standards, as it was characterised by delayed procurements, procurements exceeding budgets and incomplete files, as summarized in **table 1** below.

Table 1: Showing internal audit findings on procurement effectiveness

No.	Financial Year	No. of Macro procurements handled within the Financial year	Delayed procurements	Procurement exceeding budget estimates	Procurements files with missing records
	2014/15	240	92	24	44
	2013/14	251	20	39	47
	2012/13	390	90	23	42
	Totals	881	22.9%	9.76%	15%

Source; UHRC Internal Audit Reports (fy14/15-19/20)

From the review, it was evident that the internal control systems did not provide satisfactory assurance to the Procurement function of the Uganda Human Rights Commission. The ineffectiveness of the procurement function was highlighted in the number of delays, escalating costs and missing records.

2.0 Literature Review

2.1 Internal Control Systems and Procurement

Internal Control systems are any strategies, policies, activities put in place by companies to ensure that their overall goals are met with minimal interference of inherent risks. These strategies, policies offer employees with guidance on how organization transactions can be undertaken in a way that mitigates waste, theft and inappropriate use of resources.

For any internal controls to provide assurance on meeting organization objectives, missions and goals, they should be established and their implementation supported by top management. Management has a duty to also assign responsibility centers that are continuous monitored for the reliability of the system (Basheka, 2010). According to Hayes et al., 2005 internal control systems consists of five elements of internal control; internal control environment, internal control activities, risk assessment, communication and information systems, plus monitoring. This therefore means that the achievement of any functional goals like procurement is affected by the weaknesses in the procurement internal control systems (Hayes et al., 2005).

All organizations are expected to establish effective internal control systems for functions like procurement and internal audit in order to enhance good governance and accountability (Eko and Hariyanto, 2011)

. Internal Control Environment and Procurement

Procurement internal control environment is a key component of internal controls needed for proper management of any procurement function since it sets the tone of top management’s commitment to other internal control systems (Theofanis, et al. 2011). With Control environment, management sets the attitude and policies for continuously monitoring the progress of the implementation of internal control systems and seeks for continued employee commitments towards attaining organizational goals.

According to Kabir (2014) organizations should strive to create a proper control environment because any weaknesses therein, depict weaknesses in other components internal control systems. Therefore, providing a proper control environment for central government procurement is essential in the effectiveness of their operation.

Procurement control environment is the systems, structures and culture established by management to seek employee commitment towards achieving organizational goals (KPMG, 2005). Management's supportive nature to the organization's culture, attitudes and competences and ethical standards is a true reflection that internal control environment thrives within the organization (DiNapoli, 2007).

The Control environment echoes top management's willingness to set aside resources for implementing expected ethical and integrity standards. It is also a basis for implementing any management operating philosophy (Shahana Kabir, 2014). DiNapoli (2007) further asserts that the management operating style, policies and the culture exhibited by top leadership impacts on the way employees perform their duties and responsibilities.

Since procurement control environment facilitates the reduction in occurrence of risks inherent in organization activities then the quality of any internal control system is important for the effectiveness of the internal control systems (Amudo and Inanga, 2009). Therefore, providing a proper control environment for Procurement operations is mandatory for effective operations of any organization.

Basheka and Tumutegyeize (2010) also agree that organizational determinants like top management style and others, account for the increasing trends of procurement ineffectiveness. Therefore control environment can be regarded as a base for other internal control systems to strive (Sudsomboon and Ussahawanitchakit, 2009).

Procurement control environments are bound to be weakened by the failure by management to establish an effective structure, a committed work force, standards' guidance to procurement staff (United Nations Report, 2006). Internal control systems are likely to function well when everybody in the organization regards them highly, and are effectively communicated by management at all levels (Kabir, 2014). Callaghan and Savage (2007) suggest that organizations should periodically review their cultural practices to assess whether management supports and respects the established internal controls.

Internal Control Activities and Procurement

These are the detailed strategies policies, procedures and rules that guide the day to day implementation of procurement department goals. Proper communication and staff adherence to the policies and procedures ensure that the management's guidance is accordingly executed (Aikins, 2011). Once activities are executed in line with the set policies and procedures, the risks apparent in the processes tend to be minimized and organization goals achieved (Aikins, 2011).

According to Whittington and Pany (2007) control activities can be categorized into two main types of avoidance and revealing activities; avoidance activities are established to prevent unforeseen risks from occurring while the revealing activities aim at offering audit trails of transactions and detecting any occurrences of risks like fraud.

Controls activities in any organization help management in executing its goals through the other employees. Control activities mainly involve; budget planning, budget performance reviews, record keeping, authorization, verification of records, communication and information processing, physical asset security, and activities geared at segregation of (Whittington and Pany, 2007).

Ogachi (2011), calls for separation of duties as a key procurement activity aimed at independent performance of duties by the function. Separation of duties as a key internal control activity involves allocation of different types of responsibilities amongst employees to minimize on risks of failure to meet organizational objectives. Di Napoli (2007) says that once internal control activities like segregation of duties are applied within the procurement; there is a possibility of militating against fraud, collusion, and forgery. The author further believes that seeking appropriate authorization as an internal control activity ensures that activities are executed by individuals with the capacity to effectively perform them.

Documentation is the other form of control activity that promotes traceability of procurement transactions from initiation to completion. The procurement records should be kept at every stage of the cycle throughout the transaction from initiation, sourcing suppliers, evaluations, contract awards, execution and payment (DiNapoli, 2007).

The internal control framework is an all-inclusive structure that operates as a closed-loop where internal control environment and activities, systems and policies are integrated within each other. These policies and systems aim at ensuring duty segregation, appropriate assignment of responsibilities, properly maintained records, and restricted access to organization assets and records (Li Huang, 2013).

According to Gupta (2001), internal control activities are the procedures and policies followed by management and communicated across all levels of the organization to ensure that organization objectives are achieved. These policies and procedures promote increased adherence to set standards, rules and regulations; they act as an assurance to management that assets are safe, risks are detected in real time, and that financial records are accurate and reliable.

However, despite the fact that the control activities offer an a desired level of assurance towards risk mitigation, The UN Report (2006) recognizes that established internal control activities may fail to provide the necessary assurance once weakness of staff collusion, disregard of management directives are not followed. The UN report highlights the key procurement activities that need to be strictly followed as ;(1) proper contract drafting ; (2) considering vendor complaints handling mechanisms;(3) Updating and reviewing of procurement policies and procedures;(3) maintaining an updated list of suppliers

2.2 Procurement Rules and Regulations

These are set out policies and procedures that have to be followed while undertaking procurement transactions; they include reporting requirements and use of generally acceptable standards. The Rules and regulations are a legal regime geared at promoting compliance to international best practices and standards while conducting operations of the procurement function.

The Ugandan legal frame work

The Uganda Procurement legal framework is based mainly on the Public Procurement and Disposal of Public Assets Act, Act No.1 of 2003 that came into force on the 21st day of February, 2003(S.I No.10 of 2003), the Public Procurement and Disposal of Public Assets (Amendment) Act, No.11 of 2011 came into force on the 3rd day of March, 2014(S.I No.10 of 2014) and the Local Government (Amendment) Act, Act 2 of 2006 came into force on the 10th day of February, 2006 (S.I.No.4 of 2006). This Act provides rules governing all procurement and disposal activities of the Procuring and Disposing entities.

The Act as amended 2014 establishes a code of conduct for both suppliers and buyers, setting minimum codes of conduct while acquiring processes of government for even the buyers. PPDA Form 13 requires members of the evaluation committee to sign declaration to abide by Code of Ethical Conduct in Business while evaluating bids.

The PPDA Act also sets out redress procedures to aggrieved bidders under Section 89-91 of the Act. Bidders are allowed to complain about the bidding process in accordance with the Public Procurement and Disposal of Assets (Administrative Review) Regulations, 2014. However, despite the fact that there are procurement rules and procedures in place, the effect of their implementation seems to be questionable. Gulbrandsen (2014) recommends the need to correct weaknesses in public procurement systems through comprehensive legal frameworks.

According to Olken and Pande (2014) there is need to address the inherent limitations of legal regulation in order to achieve any procurement objectives. According to the World Bank Report (1998) the public procurement of Uganda was overly regulated and this adversely affected private sector activity and created opportunities for bureaucratic corruption of the “rent-seeking” variety. When any Procurement system is rules based, there is a tendency for shifting the focus in assessing its effectiveness from the quality of the out puts but to the continued compliance with the law (Arrowsmith et al., 2000).

According to PPDA (2008) despite the efforts by Government of Uganda through the PPDA Act compliance requirements and audits, a number of organizations have continued to undermine the relevance and contribution of the procurement department in saving costs and adding value. They instead disregard the law and undertake procurements outside the systems.

3.0 Methodology

3 Research Design

The researcher used the descriptive survey research design to undertake the study of internal control systems and the effectiveness of the procurement function. According to Kothari (2004) a descriptive survey research design was appropriate for the study due to the fact that it took into consideration of all steps involved in undertaking a survey. The descriptive survey research involved the use of data collection and analysis methods that produce reports of central tendency, correlation and variation. In addition, the study used a mixed methods paradigm, focusing on a combination of qualitative and quantitative approaches to data collection and analysis.

Study Population

The population was based on an accessible population of 140 staff of the Uganda Human Rights Commission. According to Ahuja (2005), the population of study is an aggregation of elements from which the sample study is eventually selected. It is from this accessible population that an appropriate sample was determined, using the Krejcie and Morgan table of determining the sample size.

Determination of Sample Size

The sample size should be dependent on the research population (Amin, 2005). It is advisable to have a representative sample. The larger the samples selected, the more accurately the population is represented (Cronbach et al., 1972). According to Mugenda and Mugenda (2003), sampling should statistically target to yield a representation of 30% of the total population. This offers sufficient knowledge about the population being studied.

The researcher identified a sample size of 88 respondents using the Krejcie and Morgan table of determining sample sizes as further illustrated in table .

Table : Showing the sample size derived from the accessible population

Category	Accessible Population	Sample size	Sampling Technique
Management	10	03	Purposive sampling
Human Rights staff	85	70	Simple Random sampling
Support staff	45	15	Simple Random sampling
Total	140	88	

Primary data

Sampling Techniques

The researcher used simple sampling techniques and purposive sampling to select the respondents. Simple random method was chosen because it allows individuals selected to ably respond without difficulty. Besides, Mugenda and Mugenda (2003) argue that simple random sampling technique is good at minimizing sampling bias. Notably also, Simple random sampling is convenient and time saving and therefore a preferred technique since it greatly minimizes bias. Simple random sampling was used to give a chance for any other staff under the categories of Management, Human Rights Staff and support staff to respond.

On the other hand, the purposive sampling method was used to select key informants in the study. This was considered to be the most appropriate method since it would facilitate access to respondents who had the required experience and necessary data for the study. In this case, 03 key informants were identified from among the management team, on the basis of their seniority in the organisation and knowledge on procurement related matters.

Data Collection methods

The researcher mainly relied on questionnaire method and documentary review methods to collect the data.

Questionnaire Survey method

This method involved administering a survey questionnaire to 85 respondents selected from the Population size of 140 respondents, as per the Krejcie and Morgan table for determining sample size from a given population in appendix 1. The questionnaire survey method was preferred because it was considered to be economical. In this case, a self - administered was given to staff of UHRC who were given a period of up to two weeks to respond to the questions at their convenience. According to Khotari (2004) adequate time should be given to respondents to think out the answers to the bid to minimize. The researcher used to drop the questionnaires and pick them later. This drop and pick method was applicable to Headquarter while regional staff were contacted and responded by emails. The questionnaires for head office were physically administered by the researcher while the ones to the regions were delivered by Research Assistants or emailed. The research Assistants were volunteers working with UHRC that had previously assisted in conducting related researches.

Interviews

KPMG Report (2005) recommends that in order to adequately get respondents' views on internal control environment, there is need to conduct interviews and have them documented as told. Interviews provided a detailed understanding of the internal control systems and mainly the "tone at the top" of the organization hierarchy.

The researcher used both direct personal investigation and indirect oral investigation. The Researcher focused the direct investigations to the low staff cadres and the indirect investigations to top management cadres. In both circumstances, the researcher used structured questions to ensure comparability of one interview with other respondents. These interviews were done to ensure that the researcher obtains in-depth information and minimizes resistance from the respondents. The in-depth interviews provided more information required for better analysis of the data. Three (03) respondents from Management staff, who included; 02 Procurement staff and 01 staff of Finance and Administration were identified for interviews, on the basis of their seniority and the fact that they had expert knowledge on the subject of procurement controls and procurement effectiveness.

Data Collection Instruments

The main methods used for data collection in this study were the Survey questionnaire instrument and the interview guide, as further discussed hereunder;

Questionnaire

The study used a semi structured questionnaire to collect data from the sample population. The instrument was divided into four sections. Section A dealt with demographic and general information. The others sections B, C and D addressed the three variables hypothesized to examine the role of internal control systems on procurement effectiveness. The researcher used both closed and open-ended items. The questions were constructed in a manner that allowed logical flow. These questions addressed thematic areas under study. The Structured questionnaires were definite, concrete and pre-determined for all respondents and the researcher did not therefore expect any varied opinions other than the prepositions given. According to Mugenda and Mugenda (2003) the standard questionnaire should offer alternatives from which respondents select their answers. The questionnaire had an ordinal; likert scale to offer alternatives, from which the strength or weakness of the effect was determined (Geoff, 2010).

Interview Guide

The Interview guide checklists were developed along key research thematic areas. This helped the researcher focus on the study. Kothari (2004) suggested that the interview guide consists of a set of questions that the researcher asks during face to face interviews. The researcher designed a free-flowing interview guide with well phrased questions to allow full cooperation from the interviewee. The research relied on open –ended questions rather than the closed ended ones. Factual questions were also asked instead of reliance on opinion questions. The guide provided a detailed and in-depth understanding of the variables studied.

Validity and Reliability

The Researcher had to determine both the construct validity and content validity index that is scholarly acceptable. The researcher used at least three judges for more assurance on data reliability. According to Kothari (2004) the researcher must strive to have validity of greater than 0.7.

Validity

The researcher had to undertake a validity test on the instruments to gauge the extent to which they collected the intended data. The researcher used both Construct and Content validity checks to validate the instruments. If an indicator had validity less than 0.7, then the construct would be rejected. The Content validity test was calculated using the formula below;

$$\text{Content Validity Index (CVI)} = \frac{\text{Relevant items by all judges as suitable}}{\text{Total number of items judged.}}$$

$$\text{The inter judge Content Validity Index} = 1.0 + 0.8 + 0.8$$

$$= 2.6/3 = 0.87$$

The questionnaire was administered to three judges and the researcher obtained an inter judge Content Validity of 0.87.

Reliability

According to Amin (2005), the reliability coefficient should be equal or greater than 0.5. The larger the reliability coefficient, the more repeatable or reliable the test scores being used. The questionnaire was randomly divided into two parts. The Researcher conducted a pilot survey with members of finance and administration department to determine the suitability of the questionnaire and improve on its weaknesses as suggested by Kothari (2004) that pilot studies should be always be done to test the questionnaire for reliability. The research used a split half reliability for Likert tests and employed the spearman brown formula

$$R_{SB} = \frac{2r_{hh}}{1 + r_{hh}}$$

Where r_{hh} is the Pearson correlation of scores in the two half tests. The research used the odd even strategy and considered responses from odd numbered items in the questionnaire. The test was divided into two with the first half total being calculated by adding the scores for items 1, 5 and 9; the second half total adding the scores for items 3, 7 and 11. The scores were correlated to compute the Pearson product moment correlation which was then substituted onto the spearman brown formula and a score of 0.76 was obtained. The researcher preferred the split half methodology to the test re- test approach due to the cost and convenience concerns. The split-half testing helped in measuring the internal consistency; how well the components contributed to the constructs that were measured. Pearson Product Moment Correlation between the two halves;

$$\begin{aligned} r_{xy} &= \frac{\sum(X-\mu)(Y-\gamma)}{\sqrt{[\sum(X-\mu)^2][\sum(Y-\gamma)^2]}} \\ &= \frac{19.57143}{31.99171} \\ &= 0.612 \end{aligned}$$

$$R_{SB} = \frac{2 * 0.612}{1 + 0.612}$$

$$R_{SB} = \frac{1.224}{1.612}$$
$$= 0.76$$

Therefore the measure has a good reliability since R_{SB} is greater than 0.7 Data Analysis

The data was coded and there after analyzed by using both descriptive and inferential statistics. The data collected sorted, coded and fed into the computer software of Statistical Package for Social Sciences (SPSS Version 20) for further analysis.

Analysis of quantitative data

After data collection and cleaning, the data were coded and thereafter analyzed using both descriptive and inferential statistics. The coded data was summarized using Statistical Package for Social Sciences (SPSS Version 20) to aid quick interpretation. Descriptive and inferential statistics were used in order to address the research objectives and questions. A regression analysis was carried out to ascertain the effect of internal control environment, internal control activities and the UHRC procurement rules and regulations on the effectiveness of the procurement function.

Analysis of qualitative data

The data mainly obtained from interviews was edited and organized into meaningful sentences and phrases. This data was organized and indexed for easy retrieval and identification. Since qualitative data involves understanding and interpreting situations being investigated (Pope and Mays, 2009). The researcher was intimately involved in the process and not aloof from it. The researcher used a deductive approach to identify the similarities and differences for the meaningful conclusions made. This data analysis was based on deductions due to the limited resources and time needed to undertake the study.

Measurement of Variables

The variables of the study were measured basing on the feedback obtained from the questionnaires. The questionnaire items required answers measurable using a likert scale. The likert scale was used due to the skewed nature of data collected and need to collect data appropriate for correlations. According to Garner (1960), the instrument offered optimum categories for the respondents. The Likert scale rating allowed the respondents to express both the direction and strength of their opinion about a topic. Thus, a Likert scale was used to collect opinion data on the study variables using the five scales: 5=Strongly Disagree, 4=Disagree, 3=Not sure, 2=Agree, 1=Strongly Agree. 5 indicated that the respondent strongly agreed with the proposed question and vice versa.

Ethical Considerations

The Research had to protect the principles of respect of respondents and the beneficence in order to get true representative data. The Belmont Report (1978) summarized basic ethical principles relevant to research involving human subjects as respect for persons, and Beneficence.

According to Sekaran (2003) ethical considerations are important in promoting discipline and minimizing challenges of not achieving the research objectives. The researcher therefore sought for permission from management of Uganda Human Rights Commission to carry out the researcher basing on the letter of authorization from the department of higher degrees to undertake the study. The researcher further guaranteed to avail the findings and the benefits of the study to the Management of Uganda Human Rights Commission.

The data collection instruments like the questionnaire and interview guides used in the study had preambles explaining the purposes of the research. The preambles created confidence and minimized bias. Optional disclosure of the identity of respondents also created trust and confidence from the respondents.

The researcher ensured highest degree of integrity while entering data; there was no falsification of results to suit the desires of this study. The researcher further ensured that all citations were well captured in accordance with APA referencing guidelines to avoid plagiarism scenarios. Lastly, the researcher minimized his indulgence in data collection by use of research Assistants to avoid bias that could have arisen due to engagements with a familiar population.

4.0 Presentation, Analysis and Interpretation Of Results

Response Rate

The study targeted 88 responds. Out of the targeted 88 respondents, 79 fully participated in the study. Therefore, the response rate of the study was 90% as further illustrated in the table . The high response rate that was attributed to constant email reminders and engagement of research assistants in data collection and it implied that the deductions and conclusions from the study could be relied upon.

Table 3: Response Rate

Response	Frequency	Percentage
Responded	79	90%
Not Responded	9	10%
Total	88	100

Source: Primary Data

Results on the effect of Internal Control Environment on Procurement Effectiveness in Uganda Human Rights Commission

The first research objective examined the effect of internal control environment on the procurement effectiveness in Uganda Human Rights Commission. The researcher considered a number of variables under internal control environment. The variables considered were: Adherence to the UHRC standards for integrity, ethics and ethical code; abiding by the ethical code of conduct; the level of control consciousness from management ; organization cultural reviews. The results expressed in percentages are as summarized in Table below;

Table : Descriptive statistics on Internal Control Environment

Statements on Internal control environment	Response (%)				
	SA	A	NS	D	SD
The UHRC standards for integrity, ethics and ethical code affect the procurement effectiveness	32%	51%	11%	5%	1%
Abiding by the ethical code of conduct affects procurement effectiveness	35%	49%	9%	4%	3%
The level of control consciousness from management affects procurement effectiveness	32%	45%	13%	9%	1%
Clear understanding of reporting relationships affects procurement effectiveness	32%	53%	12%	0	3%
The human resource policies affect procurement effectiveness	29%	54%	12%	4%	1%
Organization cultural reviews affect procurement effectiveness	23%	40%	19%	15%	3%

Primary Data

The study found out that 32% of the respondents strongly agree that abiding by the UHRC standards for integrity, ethics and ethical conduct affects procurement effectiveness. A further 51% were in agreement while 6% (5% disagree and 1% strongly disagree) disagreed. This showed that a majority of the respondents were in agreement. This was a clear indication that the respondents appreciate that the institution's standards for integrity, ethics and ethical code are key in ensuring procurement effectiveness.

The respondents were also asked if they thought that abiding by the ethical code of conduct affected procurement effectiveness and the results are as seen in table 5 above, most of the respondents(35% strongly agree and 49% agree) agreed that abiding by the ethical code of conduct affects procurement effectiveness. However the rest of the respondents hold dissenting opinions, as shown by the 4% who disagreed and 3% who strongly disagreed. This shows that the respondents are aware that abiding by the ethical code of conduct is a key factor in ensuring the effectiveness of the procurement function.

Whether the level of control consciousness from management effected procurement effectiveness had positive approval ratings with 32% of the respondents strongly agreeing and 45% agreeing to the statement. However 9% disagreed and 1% strongly disagreed with the statement. This was a strong indication by the respondents that the level of control consciousness from management had an effect on procurement effectiveness.

The findings also discovered that 32% of the respondents strongly agreed that clear understanding of reporting relationships affected procurement effectiveness while a further 53% of the respondents agreed whereas 3% strongly disagreed. This clearly points towards

the fact that the respondents strongly believe that clear understanding of reporting relationships positively affected procurement effectiveness.

The study also found out that 54% of the respondents agree that the human resource policies contribute to procurement effectiveness with 29% strongly in agreement. However, a combined percentage of 5% are in disagreement. This means that the respondents understand that human resource policies are important in ensuring competency and integrity of the personnel in the procurement function which translates into procurement effectiveness.

Qualitative findings on the effect of internal control environment

Documentary review evidence further showed that the UHRC takes efforts to review its culture seriously in all the departments and this ultimately affects the procurement function. The Commission set up a risk management framework that comprised of; whistle blowers policy, Risk registers, business continuity policy. These were developed in 2015, in an effort to review culture for better performance. However, guidelines in the framework were yet to be implemented, by the time this study was conducted, as further highlighted in the Audit report (2016).

From the interview responses, it was noted that the organization culture in UHRC had changed over time in relation to procurement. Procurements had been delegated to various directorates before the establishment of the procurement Unit. However, there had been some resistance from some of the units, as a result of the culture change. Findings also indicated that there was a culture of intrigue, power struggles, and in-fighting. However, the survey findings indicated that the office politics had not in any way affected procurement effectiveness, possibly due to its strategic positioning and independence.

Other findings from the interviews findings revealed that the internal audit department enforced compliance to the PPDA law (As amended 2014) and Public Finance Management Act 2015; necessary approvals were sought for procurements. However it was also revealed gaps in the legal system, such as failure to express the specific roles of internal audit, and under what conditions should brand names be used negatively affects procurement effectiveness.

The Effect of Internal Control Activities on the Procurement Effectiveness in Uganda Human Rights Commission

Under Internal control activities, the variables considered were: Performance reviews of the procurement function; segregation of duties and activities; having a procurement manual in place and review by the auditors. The results are as show in Table below;

Table : Descriptive statistics on Internal Control Activities on the procurement Effectiveness in Uganda Human Rights Commission

Statements on internal control activities	Response (%)				
	SA	A	NS	D	SD
The performance reviews of the procurement function affect procurement effectiveness	19%	47%	25%	7%	2%
Segregation of duties contributes to procurement effectiveness	31%	44%	21%	3%	1%
Does having or not having a procurement manual affect procurement effectiveness?	31%	43%	19%	5%	2%
The review by auditors affects procurement effectiveness	35%	42%	14%	7%	2%

Source: Primary Data

The study found out that a majority of the respondents held the view that there are top level reviews of the procurement function as shown in Table 6 above;

A proportion of 47% of the respondents agree that it has an effect, 19% strongly agree while 7% and 2% disagree and strongly disagree respectively. The study also found that 44% of the respondents agree that the steps to ensure segregation of duties contributed to procurement effectiveness. This was followed by 31% of the respondents who strongly agreed, 21% who were not sure and 3% who disagreed. This is an indication that the respondents understood the importance and contribution of procurement performance reviews on procurement effectiveness.

On the issue of whether having or not having a procurement manual affected procurement effectiveness, 43% of the respondents agreed that having a procurement manual did not affect procurement effectiveness, 5% disagree and 2% strongly disagree. This in essence means that a majority of the respondents were of the opinion that the procurement manual did not in any way affect procurement effectiveness. Indeed, it is one thing to have a manual in place, and another to effectively implement what is stated in the manual. The finding also explains why interview findings revealed that a number of staff were not aware that a procurement manual existed in the organization.

Regarding whether the review of procurement activities by internal and external auditors affected procurement effectiveness, 72% of the respondents were in agreement while 18% disagreed, while 10% were not sure. This implied that the procurement activities of auditors (internal and external) had a significant effect on procurement effectiveness.

Qualitative findings on internal control activities

Interview findings on internal control activities revealed that the organization ensures that; appropriate segregation of duties structures and policies is undertaken, approvals for transactions are done. It was further noted from the interviews that the procurement unit is periodically reviewed as per audit reports dated 20th October 2016.

The moderator effect of procurement rules and regulations in Uganda Human Rights Commission

The last objective of the study was to examine the moderator effect of procurement rules and regulations on Procurement effectiveness in Uganda Human Rights Commission. The respondents were asked if over regulation of the procurement function had an effect on procurement effectiveness and the results are as displayed in Table below;

Table : Descriptive statistics on rules and regulations of the Procurement Function

Statements on procurement rules and regulations	Response (%)				
	SA	A	NS	D	SD
Over regulation of the procurement function affects procurement effectiveness	18%	46%	13%	16%	2%
There is strict adherence to the procurement rules and regulations at all times at UHRC	30%	44%	0	23%	0
Strict adherence to Procurement Rules and Procedures affects Procurement Effectiveness	31%	46%	9%	11%	3%
Innovations in the Procurement Process affected procurement Effectiveness	31%	30%	10%	24%	5%

Source: Primary data

The study observed that the majority of the respondents are of the view that the over regulation of the procurement processes and procedures affects procurement effectiveness. As shown from the table, 48% of the respondents are in agreement while 19% strongly agree. However, 17% disagree, 2% strongly disagree while 14% are not sure. The high percentage of respondents in agreement indicates that over regulation of procurement rules and regulations affects procurement effectiveness.

A majority of the respondents revealed that there is strict adherence to the procurement rules and regulations at the UHRC. The table further demonstrates that 77% of the respondents revealed that there is strict adherence to the procurement rules and regulations at all times at UHRC, while 23% revealed that there is no strict adherence to rules and regulations. The findings revealed that strict adherence of procurement rules and regulations affected procurement effectiveness with 31% strongly agreeing, 46% agreeing, 11% disagreeing and 3% strongly disagreeing while 9% not sure. This therefore demonstrated that strict adherence to procurement rules and regulations affected procurement effectiveness.

The study further established how innovations in the procurement process affected procurement effectiveness. Results showed that 38% of the respondents assented to the statement, while a large percentage of 62% did not assent to the statement. The implication of the finding is that innovations alone may have minimal effect on procurement effectiveness, for as long as they are not followed by improvements in the actual implementation.

Qualitative findings on the effect of rules and regulations

The interview findings revealed that the strict adherence to procurement rules and regulations was partly attributed to the following reasons; donor demands, improved capacity of the staff in the procurement and contracts committee members thus staff in PDU ensure adherence to the best practices in procurement. The Interview findings also showed that failure to adhere to the procurement rules and regulations was partly attributed to; exceptional cases like emergencies, small purchase preferences by some officers, ignorance of some of the staff about the procurement rules and procedures, failure to institute fines for disobedience of rules and regulations.

Interview findings further indicated that procurement policies and procedures were being followed at the UHRC with minimal human errors being committed here and there. The internal audit findings of 2014 showed that out of 60 files sampled, only 12 had minor human errors. The findings however did not indicate any likelihood of fraud and corruption.

4.7 Regression Analysis

A regression analysis was carried out to ascertain the effect of internal control environment, internal control activities in UHRC as well as the procurement rules and regulations on the procurement effectiveness. The analysis was done using Statistical Package for Social Scientists (SPSS) and findings are presented below;

Table : Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. Change
1	.894 ^a	.800	.793	.372	.800	125.243	3	94	.000

a. Predictors: (Constant), Internal control environment, Internal control activities, Procurement procedures.

Source: Primary data

The results from table show that the model is statistically significant in predicting the effectiveness of the procurement function in public entities. The combination of internal control environment, internal control activities and procurement procedures significantly predicted or explained 79.3% of the procurement effectiveness (Adjusted R square = 0.793). This means that 20.7% of variations in procurement effectiveness were predicted by other variables not considered in this study.

Table : Regression Analysis of Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.010	.112		-.087	.931
Internal Control Environment	.380	.071	.377	5.366	.000
Internal Control Activities	.381	.070	.384	5.453	.000
Procurement procedures	.274	.058	.269	4.705	.000

a. Dependent Variable: Procurement effectiveness

In addition, the results from Table 9 also indicate that Internal control Activities (beta = 0.384, sig. =0.000) was the most significant predictor of procurement effectiveness. This means that a positive change in internal control activities leads to a 0.384 (38.4%) unit increase in the Procurement effectiveness. This was followed by internal control environment (beta = 0.377, sig 0.000) as the second significant predictor of procurement effectiveness. A positive change in the internal control environment increases procurement effectiveness by 0.377 (37.7%). The study further shows that the least significant predictor of procurement effectiveness was procurement rules and regulations (beta = 0.269, sig = 0.000) meaning a positive change in procurement rules and regulations leads to an increase in procurement effectiveness

5.0 Discussions, Conclusion and Recommendations

5. 1 Discussions

The general objective of the study was to examine the effect of internal control systems on the effectiveness of the procurement function in Uganda Human Rights Commission. This section presents the discussions drawn and presented in accordance with the objectives of the study.

5.1.1 Internal Control Environment and Procurement Effectiveness

The research findings revealed that internal control environment had a positive effect on procurement effectiveness in Uganda Human Rights Commission. The findings are in line with the arguments of Rendon (2015) that internal control is a management function critical for proper accountability. The findings were further supported by Nyambura and Mwangi (2015) who argued that organizations can be structured in varied ways and styles to suit the objectives of the organization. In the same breath, Kabir (2014) holds the view that organizations are supposed to put in place strong control environments since weak ones often point to weaknesses in other components of controls.

Findings further pointed to the need to regard procurement as a core process that includes activities such as: Cost analysis, supplier development, supplier coordination, supplier market research, benchmarking, sourcing strategy, and outsourcing decisions, an argument shared by Giunipero et al (2005). The study findings further agree with the views of Theofanis et al (2011) that there is need to strategically place internal control environment at the front of organization planning. According to Theofanis, et al (2011) with control environment, management is able to set the tone of internal control systems by continuously communicating and seeking for employee commitment on the ethical standards.

5.1.2 Internal Control Activities and Procurement Effectiveness

The research finding revealed that there is a positive effect of internal control activities on procurement effectiveness in Uganda Human Rights Commission.

This finding supports Van's (2007) findings, where she investigated contract management process in public sector and concluded that public institutions have a number of internal controls that have to be adhered to when conducting procurement related activities. Some of the internal control activities can work against the effectiveness of public procurement functions when they are inflexible but when properly managed, it improves the effectiveness of the process. Ogachi (2011) calls for clear allocation of duties and separation of duties in procurement function for minimal conflicts and risk safeguards. Control activities should be put in place by management plus efforts to make sure that employees understand them are also established, used, and evaluated periodically (Tan, 2013). According to McNally (2013) properly identified and implemented control activities have a preventive role in terms of mitigating risks and enhancing procurement effectiveness.

5.1.3 Procurement Rules and Regulations and Procurement Effectiveness

The research finding revealed that there was a positive effect of procurement rules and regulations on procurement effectiveness in Uganda Human Rights Commission.

Procurement rules and regulations are vital to the success of any procurement process because failure to adhere increases an organization's vulnerability for procurement fraud (Peter W. Chang (2013). There is therefore need to correct weaknesses of procurement systems by establishing a comprehensive legal framework (Olken and Pande, 2014). Comprehensive legal frameworks should therefore tolerate innovations and flexibility in law application but at the same time safe guarding against corruption and fraud.

5.2 Conclusions

The following presents the lessons learnt from the study, against each study objective.

5.2.1 Internal Control Environment and Procurement Effectiveness.

Internal control environment has a significant positive effect on the procurement function. This means that with an efficient internal control environment, the procurement function can be very effective.

It was further concluded that for any internal control systems to work, there is need for management commitment to the internal control systems. Therefore, this study concludes that top management commitment should be secured in an effort to create an effective control environment that can ably affect procurement effectiveness.

5.2.2 Internal Control Activities and Procurement Effectiveness

The study concludes that the effectiveness of the procurement function is impacted by internal control activities. Strong internal control activities therefore translate to an effective procurement function.

Further, this study concluded that continuous monitoring of any established internal control systems is paramount. Established internal control systems that not monitored are rendered useless.

5.2.3 Procurement Rules and Regulations, and Procurement Effectiveness

The adherence to procurement rules and regulations at the Uganda Human Rights affects procurement effectiveness. The strict adherence to the procurement rules and procedures leaves all the bidders satisfied with the outcome of the procurement processes. The researcher however notes that procurement rules and regulations have the least positive effect on procurement effectiveness of the three variables that were investigated.

It was further concluded that strict adherence to procurement rules and regulations without innovations within the process may not affect procurement effectiveness.

5.3 Recommendations of the Study

The researcher makes the following recommendations based on the study findings in 5.1 above. These research recommendations are made in accordance with the objectives of the study

Generally, public entities in general and Uganda Human Rights Commission in particular should ensure that internal control systems are established, implemented, monitored, reviewed for effectiveness of the procurement function.

5.3.1 Recommendations on Internal Control Environment and Procurement Effectiveness

- ❖ Top level reviews and audits of the procurement function should be further encouraged since they ensure integrity, accountability, and transparency. Rendon (2015) agrees with the fact that control environment strategies like auditing and

having auditable records are any organization's prime line of defense in the safeguard against procurement fraud. Audit trail makes sure that procurement transactions are within the budgets and are implemented as planned.

- ❖ This should be continuous review of the organization culture. The research findings indicated that the efforts and resources are committed to review culture of the UHRC; however there are delays in implementing. Efforts to change culture through policies and manuals designed had not been implemented despite being launched in 2015. Lapses in time without implementation could create resistance to change to new cultures. These recommendations are in agreement with those echoed by Kamau (2014) on the effect of internal controls and financial performance that in Kenya; she recommended that the governing body, possibly supported by the audit committee, should ensure that organization cultures are periodically monitored and evaluated.
- ❖ There is also need to inculcate a culture of tolerance and co-existence to minimize on intrigue, conflicts. Interviews indicated a culture of intolerance and conflict amongst top leadership. Such cultures divert the management from the overall vision and mission and hence negatively affecting procurement effectiveness.
- ❖ There must be ethical and behavioral standards established to deter top management and junior employees from involving in actions that may lead to dishonesty, unethical and illegal behaviors. These ethical codes and standards must be effectively communicated through the means, including official policies, codes of conduct and management overall exemplary behavior that could otherwise have spillover effects on procurement effectiveness of the organization.

5.3.2 Recommendations on Internal Control Activities and Procurement Effectiveness

- ❖ The staff are encouraged to timely address the audit findings and ensure continuous improvements in their day to day activities.
- ❖ The Research recommends participatory procurement planning. There is need to clearly identify the priorities and stick to them during implementation. The research had noted that priorities set had not been implemented.

5.3.3 Recommendations on Procurement Rules and Regulations, and Procurement Effectiveness

- ❖ There is need to train all staff on the relevance of procurement rules and regulations, participatory procurement planning, roles and responsibilities within the procurement cycle. This will help the users appreciate the basics of procurement rules and regulations and the need for strict adherence.
- ❖ There is also need for management to caution and ask for better performance from its staff after interviews revealed that procurement effectiveness cannot entirely be attributed to internal control systems but also human judgment. Interviews revealed laxity and carelessness in handling of procurement transactions.

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