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Internal Control Systems on Financial Performance in Higher Institutions of Learning: A Case Study of Uganda Christian University, Mbale Campus.

The purpose of this study was to examine the effect of internal control systems on the financial performance in higher institutions of learning with Uganda Christian University, Mbale University College as a case study. The objectives were to find out the effect of financial reporting on financial performance, to establish the effect of risk detection on the financial performance and to examine the effect of audit inspection on financial performance in higher institutions of learning. The study used a case study research design where both quantitative and qualitative approaches were used. The population was of 100 respondents of which the selected samples comprised of 80 respondents of whom all responded. Primary data was used in the study and data was collected using questionnaires. The study was guided by performance theory by Elger (2011) and Agency theory by Jensen and Meckling (1976).

Study findings indicated that financial performance is explained by 91% (0.900 x 100) variation in financial reporting while the remaining 10% was attributed to other factors. Also that 36.4% 86 (0.364x100) variations in financial performance is predicated by risk detection while the remaining 63.6%, is attributed by other factors. Furthermore, that 45.6% (0.456x100) variation in financial performances are explained by risk detection while the remaining 54.4% is explained by other factors. The study recommends that the institution should evaluate its current internal control systems and improve where necessary to improve financial performance with proper reporting. This will result into increase in return on capital employed, profitability, return on equity and return on assets. Recruitment of more qualified staff, implementation of accounting software and risk monitoring, audit inspection should also be incorporated to help in financial performance reporting and, in this, forensic audit can help to improve the financial performance through quick fraud detection measures. Recommendations for further research include: study in monitoring and information communication in financial performance, effects of internal control systems on financial performance for small and medium enterprises, reward of financial performance in high institutions of learning, motivation of staff in contributing to financial performance and forensic auditing to control of fraud in high institutions of learning.

Key Words: Internal Control Systems, Financial Performance, Higher Institutions of Learning, Uganda Christian University, Mbale Campus