MAKERERE UNIVERSITY

MAKERERE UNIVERSITY BUSINESS SCHOOL

AN EVALUATION OF THE INTERNAL CONTROL ENVIRONMENT AT STABEX FUEL STATIONS IN CENTRAL UGANDA

BY

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PLAN B

NOVEMBER, 2023

DECLARATION

I, **Kiyegga Stephen**, declare that this report is my own original work, and it has never been presented to any University or institution for the award of any academic qualification.

Signed ..... Date 05/12/2023

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APPROVAL

This research report has been submitted for the examination with our approval as University supervisors.

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DEDICATION

This piece of work is dedicated to all those whose unwavering support and encouragement have enabled me to successfully complete this research project exercise. This endeavor would have not been possible without their invaluable contributions

To my family, your encouragement has been my source of motivation and strength to excel in this pursuit. From the depths of my heart, I extend my most heartfelt appreciation.

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Thank you all.

ABBREVIATIONS/ACRONYMS

COSO	-	Committee of Sponsoring Organizations Framework
CVI	-	Content Validity Index
EOQ	-	Economic Order Quantity
GDP	-	Gross Domestic Product
SPSS	-	Statistical Package for Social Scientists

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ABSTRACT

The study sought to examine the internal control environment at Stabex fuel stations in central Uganda and addressed the challenges of the internal control environment of the fuel stations. The objectives that guided the study included; to assess the existing internal control environment at Stabex fuel stations; to examine the deficiencies in the internal control environment at Stabex fuel stations; and to identify solutions for the deficiencies in the internal control environment at Stabex fuel stations. A cross sectional design was adopted for the study and from a population of 172 respondents, a sample size of 141 was selected using purposive sampling and simple random sampling. A self-administered questionnaire was used to collect data from the respondents and the data was analyzed using the Statistical Package for Social Sciences (SPSS V22). The findings showed that the level of the internal control environment at the stations in regard to internal control environment, financial control environment, information and communication systems, monitoring and audit functions, health, environment and safety, and inventory management was moderate. This requires Stabex to find ways of improving the internal control environment at the stations. This is validation that there existed some level of internal control environment management at the stations. This is because internal control environment management provides an arena where the stakeholders of Stabex can help the stations become effective. The findings revealed that the challenges in managing the internal control environment were inadequate internal control procedures and measures, unethical behaviour of staff, poor employee compensation/remuneration, inadequate fraud control and prevention, and unnoticed misconduct among others. The management of Stabex should therefore identify the causes of these challenges and devise ways of addressing them as this would greatly impact on the effectiveness and efficiency of the internal control environment at the stations in the long run. The study therefore recommends that the management of Stabex should draw adequate attention to ensure the effective and efficient operations of cash controls, inventory management, compliance with regulations, internal auditing, access controls, employee training, surveillance and monitoring, reporting and communication channels, fraud prevention measures, risk management, adherence to standard operating procedures, supervision and oversight, and continuous improvement.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The oil and gas industry is a major driver of the world economies today. According to Alamye (2021), the complexity of operations in the oil and gas industry, it is important that the companies have the necessary internal control environment in place (Bento, 2018). Kinyua (2016) asserts that it is important that economic units of oil and gas companies have the necessary control environment for smooth running of the business. The Internal Control Environment can be conceptualized according to control environment, financial control activity, information and communication, monitoring and audit functions and health, environment and safety (COSO framework, 2013). The responsibility of maintaining a healthy internal control environment is entrusted to management at various levels of responsibility in the company. This type of environment can help minimize the risks and maximize the opportunities that the company can present (Aitaru, 2017). Al-Rawashdeh (2017) argues that the concept of internal control environment is a framework that aims to streamline a company's operations. It involves developing a system of authorizations and feedback mechanisms that will allow the management to monitor the results of the company's operations (Paraskevi, 2016). Generally, an internal control is consisting of methods and procedures used to safeguard assets and other resources and assure that they are used as directed by management. This type of control environment should also help prevent the loss of assets and improve the efficiency of the company.

Kamau (2014) emphasized the fact that a well-maintained environment of proper checks and balances is essential for an organization achieve its goals. Establishing an effective internal

control involves an assessment of the risks an organization faces from both internal and external sources (Bubilek, 2017). Managers are responsible for establishing an effective control environment in their organizations because this is part of their responsibility over the use of organization's resources (Ndalahwa, 2018). Indeed, the top management through their actions, policies and communications can result on a culture of their positive control. It is essential to understand that a strong internal control environment is fundamental to control an organization, its purpose, operations and resources. Kamau (2014) stated that a system of internal control consists of all measures employed by the organization for the purposes of safeguarding its resources against the waste, fraud and inefficiency, promoting accuracy and reliability in accounting and operating data, encouraging and managing compliance with company policy, and judging the efficiency of operations in divisions of the business.

As such, proper internal control environment at fuel stations is an essential part to business success. The petroleum sector in Uganda is one of the major contributors to the economic development of the country. According to the National Development Plan (2030), it contributes to employment of a large population of the country's workforce and also contributes about 21% of Gross Domestic Product (GDP). In Uganda, there are a number of petroleum companies that operate in the country's petroleum sector, one of these is Stabex Uganda Limited. Stabex International Limited is an independent oil and gas marketing company incorporated in 2009 (Stabex Annual Report, 2018). The company has been forced to restructure its operations due to challenges in their internal controls. Stabex has stations distributed all over the country.

According to Stabex Financial Regulations (2018), the company has policies and procedures to provide an adequate control environment, enhance control activities, undertake internal auditing, and provide effective channel of information communication. However, a review of the Internal

Audit reports for financial years 2019/20 and 2020/21 revealed underlying issues like delayed submission of reports from station managers, high occurrences of shortages after daily reconciliation of sales, inadequate liquidity of fuel stations, lack of proper accountability for expenses, fraud as well as misuse of financial resources and the decisions made have not produced expected results. This research study will aim to investigate the underlying causes of the internal control environment challenges and suggest effective solutions to improve the internal control environment at Stabex Uganda Limited. By conducting this research, the researcher provided practical insights and recommendations that would be used by policymakers and practitioners and contribute to a deeper understanding of the complexities of the energy industry for more sustainable and efficient energy systems.

1.2 Statement of the Problem

According to the Auditor General's report for the year ended June 30, 2019, three hundred and sixty-three (363) fuel stations of the Nine hundred and eighty-four (984) fuel stations registered in the Ministry of Energy database did not conduct environmental impact assessment requirements, two hundred and five (205) fuel stations lacked approved construction permits, and six hundred ninety-eight (698) fuel stations could not avail construction completion certificates. The report further noted that of the 1,695 fuel stations inspected over a period of three years, 236 (14 per cent) had conducted staff trainings on health and safety. The report also highlighted the fact that low quality fuel was sold and after conduction fuel quality checks, the average failure rate of fuel quality was 6%. (Auditor General, 2019). Stabex Uganda Limited has made efforts to ensure the effectiveness of the internal control environment around fuel stations. In a bid to support internal control environment, Stabex has enacted different policies, procedures and guidelines so as to enhance control activities, internal auditing and provide effective channel of

information communication (Stabex Performance Report, 2021). This aimed at coming up with strategies in response to the challenges facing internal control environments. However, with efforts to improve the internal control environment, significant challenges still remain due to evolving limitations in the sector. The Stabex Performance Report (2021) identified struggles with liquidity problems, untimely submission of financial reports, delays in accountability for disbursed funds, and misuse of institutional resources as well as equipment. Furthermore, the report indicated that the company has suffered several attacks from armed thugs and robbers inflicting harm and pain on station staff, and loss of company equipment and products. To be able to address the challenges of the internal control environment, the study evaluated the internal control environment at Stabex fuels stations in Uganda.

1.3. Purpose of the Study

The study aimed to evaluate the internal control environment at Stabex fuel stations in central Uganda and address the challenges of the internal control environment at the fuel stations.

1.4 Objectives of the Study

The research study was guided by the following objectives

i) To assess the existing internal control environment at Stabex fuel stations.

ii) To examine the deficiencies in the internal control environment at Stabex fuel stations.

iii) To identify solutions for the deficiencies in the internal control environment at Stabex fuel stations.

1.5 Research Questions

i) What are the existing internal control environment at Stabex fuel stations?

ii) What are the deficiencies in the internal control environment at Stabex fuel stations?

iii) What could be the best suitable solutions to the deficiencies in the internal control environment at Stabex fuel stations?

1.6 Scope of the Study

1.6.1 Subject Scope

The study sought to evaluate the internal control environment at Stabex fuels stations. This study focused on the effectiveness of the existing internal control environment; the level of inventory management; and the internal control environment deficiencies at Stabex fuel stations.

1.6.2 Geographical Scope

The study was carried out at the Stabex fuel stations in central region of Uganda through which the fuel company delivers different fuels to the public. The central region includes the districts of Kampala, Wakiso, Mityana, Mukono, and Kawempe districts. The region was chosen because it has the largest number of fuels stations, 42% of the country's total sales volume are from the region and the region has been characterized by a series of fuel scandals relating to the energy sector (UBOS annual Statistical abstract 2021)

1.7 Significance of the Study

The results of the study may be beneficial to different people or sectors of the economy in different ways as highlighted below:

i) The findings of the study may provide valuable insights to management of fuel station companies to identify the various weaknesses in their current internal control environment and direct them on how to streamline operations and maximize profits, which is the primary objective of the business

ii) For the policy makers, the findings and recommendations may be useful in the development and strengthening of the existing policies and regulations in the energy sector.

iii) This study aims to help managers of fuel stations to allocate the necessary resources to implement the controls in the financial operations and administration in order to minimize industry risks at fuel stations

iv) The available literature suggests that internal control environment determines the operations of fuel companies/organizations. Therefore, the study may add more knowledge to the already existing literature on the internal control environment of fuel stations in developing countries

v) To the investors of fuel station companies, the findings of this study may provide valuable and informed insights on the state of affairs of their business investments and increase investor confidence in managerial stewardship of fuel station businesses in Uganda.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter contains the meaning and definition of an internal control environment, the nature, deficiencies and the measures that may be adopted to enhance internal control environment. In this regard, the researcher reviewed relevant empirical evidence in the body of literature related to the research topic.

2.1 Theoretical Review

The study was underpinned by the Agency theory developed by Jensen and Mecklin (1976) which form the basis of the concept of internal control environment. The Agency theory was further advanced (Alchian & Demsetz, 1982). The theory defines agency relationship as contract under which one or more persons (principals) engage another person (agent) to perform some services on their behalf which involves delegating some 6-decision-making authority to the agent (Meckling & Jensen, 1976). It is expected that the agent will continuously act in the best interest of the principle but the theory claims that conflicts are expected to arise when there is incomplete and asymmetric information between the principal and the agent in a company. In order to solve these conflicts, there should be more information disclosure which will be influenced by the control measures that are put in place.

The agency theory also advocates for the setting up of governance rules and incentives to align the behavior of managers to the desires of stakeholders (Kiel & Nicholson, 2003). Furthermore, an assumption of agency theory is that principals and agents act rationally and use contracting to maximize their wealth. A consequence of this assumption may be the moral hazard problem (Jensen & Meckling, 1976) indicating that in an effort to maximize their own wealth, agents may face the dilemma of acting against the interests of their principals. The theory was therefore relevant to this study as shareholders who are the owners

of the quoted companies have delegated the responsibilities of daily running of the companies to the management who act as their agents and hence great need for strong internal control environments to ensure shareholders and other stakeholders' interests are adequately safeguarded.

2.2 Internal Control Environment

The Committee of Sponsoring Organizations Framework (COSO, 2013) defines the control environment as a framework that enables people to carry out their duties effectively and efficiently through the establishment of standards and procedures that are designed to ensure that the organization's internal controls are suitable to meet the goals and objectives of the organization. The Committee of Sponsoring Organizations Framework (COSO) further illustrates the 5 most important components of an integrated approach to any company's internal control framework which include monitoring, ensuring checks and balances, information and communication, risk assessment, and the control systems. This integrated approach helps minimize the risks associated with failure to meet the goals.

Each organization must start by establishing its internal control environment. Aitaru (2017) contends that when it comes to implementing or improving internal control within an organization, the control environment is a pervasive factor that impacts all of the other aspects of internal control. Consequently, a poor tone at the top by the board of directors or executive management will likely hinder or damage the other components of internal control. According to Al-Rewashed (2017), management has the responsibility for devising, installing and supervising an adequate internal control environment. Any internal control environment regardless of its fundamental soundness may deteriorate if not reviewed periodically. The internal control environment must be under continuing supervision to determine whether prescribed policies are being interpreted properly and are being carried out, changes in operating conditions have made the procedures cumbersome, absolute or inadequate, and

effective corrective measures are taken promptly where deficiencies in the internal control environment may appear (Omar & Yussuf, 2021).

Kamau (2014) suggested the following important steps that should be considered for any effective controlling process to take place. These include organizing, planning, and making the decision implicit in the development of the plan; authorizing action to implement plans that have been agreed upon; maintaining custody and control over usage of resources acquired in accordance with the plan; designing and operating an information system to accurately record, summarize and report on all activities in order to provide necessary feedback on the result accomplished; and taking such corrective action as may be prompt by feedback on past action and results (Urquia, 2018). According to Mercer University (2016), a well-designed control environment consists of; establishment of standards of performance within the organization's overall strategic plan, measurement of actual performance, comparison of performance to standards, and to take corrective action. Corrective action is follow up to change work activities in order to bring them back to acceptable performance standards. Internal control environment comprises the plan of the organization and all the coordinated methods and measures adopted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operation efficiency and encourage adherence to prescribed managerial policies (Paraskevi, 2016).

Managers are responsible for establishing an effective control environment in their organizations. This is part of their responsibility over the use of organizational resources. Indeed, the top management's directives through their actions, policies and communications can result on a culture of positive control (Omar & Yussuf, 2021). It is essential to understand that a strong internal control environment is fundamental to control an organization, its purpose, operations and resources. To operate effectively and to attain its goals and

objectives, organizations should set and implement a well-designed internal control structure through policies & directives. According to Bubilek (2017), preliminary controls take place before operations begin and include policies, procedures and rules designed to ensure that planned activities will be carried out properly. For these assertions to be valid policies and procedures must exist to assure that the recording, processing, summarizing and reporting data in these financial statement accounts are consistent with assertions (Urquia, 2018). Likewise, weak policies and procedures will lead to poor internal control and likelihood of theft and wastage of inventory.

According to Nyonje and Nyambegera (2017), any internal control environment will only be strong if duties and responsibilities are segregated. The benefits of segregation are to reduce the risks of fraud, errors and manipulations in the business, to increases efficiency in the company's operations due to specialization and to facilitate supervision. Duties to be segregated are authority, recording, execution of duties, custody of the company's assets and systems development for computer operations (Cheptoo & Memba, 2017). Duties should be divided to reduce the possibility of any person both perpetrating and concealing errors or irregularities in the normal course of his or her duties. Segregation of duties is achieved by assigning different people the responsibilities of authorizing transactions, recording transactions, and maintaining custody of assets. Al-Rawashdeh (2017) asserts that one of the important steps that would be considered for any good controlling process to take place is authorizing action to implement plans that have been agreed. All transactions must be authorized and approved by the right/responsible officer. This is aimed at preventing frauds and safeguarding of the company's assets. It is also aimed at streamlining the flow of authority to avoid bureaucracy and conflicting authorized activities.

Control over the company's personnel in form of organization chart will define duties and responsibilities of each of the staff. This attribute helps to avoid duplication of effort & conflicting duties, facilitate delegation of duties and to harmonize operations in the business (Cheptoo & Memba, 2017). However, too much responsibility given to a few individuals may result in errors because of excessive workload. Also a concentrated authority might create a climate in which irregularities are more likely to occur and diminish the chances of such irregularities being detected (Paraskevi, 2016). To protect assets and ensure that the employees follow the prescribed procedures, good record keeping is required. Reliable records are also a source of information that management uses to monitor the operations of the organization. Numerous forms and internal organization papers must be designed and properly used to maintain good internal control. Kamau (2014) stated that the accounting system consists of the accounting records (ledgers and journals) and the supporting documents (invoices, sales orders and checks). For certain types of entities, the most significant part of the accounting system is the part that processes the purchases of merchandise, for others, the most significant is the part that processes pay roll transactions (Tsehaye, 2016). The data for all the transactions prior to the purchase and after the payroll must also be documented as it forms part of the supporting documents. This data is then summarized and the ensuing reports are used for controls purposes.

An internal audit is a crucial function of the internal control environment since it provides a means of surveying the effectiveness of and adherence to the prescribed procedures. On the other hand, one of the most important step in controlling organizational activities as stated by Nyonje and Nyambegera (2017) is designing and operating an information system to accurately record, summarize and report on all activities in order to provide necessary feedback on the result accomplished. It is through this report of activities on the past activities that will prompt institution of corrective actions (Tsehaye, 2016).

2.3 Nature and Scope of Internal Control environment

Internal control consists of five integrated components and principles representing the fundamental concepts associated with each component (Aramide & Bashir, 2015). These principles are drawn directly from the components. A business can achieve effective internal control by applying all principles. All principles apply to operations, reporting and compliance objectives. According to Abdulkadir (2014) defined the control environment as the tone of an organization and the way it operates. Kamau (2014) further says that it concerns the establishment of an atmosphere in which people can conduct their activities and carry out their control responsibilities effectively. It is a product of management's governance that is its philosophy, style and supportive attitude, as well as the competence, ethical values, integrity and morale of the people of the organization. The control environment encompasses the attitudes and actions regarding control. The board of directors and senior management establish the tone at the top regarding the importance of internal control including expected standards of conduct. Management reinforces expectations at the various levels of the organization (Aramide & Bashir, 2015). The control environment comprises the integrity and ethical values of the organization; the parameters enabling the board of directors to carry out its governance oversight responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals; and the rigor around performance measures, incentives, and rewards to drive accountability for performance (Omar & Yussuf, 2021).

Risk assessment entails identification and prioritization of objectives, the identification of risks and assessment of their likelihood and impact (Aitaru, 2017). Consequently, COSO (2013) define risk assessment as the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives. Risks to the achievement of

these objectives from across the entity are considered relative to established risk tolerances (Lauren, 2016). Therefore, risk assessment forms the basis for determining how risks will be managed. A precondition to risk assessment is the establishment of objectives, linked at different levels of the entity. Management specifies objectives within categories relating to operations, reporting, and compliance with sufficient clarity to be able to identify and analyze risks to those objectives. Management also considers the suitability of the objectives for the entity. Risk assessment also requires management to consider the impact of possible changes in the external environment and within its own business model that may render internal control ineffective (Bett & Memba, 2017).

Control activities are the policies and procedures that assist in ensuring that management directives are successfully implemented. They provide the means to address the various risks that may hinder the achievement of the organization's objectives. In essence, control activities are established in response to perceived risks (Tsedal, 2015). In addition, control activities occur throughout the organization, at all levels and in all functions and include at least the followings: approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties (Paraskevi, 2016). Control activities are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various stages within business processes, and over the technology environment. They may be preventive or detective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews (Tsedal, 2015). Segregation of duties is typically built into the selection and development of control activities. Where segregation of duties is not practical, management selects and develops alternative control activities (Ibrahim, Diibuzie & Abubakari, 2017).

Information and communication: refers to the process of identifying, capturing, and communicating of relevant information in an appropriate manner and within timeframe in order to accomplish the financial reporting objectives (Bubilek, 2017). However, effective communications should occur in a wider sense with information within the various sections of the organization (Ndalahwa, 2018). COSO (2013) states that information is necessary for the entity to carry out internal control responsibilities to support the achievement of its objectives. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control. Communication is the continual, iterative process of providing, sharing, and obtaining necessary information. Internal communication is the means by which information is disseminated throughout the organization, flowing up, down, and across the entity. It enables personnel to receive a clear message from senior management that control responsibilities must be taken seriously. External communication is twofold: it enables inbound communication of relevant external information, and it provides information to external parties in response to requirements and expectations.

According to Al-Rawashdeh (2017), to ensure the reasonable assurance regarding achievement of the organizations objectives, the monitoring process should be performed to evaluate and assess the internal control environment to ensure that the procedures are consistently applied over an extended period of time. Kamau (2014) believes internal audit is part of monitoring internal control environment. Managers should promptly evaluate findings from audits and other reviews, including those showing deficiencies and recommendations reported by auditors and others who evaluate agencies‟ operations, to determine proper actions in response to findings and recommendations from audits and reviews. Mercer University (2016) refers monitoring as the process of assessing the quality of a system's performance over time. On an on-going basis, staff should evaluate the various systems of the

internal control environment and updates/modifies/enhances where needed. Any discovered deficiencies are addressed immediately and added to the overall systems of internal control environment. Ongoing evaluations, built into business processes at different levels of the entity, provide timely information. Separate evaluations, conducted periodically, will vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations. Findings are evaluated against criteria established by regulators, recognized standard-setting bodies or management and the board of directors, and deficiencies are communicated to management and the board of directors as appropriate.

Although a system's fundamental soundness can be maintained, it can deteriorate if not regularly reviewed. This is because various factors such as changes in the operating conditions and the interpretation of policies can affect the effectiveness of the system. According to Mohammad Manasseh (1990), internal auditing is a process that involves assessing the activities of a company's management to improve the operational efficiency. The scope of internal audit includes the examination of the various aspects of a company's accounting system. Aside from the regular functioning of the system, it also focuses on the areas of concern and the changes that affect the effectiveness of the system.

2.4 Inventory Management in the internal control environment

Various types of inventory in stock of current resources will be very prominent in the balance sheet of any business (Okumu & Bett, 2019). These include stocks of raw materials, work-in progress, finished goods and supplies such as stationery. Though inventories are idle resources, they play a major role of smoothening out business activity thereby enabling the business to be flexible in purchasing, operations and marketing (Melanie, 2018). Kimani and Ndeto (2021) noted that a retailer’s inventory could represent over 25% of the assets. This implies committing huge amounts of business resources in idle stocks thus successful inventory management will be mandatory for survival of the business. Inventories are an

essential investment with clear benefits that a business cannot afford to ignore (Elbana, 2018). However, investment in inventories involves costs. Total inventory costs are classified as ordering (set up) costs and carrying costs (Priniotakis & Argyropoulos, 2019). Ordering costs include administrative costs in preparing and dispatching orders, communication with suppliers, placing orders into warehouses etc. These are costs incurred right from the time the orders of inventories are placed to when the order is actually received and placed in the business premises (Joseph, Omodero & Okezie, 2019).

Normally, the ordering costs per order decrease with increase in the size of the order due to the economies of scale and vice versa. Clara (2018) asserts that carrying costs are expenses incurred to keep the inventories in the business, from the time of receipt to the time they enter production or marketing functions. They include storage costs; opportunity cost of funds tied up in inventories; losses due to demurrage, pilferage or other causes of damage; risk that the inventory will become obsolete; and lighting, security, insurance, heating and other charges needed to maintain the value of the inventory (Okumu & Bett, 2019). These costs increase as more inventories are maintained. For instance, Stabex Uganda Limited will store petroleum inventories in huge tanks at its depot. Due to high price of petroleum products, huge sums of funds will be tied up and insurance for the product will be necessary. Losses due to pilferage and leakages will be inevitable. According to Kimani and Ndeto (2021), inventory management involves acquiring the inventory, selling it and collecting the sales proceeds smoothly. Poi and Ogonu (2019) identified optimal inventory level involves trade-off between carrying costs and order costs, carrying costs involves storage costs and tied up capital cost, inventory level decrease when storage/interest costs increase and inventory level increase when restocking costs increase, and inventory level is not directly proportional to sales as the features of inventory management.

In general, the level of inventory should always depend on the forecast of sales which like any other forecast is subject to uncertainty. Priniotakis and Argyropoulos (2019) note the basic goal of inventory management as minimizing the sum of carrying costs and the restocking costs (or shortage or ordering costs). In regard to managing stock-outs, stock-outs demonstrate a failure in inventory management and can be very expensive to a business due idle resources and loss of sales. In any business, stock outs should be avoided by all means. According to Poi and Ogonu (2019), accelerated demand, extended lead time and a spurt in demand coupled with delivery delay as the conditions that contribute to stock-outs after a replenishment order has been placed. The most used approach in attaining the goals of inventory management is the Economic Order Quantity (EOQ) analysis which used the EOQ model. The size of order that minimizes the total inventory cost while assuring liquidity to the business is called the Economic order quantity (Joseph, et. al., 2019). The EOQ model assumes that the rate of usage (demand) of the product over the planning period is known with certainty and is constant; the inventory is replenished periodically over the time; ordering costs per order are known with certainty and fixed; and carrying costs per unit of inventory are known with certainty and are fixed (Coyle, Bardi & Langley, 2018).

In practice, these assumptions are not realistic and attainable. There is thus a risk of running out of supplies created by variations in the usage rate & replenishment lead-time. Kimani and Ndeto (2021) state that the way to avoid running out of stock is to hold a buffer supply (safety stock) beyond the amount consumed by average usage during and average lead time. This involves determining a safety stock level that balances the opportunity cost of stock-outs against carrying costs for the extra stock in storage. In regard to minimizing wastage, wastage in inventory especially petroleum products will refer to losses due to Pilferage, leakages, spillages and evaporation (Elbana, 2018). Good inventory management through internal control environments will ensure that these losses are minimized. Wastage is classified under

the carrying cost in inventory management. Other carrying costs include space, insurance, and opportunity cost of holding inventory (Okumu & Bett, 2019). However, for an ideal quantity of inventory, the latter three will be more or less like fixed costs. This leaves the losses due to spoilage, and theft as the controllable variable of the carrying cost. Internal controls will ensure that these losses are minimized or eliminated altogether.

Fuel stations are considered as industries because they have hazardous emissions and should therefore adhere to strict internal control environment and should be properly regulated. The challenges within business establishments in oil and gas sector are largely caused by weaknesses in the internal control environment. (U.S. Department of Energy, 2014). An independent review and evaluation of a fuel stations operations can be performed on a periodic basis. This process can be carried out through a variety of methods, such as self-assessment, financial reviews and operational performance. Besides addressing specific processes, self-assessments should also consider the various aspects of an organization's operations and should be in line with a petroleum company's bylaws and constitution. The frequency of a petroleum company self-assessment should also be based on the results of its risk assessment process and an independent review can additionally be conducted on an organization's operations by external auditors, internal auditors, and consultants (U.S. Department of Energy, 2014). These types of reviews should not be considered substitutes for regular self-assessments like stock counts and cash counts. The evaluation and approval of the internal control environment is a mandate of the Board of Directors and management is entrusted with the responsibility to implement the approved procedures from the board (Douglas 2011).

2.5 Internal Control Environment Deficiencies

In the real world, a perfect internal control environment does not exist. However, implementing proper procedures and policies can be hindered by the size of the staff. This

issue can also prevent the implementation of effective controls. Human error and misunderstandings are some of the factors that can affect the effectiveness of a control environment. To improve the operations of the organization, employees are encouraged to take advantage of their earned vacation time. This will allow them to avoid experiencing fatigue and stress (Paraskevi, 2016). No matter how well the internal controls are designed, they can only provide a reasonable assurance that objectives will be achieved. Some limitations are inherent in the internal control environment met (Bubilek, 2017). Kaufman (2019) pointed out that the effectiveness of controls will be limited by decisions made with human judgment under pressures to conduct business based on the information available at hand. Kamau (2014) contends that even well designed internal controls can break down. Employees sometimes misunderstand instructions or simply make mistakes. Errors may also result from new technology and the complexity of computerized information systems.

On the other hand, Abdulkadir (2014) high level personnel may be able to override prescribed policies or procedures for personal gains or advantages. This should not be confused with management intervention, which represents management actions to depart from prescribed policies and procedures for legitimate purposes. According to Al-Rawashdeh (2017), control environment can be circumvented by employee collusion. Individuals acting collectively can alter financial data or other management information in a manner that cannot be identified by control environments. Kaufman (2019) also states that there is no such thing as a perfect control environment. Staff size limitations may obstruct efforts to properly segregate duties, which requires the implementation of compensating controls to ensure that objectives are achieved. According to Masanja (2018), a limitation inherent in any internal control environment is the element of human error, misunderstandings, fatigue and stress. Employees are to be encouraged to take earned vacation time in order to improve operations through cross training while enabling employees to overcome or avoid stress and fatigue.

2.6 Measures Adopted to Enhance Internal Control Environment

According to Uwingabiye. (2019), the scope of action of internal control must be defined. This is certainly the most important step, the one that will give internal control its backbone. Kamau (2014) provide a clear and comprehensive starting framework which comprise the geographical framework which enables to formalize the locations that will be included in internal control; activities or processes concerned, and families of risks that internal control will help to better control. The families of risks comprise financial risks that could cause the company to lose money, financial statement or reporting risks of anomalies in the accounts, incorrect accounting information, etc; compliance risks that could put the company in a situation where it does not comply with standards or laws; operational risks that may prevent the company from fulfilling its mission; personal health risks that may affect the physical or psychological health of people connected with the company; information security risks affecting the confidentiality, integrity and accessibility of information; image risks that can affect the company's reputation; and environment risks that may affect the environment (Masanja, 2018; Kinyua, 2016). Since internal control comes from the accounting field, it often covers at least the risks related to the financial statements (reporting).

Kaufman (2019) asserts that once the scope of action has been defined, it is necessary to list the activities or processes carried out by the company in order to identify the risks associated with each process. Activities vary from one company to another and it is essential to highlight the activities specific to each establishment. In other words, the level of detail in identifying activities must be appropriate and consistent across sectors. This is why it is necessary to define the right environment to identify the activities that are carried out, without falling into a list of micro-tasks (Bett & Memba, 2017). The risks to which the company is exposed mainly result from the activities carried out. The identification of risks can result in an immeasurable inventory of possible risks. Even if many risks can be envisaged, care must be

taken to remain close to reality. One solution is to start with situations already experienced by the company or in its sector of activity. In the context of internal control, the word control covers all the measures used to control a risk: control action, procedure, regulations, control software, tangible protection measures, among others (Mercer University, 2016). Based on its past experience and knowledge of its business sector, each company already has internal controls and effective procedures to control certain risks. It is important to identify them. Often, 90% of controls already exist but are not formalized. In front of each risk, it is therefore sufficient to identify the mitigation measures. In addition, controls of controls or surveillance of controls should be added here if they already exist (Muhunyo, 2018).

Not all risks are the same and not all companies are equally exposed to risk. It is then a question of assessing the risks, in relation to the reality of the company to define whether the mitigation measures are sufficient and whether controls need to be added. Even if this step is not mandatory and may seem time-consuming, establishing criticality makes it possible to sort risks according to their importance. This criticality takes into account the likelihood of a risk occurring and the impact if it does occur. Conversely, the risk of fraud for a business would have a critical impact but also has a high probability if no control measures are put in place (Kinyua, 2016). There are four possible strategies for dealing with risk when implementing internal control that is, avoid risk, reduce risk, transfer or share risk and accept risk. Documenting a mitigation measure should enable to reduce errors, clarify the responsibilities of employees, guarantee that controls are always carried out in a homogeneous manner, and ensure the continuity of the activity in case of absence of a collaborator (Muhunyo, 2018). The documentation must be adapted. It can be a simple checklist to a full set of rules, or an explanatory video. The important thing is to find the right form that will add value through its clarity.

In regard to segregation of duties, Al-Rawashdeh (2017) posits that segregation of duties is a basic, key internal control and one of the most difficult to achieve. At the most basic level, it means that no single individual should have control over two or more phases of a transaction or operation. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Segregation of duties make a deliberate fraud more difficult because it requires collusion of two or more persons, and make it much more likely that innocent errors will be found (Aitaru, 2017). Mercer University (2016) asserts that development of adequate physical control of assets should be established to secure and safeguard vulnerable assets. Such assets should be periodically counted and compared to control records. There is also need to identify risks so as to properly manage risks, you must first identify them. Once risks have been identified, they should be analyzed for their possible effect. Risk analysis generally includes estimating the risk's significance, assessing the likelihood of its occurrence, and deciding how to manage the risk and what actions should be taken (Ibrahim, Diibuzie & Abubakari, 2017).

Kamau (2014) suggests that there is need to correct errors promptly. This is because even well-designed internal controls can break down. Employees sometimes misunderstand instructions or simply make mistakes. However, errors detected at any stage of a process should receive prompt corrective action and be reported to the appropriate level of management. Written procedures serve various functions. They provide written notice to all employees of the company's expectations and practices; provide direction in the correct way of processing transactions; serve as reference material; and provide a training tool for new employees (Paraskevi, 2016). Written procedures also provide a source of continuity and a basis for uniformity. Without clear, written and current procedures, an internal control structure is weaker because practices, controls, guidelines and processes may not be applied consistently, correctly and uniformly throughout the agency (Bubilek, 2017).

According to Uwingabiye. (2019), reconciliations are often an underappreciated internal control. When performed correctly and routinely, they provide a powerful control to identify and correct errors on a timely basis (Ibrahim, Diibuzie & Abubakari, 2017). The reconciliation should be reviewed by a person outside of the reconciliation process and the reviewer should sign and date the reconciliation to signify that the review has been satisfactorily completed and any discrepancies resolved (Ndalahwa, 2018). On the other hand, Mercer University (2016) contends that when a significant process or transaction is performed within a company, there should always be another level of review and approval performed by an individual independent of the process. The reviewer should have the experience and knowledge to be able to identify errors and omissions. The approval should be documented to verify that a review has been done. Review and approval help to reduce uncorrected errors, irregularities and inaccurate or incomplete information in funds, accounts, and reports.

Likewise, adequate supporting documentation provides the hard evidence to properly verify that the appropriate processes and controls are being used. Mercer University (2016) proposed that employees should be properly trained and authorized to perform their duties. It is important to remember that training should be considered an ongoing process and staff training needs should be periodically evaluated to consider changes in business processes, technology, new laws and regulations, etc (Bubilek, 2017). According to Uwingabiye. (2019), performing a self-evaluation of internal control can help identify possible deficiencies before problems arise and will lead to the implementation of more effective controls. This self-evaluation can often be done by performing a walk-through which is simply the act of tracing a transaction through agency records and procedures. The walkthrough will help provide an understanding of process and control design, particularly with respect to controls that may help prevent or detect fraud, a determination of whether controls have been

designed effectively and actually placed in operation, and help identify points in the organizational processes where errors might occur (Ibrahim, Diibuzie & Abubakari, 2017).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter covers the various steps involved in conducting a research study. The chapter elaborates on the sampling methods used, the research design, the sample population, as well as the data collection tools and methods employed during the study

3.1 Research Design

The study adopted a cross sectional research design. A cross sectional design was considered appropriate in this research study because the researcher intended to conduct a research study on the internal control environment at a given point in time. The design is affordable, data on variables can be collected once, provides good controls, provides precision in the sampling process, provides researchers access to multiple outcomes and exposures and offers information for a descriptive analysis.

3.2 Study Population

According to the Stabex Uganda Annual Report 2021, there were 172 staff from 27 fuel stations in the central region. The responses from each station were provided by people from managerial positions including 3 departmental heads, 7 operations officers, 27 area station managers, 27 station supervisors and 108 station staff.

3.3 Sample Size

According to Kothari (2015), the sample size refers to a group of subjects that are selected from the general population and is considered a representative of the real population for that specific study. Whereas, a sample design is the framework that serves as the basis for the selection of a survey sample and affects many other important aspects of a survey as well. A sample size of the study was selected using the table for determining sample size developed by Krejcie and Morgan (1970). The sample of the study was 141. The unit of analysis was a

fuel station while the unit of inquiry where the company staff who included the departmental heads, operations officers, area station managers, station supervisors and station staff who provided the responses. These were selected because they are known to possess the required information for the study.

Table 3.1: Sample Size

Category	Target Population	Sample Size
Departmental heads	3	3
Operations officers	7	4
Area station managers	27	24
Station supervisors	27	24
Station staff	108	86
Total	**172**	**141**

Source: Stabex International Limited Organogram 2022/2023

3.4 Sampling design

Simple random sampling was used to select the departmental manager, operations officer, area station manager, station supervisor and station staff. This simple random technique is recommended by Tustin, et. al., (2005) because it gives each element in the population an equal chance of being selected and the results are more generalizable while the purposive technique was used to select respondents known to possess the required information for the study.

3.5 Data Sources and Data Collection Instrument

Primary data was the main source which was collected from staff using the questionnaire survey method. Data from the field were obtained through the use of structured self-administered questionnaire whereby, the questionnaires were distributed to the respondents to fill them and thereafter collected by the researcher. Responses to the questions were anchored

on a 5-point Likert scale ranging from; strongly disagree (1), disagree (2), not sure (3), agree (4) and strongly agree (5). The Likert scale was used because it makes the interpretation of data extremely easy, ease to implement, provides quantifiable answer options, can be used to analyze the rank of opinions and simple to respond to that is, respondents can understand the intent of this scale and quickly answer the question. A structured questionnaire was adopted for the study because it is an economical way of accumulating information, can be administered to large samples and is more useful and cheaper where repetitive information has to be collected at regular interval. Additionally, the tool does not permit much of variation, has greater validity, anonymity and provides flexibility in collecting information.

3.6 Validity and Reliability Tests

A close ended questionnaire was developed in harmony with the guidelines specified by Sekaran (2000). Validity of the instrument was obtained by talking to people who were knowledgeable and relevant to moderate the scales of the research instrument. Pre-testing of the scales was done through pilot samples from the respondents and were subjected to further analysis using the Content Validity Index (CVI). Depending on the results, some of the scales were re-phrased so as to attain the required measures. The researcher pre-tested for inter-item consistency reliability to ensure that there was consistency of respondent's answers to all items in the measure. Reliability of the instrument was ascertained using the Cronbach's coefficient alpha (Cronbach's alpha (α) 0.7) (Cronbach, 1946) test. In order to meet the acceptance standards, all alpha reliabilities (α) for all scales are expected to be above 0.7.

Table 3.2: Validity and Reliability Coefficients

Objectives	Items	CVIs	Alpha Values
To assess the existing internal control environment	41	.862	.863
To examine the deficiencies in the internal control environment	8	.831	.741
To identify solutions for the deficiencies in the internal control environment	10	.776	.783

Source: Primary data, 2023

The results in table 3.2 display the reliability indices or coefficients for all constructs used in the study. All alpha reliabilities (α) for all scales were above 0.7, ranging from 0.741 to 0.863 therefore meeting acceptance standards for research (Nunnally, 1978).

3.7 Measurements of the Research Variables

- Internal Control Environment was conceptualized according to control environment, financial control activity, information and communication, monitoring and audit functions and health, environment and safety basing on the items adopted from COSO framework (2013). The items were anchored on a 5-point Likert scale ranging from 1-strongly disagree to 5-strongly agree.
- Inventory management was measured according to managing stock-outs and minimizing wastage basing on the items adopted from Riggs (1987). The items were anchored on a 5-point Likert scale ranging from 1-strongly disagree to 5-strongly agree.

3.8 Data Processing and Analysis

The raw data from research instruments was organized, cleaned and edited to eliminate errors. Data cleaning was done by identifying incomplete, incorrect, inaccurate or irrelevant parts of the data and then replacing, modifying or deleting the dirty/coarse data. Data editing was done by reviewing and adjusting collected survey data so as to control the quality of the collected data. This was done immediately after the answered questionnaires are finished or handed back to the researcher. This was done to ensure that all the questions are answered and in case of errors or unanswered questions, they are identified, categorized and where possible revisited the respondents for completeness (Mugenda & Mugenda, 2003). Coding was done so that responses to open ended questions are classified into meaningful, exhaustive and representative categories for purposes of data entry and analysis. Data were acquired using a structured questionnaire which was closed ended. After obtaining

quantitative data, data were edited to remove any errors. This included data cleaning, editing, sorting, coding and entry.

A Statistical Package for Social Sciences (SPSS) and Excel was employed to tabulate the raw data and provide comparisons that ease the analysis. The excel program was used to develop the data file in line with the selected codes for the sample characteristics and variables in the tool. Then the data file was exported into an SPSS spread sheet to create a data set which was used to analyze the data. The two broad methods that were used to analyze quantitative data included descriptive statistics. In this study, descriptive analysis refers to the use of measures of central tendencies such frequencies and percentages during frequency tabulation and means and standard deviation during item means analysis. Frequency tabulation were used to present the results of the demographic characteristics of the respondents whereas, item mean analysis was used to establish the average level of agreement and disagreement of the respondents on the different items used to measure the different variables. To present the results of the study objectives, item mean analysis was used to present the results of the study objectives.

3.9 Ethical Considerations

Permission of the respondents was sought to conduct research involving them. This was done by seeking permission from the management of Stabex Uganda through an introductory letter from the university and allowing the respondents to choose to be a part of the study or not. Written or verbal informed consent from all respondents were sought before interviews were conducted and the purpose and objectives of the study were carefully explained to the respondents. The researcher took into consideration the privacy and confidentiality of the respondents by safe guarding the information of the respondents and providing explanation for the relevance of the information they provide as well as who it was shared with. The researcher ensured that there was anonymity of the respondents by requesting the respondents

not to provide their names, designations and contacts. Here the researcher designed the tools in such a manner that the respondents were not required to provide personal details. The major ethical problem in this study was privacy and confidentiality of the respondents. This is because the researcher had to gain access to staff lists and files which was an infringement on the privacy of the respondents. This however was the only way of constructing a sampling frame and generating a representative sample.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF RESULTS

4.1 Introduction

In this chapter a presentation and interpretation of the results of the study are provided. The presentation of the results begins with a presentation of the response rate, then a description of the results of the sample characteristics using frequency tabulation, followed by statistics that explain the objectives under study using item means.

4.2 Response Rate

The response rate according to the unit of analysis showed that out of the 141 questionnaires distributed during data collection, 128 respondents provided responses for the study, which resulted into a response rate of 90.8%.

4.3 Description of the Sample

To present sample characteristics for the respondents and stations, frequency tabulations were used to indicate variations of respondents based on gender, age group, tenure at the station and level of education. Whereas for the sample characteristics of the station variations were presented in regard to years of operation of the station, number of employee at the station and monthly sales turnover for the station. The sample characteristics were presented basing on the responses from the respondents as in the tables below.

4.3.1 Descriptive Characteristics of the Respondents

Frequency tabulations were used to present the results of the sample characteristics category distribution. Table 4.1 below presented the results:

Table 4.1: Descriptive Characteristics for Respondents

Gender	**Frequency**	**Percentage**
Male	72	56.3
Female	56	43.8
Total	**128**	100.0
Age Group	**Frequency**	**Percentage**
<25 yrs	5	3.9
26-35yrs	52	40.6
36-45yrs	41	32.0
46-55yrs	27	21.1
56 yrs and above	3	2.3
Total	**128**	100.0
Tenure at the Station	**Frequency**	**Percentage**
< 1 year	10	7.8
2 – 5yrs	48	37.5
6 –9yrs	37	28.9
10 – 13yrs	21	16.4
>14yrs	12	9.4
Total	**128**	100.0
Level of Education	**Frequency**	**Percentage**
Diploma	47	36.7
Degree	27	21.1
Masters	15	11.7
Postgraduate diploma	32	25.0
Professional qualification	7	5.5
Total	**128**	100.0

Source: Primary data, 2023

From the results, 56.3% of the respondents were male whereas 43.8% were female as shown in the table above. From the results it is clear that the male respondents were more in the sample compared to their female counterparts because most of the sample included blue collar level jobs most suited for male workers than female workers

According to the results in table 4.1 above, 40.6% of the respondents were in the 26-35 years age group, 32% were in the 36-45 years age group, 21.1% were in the 46-55 years age group, 3.9% were in the less than 25 years age group whereas, 2.3% were in the 56 years and above age group. This implies that the majority of the respondents were youths. The largest percentage for the respondents under the 26.35 years age group is explained by the fact that this age group is more actively involved with fuel station workforce and represents a significant segment of the customer base hence being valuable to the fuel stations target audience.

According to the results in the table above, the majority of the respondents had worked at the stations for a period of 2-5 years (37.5%). This is a common pattern in the fuel station franchise industry where employees consider this type of work as a stepping stone to better opportunities hence leading to a high number of employees with mid length tenures. On the other hand, 28.9% of the respondents had served at the stations for 6-9 years, 16.4% had a tenure of 10-13 years, 9.4% had worked for over 14 years, whereas 7.8% had a tenure of less than 1 year in service. The results show that the information was acquired from experienced staff who were knowledgeable about the internal control environment at Stabex Fuel Stations.

From the results above, the majority of the respondents (36.7%) were diploma holders, 25% were postgraduate diploma holders, 21.1% held degree qualifications, 11.7% were masters qualification holders and 5.5% held professional qualifications. The high percentage of the respondents who possessed diploma qualifications is explained by the fact that the minimum entry qualification for the company is a diploma, whereas the low percentage of those who possessed professional and other qualifications is explained by the fact that these are acquired as the staff grow in academics. Likewise, the results provide confirmation that information was acquired from respondents who possessed the ability to read and

process the contents of the questionnaire and thereafter provided the suitable answers. Therefore, data was collected from respondents who had the capability to provide the required information for the study.

4.3.2 Descriptive Characteristics for the Station

Frequency tabulation was used by the researcher to present years of operation, number of employees and monthly sales turnover for the station distribution as shown in table 4.2 below.

Table 4.2: Descriptive Characteristics for the Station

Years of Operation	**Frequency**	**Percentage**
0-1yrs	9	33.3
2-5 yrs and above	18	66.7
Total	**27**	**100.0**
Number of Employee	**Frequency**	**Percentage**
1-4	3	11.1
5-9	14	51.9
10-14	9	33.3
15 & above	1	3.7
Total	**27**	**100.0**

Source: Primary data, 2023

The results in Table 4.2 on years of operation distribution showed that 66.7% of the stations had been in operation for 2-5 years and above whereas, 33.3% had operated for 0-1 year. Regarding the number of staff at the stations, 51.9% of the stations had staff populations ranging between 5-9 employees, 33.3% had staff populations ranging from 10-14 employees, 11.1% had staff populations ranging between 1-4 employees while 3.7% of the stations had staff populations of 15 and above employees. The data shows that as stations mature with years of operation, they tend to employ more staff to facilitate their expansion and growth. Furthermore, the majority of the fuel stations at 51.9% have staff populations ranging from 5-9 personnel suggesting that the company strategy to maintain a moderately sized workforce to optimize operations.

4.4 Existing Internal Control Environment

The existing internal control environment was assessed according to General internal controls, financial controls, information and communication systems, monitoring and audit functions, health, environment and safety, and inventory management. Item mean results were generated to show the average response of the respondents on each item. The items were anchored on a 5 point Likert scale ranging between 1-Strongly Disagree (SD), to 5-Strongly Agree (SA). This is represented in table 4.3 to 4.8.

4.4.1 General Internal Controls

In regard to internal control environment as a measure of internal control environment, the respondents were asked to provide their level of agreement and disagreement in relation to internal control environment. The findings are shown in table 4.3.

Table 4.3: General Internal Controls

Items	Min	Max	Mean	SD
There is existence of required policies and procedures	1	5	3.81	.835
Work procedures are communicated to all staff	1	5	3.42	.771
Decisions are made collectively at the station	1	5	3.39	.790
Staff are assigned specific duties depending on job description	1	5	3.91	.820
Station managers balance and reconcile the daily sales.	1	5	3.82	.731
Personnel files are maintained for each staff	1	5	3.09	.697
Stabex has an accounting and financial management system	1	5	4.42	.789
Global mean			**3.69**	

Source: Primary data, 2023

The results in table 4.3 on the assessment of General internal controls revealed that Stabex had an accounting and financial management system (mean=4.42), staff were assigned specific duties depending on job description (mean=3.91), station managers balanced and reconciled the daily sales (mean=3.82) whereas, there was existence of required policies and procedures (mean=3.81). From the global mean results of 3.69, it is evident that the general internal controls at the stations was high although more needed to be done to ensure its effectiveness.

4.4.2 Financial Control Environment

The respondents were asked to provide responses on the level of financial control environment in regard to the internal control environment at Stabex. The findings are shown in table 4.4.

Table 4.4: Financial Control Environment

Items	Min	Max	Mean	SD
Transactions are recorded at all levels of operation	1	5	3.66	.635
Transactions are authorized by line managers	1	5	3.69	.788
A computerized accounting system is used at the station	1	5	3.51	.786
Pre-printed stationery for various operations is always available	1	5	3.61	.937
Source documents are assigned sequential reference numbers for tracking purposes	1	5	3.76	.835
Accounting entries are supported by appropriate documentation	1	5	3.64	.781
All accounting entries and supporting documentation are cancelled (Stamped PAID) to prevent reuse.	1	5	3.51	1.386
Global mean			**3.63**	

Source: Primary data, 2023

From the results on the evaluation of financial control environment in the existing internal control environment in table 4.4, the majority of the respondents were in agreement that source documents were assigned sequential reference numbers for tracking purposes (mean=3.76). there were variations in respondents' perceptions as indicated by the relatively high standard deviation. The mean score of 3,61 indicated that on average, the respondents agreed that preprinted stationery is mostly available although they notably had different opinions as indicated by the larger standard deviation

Furthermore, transactions were authorized by line managers (mean=3.69) and recorded at all levels of operations (mean=3.66), accounting entries were supported by appropriate documentation (mean=3.64), pre-printed stationery for various operations was always available (mean=3.61), a computerized accounting system was used at the stations (mean=3.51). All accounting entries and supporting documentation were cancelled (Stamped

PAID) to prevent reuse (mean=3.51). The data shows that this item has substantial variations in responses regard the cancellation of accounting entries and supporting documents as indicated by the relatively high standard deviation.

In line with the item mean results, the global mean results of 3.63 showed that the level of financial control environment at the stations was moderate and more needed to be done to improve financial control environment in the internal control environment.

4.4.3 Information and Communication Systems

In relation to information and communication systems of the internal control environment at the stations, the respondents were asked to provide responses on the level of information and communication systems at the stations. The findings are shown in table 4.5.

Table 4.5: Information and Communication Systems

Items	Min	Max	Mean	SD
The station periodically reviews system privileges and access controls	1	5	3.45	1.019
There are reliable and timely channels for communicating information	1	5	3.63	1.153
There are well established channels for whistle blowing	1	5	3.40	1.194
The station has effective information and technology systems to provide accurate information and reliable systems to employees and beneficiaries.	1	5	3.69	.988
Global mean			**3.54**	

Source: Primary data, 2023

The results in table 4.5 on the evaluation of the level of information and communication systems of the internal control environment at the stations showed that the stations had effective information and technology systems to provide accurate and reliable information to employees and beneficiaries (mean=3.69). There were reliable and timely channels for communicating information (mean=3.63). This indicates that stabex fuel stations optimize the use of technology to provide timely and reliable information communication channels for transparency and efficiency. With a mean score of 3.40, respondents held a moderately positive perception of the whistleblowing channels while the larger standard deviation of

1.194 indicated that respondents had significantly differing opinions about the accessibility and efficiency of these channels.

In support of the item mean results, the global mean results of 3.54 showed that the level of information and communication systems of the internal control environment at the stations was moderate which necessitated Stabex to find ways of enhancing information and communication systems at the stations.

4.4.4 Monitoring and Audit Functions

According to the study, respondents were asked to provide responses on the level of monitoring and audit functions of the internal control environment at the stations. The findings are shown in table 4.6.

Table 4.6: Monitoring and Audit Functions

Items	Min	Max	Mean	SD
Stations managers send reports to the head office every week.	1	5	4.03	.904
Findings from the provided reports have helped to improve operations	1	5	3.40	.800
Monthly internal audits are conducted to test internal controls and compliance	1	5	3.85	.704
Internal audits are conducted when there is a suspected loss of fuel or cash.	1	5	3.96	.843
Audit review reports are shared with all station managers to address audit queries.	1	5	3.15	.892
The internal audit department is sufficiently staffed	1	5	3.51	.712
Internal audit reports are produced regularly	1	5	3.05	1.104
Global mean			**3.56**	

Source: Primary data, 2023

The results in table 4.6 on the evaluation of the level of monitoring and audit functions of the internal control environment at the stations showed that stations managers sent reports to the head office regularly (mean=4.03), internal audits were conducted when there was a suspected loss of fuel or cash (mean=3.96), and the internal audit department was sufficiently staffed (mean=3.51). With a mean score of 3.85, it was evident that most participants believed that monthly internal audit exercises where regularly conducted while the low

standard deviation indicated fewer variations in opinion on this item hence suggesting that the employees generally agreed and recognized the significance of internal audit exercises

In agreement with the item mean results, the global mean results of 3.56 revealed a moderate level of monitoring and audit functions of the internal control environment at the stations which necessitated Stabex to make improvements on the same.

4.4.5 Health, Environment and Safety

In relation to health, environment and safety of the internal control environment at the stations, the respondents were asked to provide responses on the level of health, environment and safety at the stations. The findings are shown in table 4.7.

Table 4.7: Health, Environment and Safety

Items	Min	Max	Mean	SD
The station has adequate fire extinguishers	1	5	3.67	1.064
The fire extinguishers are in good working condition	1	5	3.37	1.278
Are "NO SMOKING", "NO NAKED LIGHTS" and "WHEN FILLING SWITCH OFF ENGINE" signs are adequately displayed	1	5	3.66	1.200
Smoking letters are less or equal to 6 characters	1	5	3.70	1.314
Smoking letters are printed in red	1	5	3.49	.975
Staff and third parties are covered for health insurance	1	5	3.44	1.223
Staff are equipped with first aid supplies and protection gear	1	5	3.67	.944
Global mean			**3.57**	

Source: Primary data, 2023

The results in table 4.7 on the evaluation of the level of health, environment and safety of the internal control environment at the stations showed that majority of the respondents agreed that smoking letters were less or equal to 6 characters (mean=3.70). Although the participants on average held a moderately positive opinion of smoking letters with less or equal to 6 characters, they showed considerably high differences in opinions as indicated by the high standard deviation (1.314)

Staff were equipped with first aid supplies and protection gear (mean=3.67), the stations had adequate fire extinguishers (mean=3.67), and "NO SMOKING", "NO NAKED LIGHTS"

and “WHEN FILLING SWITCH OFF ENGINE” signs were adequately displayed (mean=3.66). In support of the item mean results, the global mean results of 3.57 showed that the level of health, environment and safety of the internal control environment at the stations were moderate, which warranted the company to find ways of enhancing health, environment and safety of the internal control environment at the stations.

4.4.6 Inventory Management

According to the study, respondents were asked to provide responses on inventory management of the internal control environment at the stations. The findings are shown in table 4.8.

Table 4.8: Inventory Management

Items	Min	Max	Mean	SD
The station experiences stock outs at least once every month	1	5	2.03	.908
The station replenishes fuel only after a stock out.	1	5	2.63	.864
Product losses at the station are within the allowable industry limits	1	5	3.33	.778
All inventory and fixed assets (eg vehicles, computers, equipment) owned by the station are catalogued using a fixed assets register	1	5	3.68	.706
Procurement of inventories is carried out regularly	1	5	3.77	.714
Actual ordering of inventories is triggered by inventory dropping to a specified level.	1	5	3.40	.885
Inventory is ordered at the end of a predetermined time period	1	5	3.64	.723
The right amount of inventory is requisitioned when needed	1	5	3.87	.744
Inventory is delivered at the right place by the suppliers	1	5	3.74	.623
Global mean			**3.34**	

Source: Primary data, 2023

The results in table 4.8 on the examination of inventory management of the internal control environment at the stations showed that the right amount of inventory was requisitioned when needed (mean=3.87), procurement of inventories was carried out regularly (mean=3.77), inventory was delivered at the right place by the suppliers (mean=3.74), all inventory and fixed assets (eg vehicles, computers, equipment) owned by the station were catalogued using

a fixed assets register (mean=3.68), and inventory was ordered at the end of a predetermined time period (mean=3.64). and replenished fuel only after a stock out (mean=2.63).

On the other hand, it was not true that the stations experienced stock outs at least once every month (mean=2.03). However, the high standard deviation (0.908) suggested that there where high deviations in opinions among the participants regarding the frequency of stockouts.

In line with the item mean results, the global mean results of 3.34 showed that the level of inventory management of the internal control environment at the stations. were low which necessitated that the company comes-up with strategies of enhancing inventory management of the internal control environment at the stations.

4.5 Deficiencies in the Internal Control Environment

Item mean analysis was used to show the level of agreement and disagreement from the respondents for each item used to measure deficiencies in the implementation of internal control activities in internal control environment. The findings are shown in table 4.9.

Table 4.9: Deficiencies in the Internal Control Environment

Items	Min	Max	Mean	SD
Unethical behaviour of staff entrusted with organizational es	1	5	4.07	.531
Poor compensation/remuneration of employees	1	5	4.04	.878
Impunity for fraudulent behaviour	1	5	3.88	.930
The lack of harsh repercussion to punish fraudulent behaviour among staff	1	5	3.73	1.009
Pressure from colleagues and management	1	5	3.94	.795
Unnoticed misconduct	1	5	4.00	1.015
Inadequate internal control procedures and measures at Stabex	1	5	4.30	.835
Inadequate fraud control and prevention	1	5	4.03	.778
Global mean			**4.00**	

Source: Primary data, 2023

From the results on deficiencies in the implementation of internal control activities in internal control environment, the respondents revealed that some of the major challenges facing the implementation of internal control activities included; iinadequate internal control procedures

and measures (mean=4.30), unethical behaviour of staff entrusted with organizational resources (mean=4.07), poor employee compensation/remuneration (mean=4.04), inadequate fraud control and prevention (mean=4.03), and unnoticed misconduct (mean=4.00). The results further showed that pressure from colleagues and management (mean=3.94), impunity for fraudulent behaviour (mean=3.88), and lack of harsh repercussion to punish fraudulent behaviour among staff (mean=3.73) were the other deficiencies challenging the internal control environment. From the global mean results of 4.00, it is clear that the challenges identified by the respondents strongly affected the internal control environment at the stations.

4.6 Measures to Improve the Internal Control Environment

The respondents were asked to provide information on the suggestions that could be used to improve the internal control environment at the stations. In order to analyze the strategies to improve the internal control environment at the stations, item mean results were generated to show the average response of the respondents on each item. The items were anchored on a 5 point Likert scale ranging between strongly agree, agree, not sure, disagree and strongly disagree. The findings are presented in table 4.10.

Table 4.10: Measures to Improve the Internal Control Environment

Items	Min	Max	Mean	SD
The scope of action of internal control should be defined.	1	5	3.79	1.008
Listing of the activities/processes should be carried out to identify process risks	1	5	3.57	1.144
Sufficient risk mitigation measure (avoid, reduce, transfer/share & accept risk) should be put in place	1	5	3.78	1.191
Risk mitigation measures are documented to reduce errors	1	5	3.72	1.172
There should be emphasis on segregation of duties during internal control	1	5	3.82	1.202
There is need to correct errors promptly.	1	5	3.74	.836
Written procedures provide a source of continuity and a basis for uniformity.	1	5	3.63	.887
Reconciliations should be done to correctly and routinely.	1	5	3.78	1.073
Reviews should be done at all levels of internal control	1	5	3.85	.908
Approval should be performed by staff independent of the process	1	5	3.42	1.144
Global mean			**3.71**	

Source: Primary data, 2023

From the results on the suggestions to improve the internal control environment at the stations, the majority of the respondents suggested that reviews should be done at all levels of internal control (mean=3.85), emphasis should be put on segregation of duties during internal control (mean=3.82), proper definition of the scope of action of internal control (mean=3.79) and ensure correct and routine reconciliations (mean=3.78). Also suggested by the respondents were putting in place sufficient risk mitigation measure (avoid, reduce, transfer/share & accept risk) (mean=3.78), correct errors promptly (mean=3.74) and documentation of risk mitigation measures to reduce errors (mean=3.72). Others were having well written procedures to provide a source of continuity and a basis for uniformity (mean=3.63) and listing of the activities/processes so as to identify process risks (mean=3.57). The global mean results of 3.71 provide justification that the suggestions provided were vital in improving the internal control environment at the stations. The standard deviation results provided a summary measure of the responses of each observation from the mean where by the respondents' observations did not vary greatly from the means.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion, conclusions, and recommendations arising out of the research findings in chapter four and suggests areas for further study.

5.2 Discussion of Findings

5.2.1 Existing Internal Control Environment

The findings showed that the level of the internal control environment at the stations in regard to financial control environment, information and communication systems, monitoring and audit functions, health, environment and safety, and inventory management was moderate. According to Abdulkadir (2014), the financial control environment is crucial for ensuring the efficient and secure management of financial transactions, cash handling, and overall financial operations. This control environment helps prevent fraud, errors, and mismanagement of funds, protecting the interests of both the petrol station owners and customers. By implementing a robust financial control environment, petrol stations can reduce the risk of financial losses, fraud, and errors, contributing to the overall success and sustainability of the business. Alamye (2021) showed that information and communication systems play a crucial role in managing various aspects of the business, enhancing efficiency, and ensuring a smooth operation. Therefore, effective implementation and integration of information and communication systems help stations operate efficiently, enhance customer service, manage inventory effectively, and maintain a secure environment for both staff and customers.

Al-Rawashdeh (2017) contended that monitoring and audit functions are essential components of the overall management and control framework. These functions help ensure compliance with internal policies, industry regulations, and legal requirements while

safeguarding assets and preventing fraud. By incorporating robust monitoring and audit functions, stations can identify and address potential issues promptly, improve efficiency, safeguard assets, and maintain compliance with relevant regulations. These functions also instill confidence among stakeholders, ensuring the petrol station's overall success and reputation. According to Aramide and Bashir (2015), health, environment, and safety (HSE) are of utmost importance in fuel stations due to the presence of hazardous materials, the potential risks associated with fuel handling, and the need to protect both employees and customers. Fuel stations must adhere to strict regulations and implement comprehensive HSE programs to ensure the well-being of all stakeholders. By prioritizing health, environment, and safety measures, petrol stations can create a secure and responsible operating environment, protect the surrounding community and environment, and ensure the well-being of everyone involved.

In regard to inventory management, Coyle, Bardi and Langley (2018) revealed that it was critical for ensuring efficient operations, maintaining adequate stock levels, and preventing fuel shortages or overstock situations. Effective inventory management helps optimize costs, reduce losses, and improve customer satisfaction. By implementing effective inventory management practices, petrol stations can operate smoothly, reduce fuel losses, minimize the risk of stock-outs, and enhance customer satisfaction by ensuring a consistent fuel supply. In line with the findings, Kimani and Ndeto (2021) suggest that examining the existing internal control environment at fuel stations is crucial to ensure proper management, compliance with regulations, and safeguarding assets. According to Joseph, Omodero and Okezie (2019), internal controls such as policies, procedures, and practices are put in place by fuel stations to mitigate risks, prevent fraud, and ensure accurate financial reporting. By thoroughly examining the internal control environment at fuel stations, potential weaknesses can be

identified, and appropriate measures can be implemented to strengthen controls, safeguard assets, and ensure the fuel station's efficient and compliant operations.

5.2.2 Deficiencies in the Internal Control Environment

The findings on the challenges in managing the internal control environment showed that the proposed challenges had a strong effect on internal control activities at the stations. Some of the identified deficiencies in the internal control environment were inadequate internal control procedures and measures, unethical behaviour of staff, poor employee compensation/remuneration, inadequate fraud control and prevention, and unnoticed misconduct among others. In support of the findings, Alamye (2021) showed that examining deficiencies in the internal control environment is essential to identify areas of weakness or vulnerability. By recognizing deficiencies, fuel station management can take corrective actions to strengthen internal controls and mitigate risks. In line, Aitaru (2017) identified lack of segregation of duties, inadequate cash controls, weak inventory management, non-compliance with regulations, lack of internal auditing, inadequate access controls, ineffective monitoring and surveillance as some of the deficiencies facing the internal control environment of fuel companies. On the other hand, Kimani and Ndeto (2021) identified weak employee training, poor reporting and communication channels, lack of fraud prevention measures, ineffective risk management, non-adherence to standard operating procedures as some of the challenges facing the internal control environments of fuel companies.

5.2.3 Measures to Improve the Internal Control Environment

The findings on the measures proposed to improve the internal control environment at fuel stations should be applied at Stabex and benchmark other fuel companies. From the findings, some of the suggestions proposed were that continuous reviews at all levels of internal control, segregation of duties, proper definition of the scope of action and ensure correct and routine reconciliations among others. In line with the findings, according to Alamye (2021),

improving the internal control environment at fuel stations is crucial for safeguarding assets, preventing fraud, ensuring compliance, and enhancing overall operational efficiency. In support, Poi and Ogonu (2019) showed that to address deficiencies in the internal control environment at fuel stations, management should conduct regular internal control assessments, implement corrective actions, and continuously monitor and improve controls to ensure the integrity, security, and efficiency of fuel station operations. According to Kimani and Ndeto (2021), it is essential to involve employees in the process and create a culture of strong internal controls and ethical conduct.

5.3 Conclusion

The findings showed that the level of the internal control environment at the stations in regard to internal control environment, financial control environment, information and communication systems, monitoring and audit functions, health, environment and safety, and inventory management was moderate. This warranted Stabex to find ways of improving the internal control environment at the stations. This is validation that there existed some level of internal control environment management at the stations. This is because station management provides an arena where the stakeholders of Stabex can help the stations become effective. Furthermore, the findings revealed that the challenges in managing the internal control environment were inadequate internal control procedures and measures, unethical behaviour of staff, poor employee compensation/remuneration, inadequate fraud control and prevention, and unnoticed misconduct among others. The management of Stabex should therefore identify the causes of these challenges and devise ways of addressing them as this would greatly impact on the effectiveness and efficiency of the internal control environment at the stations in the long run.

5.4 Recommendations

- The management of Stabex fuel stations should ensure clear segregation of duties to prevent conflicts of interest and minimize the risk of fraud. Different employees should be responsible for handling cash, recording transactions, reconciling sales, and managing inventory. This calls for the implementation of robust cash controls, including regular cash counts, secure storage of cash, and well-defined procedures for cash handling and reconciliation.
- The management of Stabex fuel stations should Improve inventory management practices by conducting regular fuel stock checks, implementing inventory controls, and reconciling fuel stock levels with sales records.
- The management of Stabex fuel stations should establish a robust internal audit function and engage external auditors to conduct periodic external audits to identify weaknesses in internal controls and provide recommendations for improvements.
- The management of Stabex fuel stations should strengthen access controls to restrict entry to sensitive areas, computer systems, and equipment. Access should be granted based on job roles and responsibilities. Install surveillance systems, such as security cameras, to monitor activities at the fuel station and deter fraudulent activities.
- Policy makers should Provide comprehensive training on internal controls, security protocols, and fraud prevention to industry players. Training helps the industry players to understand their responsibilities and potential risks.
- Investors should be vigilant in ensuring that fraud prevention measures, such as whistle-blower hotlines, fraud awareness programs, and fraud risk assessments, to proactively address potential threats in the companies and protect their

investments. This calls for the establishment of effective reporting and communication channels for management to report irregularities, concerns, or potential fraud anonymously and without fear of retaliation.

5.5 Limitations of the Study

i) The respondents withholding information due to fear of being victimized. However, the researcher convinced them that the information they provided was kept confidential.

ii) Unwillingness of the respondents to fill questionnaires. The researcher ensured that there were regular visits to the respondents followed with reminders to fill the questionnaires.

iii) Conducting the study was constrained by accessing the respondents given their nature of work, cooperation and time. This required the researcher to engage the respondents in a number of follow-ups in order to fill up the questionnaires.

iv) Some respondents were expected to lose or misplace the questionnaires. This increased operational costs as more questionnaires had to be photocopied in order to handle such cases, yet financial resources were inadequate.

v) The study questionnaire relied on data reported by individual staff respondents who could be potentially biased by pressures of the work environment and could have potentially be hesitant to provide accurate information resulting from the fear of penalization and reprimand

vi) The study did not focus on fuel station characteristics like size, location, special distribution e.t.c and this could make it difficult to fully exhaust the factors that contribute to the study findings

vii) The study focused at a relatively narrow point in time and did not assess changes in data over time to fully understand the trend in the internal control environment at stabex fuel stations over time

5.6 Areas for further study

The study acknowledges the fact that not all the internal controls at fuel stations have been fully exhausted. This emphasizes the need for future researchers to invest additional resources in research that explores the other aspects of the internal control environment at fuel stations in Uganda. These could include Vendor and Supplier Management, Data Security and IT Controls, Ethical Standards and Risk Assessment among others

The study acknowledges the fact that that an effective and efficient control environment is not only limited to internal controls but is also dependent on external factors. As such, there is need to conduct more research and explore the external control environment on fuel stations. These may include regulatory compliance, economic conditions, industry best standards and trends, legal and political environment among others.

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APPENDIX I

QUESTIONNAIRE

Dear respondent,

I am a student at Makerere University pursuing a Master of Energy Economics and Governance. I am researching on "An Evaluation of the Internal Control Environment at Stabex Fuel Stations in Central Uganda". Given your unique experience and position in Uganda's oil sector, you have been chosen purposely for the study. Your response is therefore very instrumental to the success of my project. Kindly assist by answering the following questions as honestly as possible. The data sought shall be purely for research purpose and will therefore be treated with anonymity and utmost confidentiality.

SECTION A: Personal Profile

Kindly tick (√) the appropriate answer option.

1. Gender

Male	Female

2. Your Age

<25yrs	26-35yrs	36-45yrs	46-55yrs	56yrs and above

3. How long have you worked at the station?

< 1 year	2 – 5yrs	6 –9yrs	10 – 13yrs	>14yrs

4. Your highest level of education

Diploma	Degree	Masters	Postgraduate diploma	Professional qualification	other

Section I (b): Station Characteristics:

Kindly tick (√) the appropriate answer option

5. Years of operation of the enterprise

0-1yrs	2-5yrs	6-10yrs	10yrs & above

6. Number of employees at the station

1-4	5-9	10-14	15 & above

7. Monthly sales turnover for the station

<5m	5-10m	>10m

Section B: Assessing the existing Internal Control Environment at Stabex fuel stations
Please indicate the extent to which you agree or disagree with the statements below
Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

1	**General Internal Control Environment**	**SD**	**D**	**NS**	**A**	**SA**
	There is existence of required policies and procedures	1	2	3	4	5
	Work procedures are communicated to all staff	1	2	3	4	5
	Decisions are made collectively at the station	1	2	3	4	5
	Staff are assigned specific duties depending on job description	1	2	3	4	5
	Station managers balances and reconciles the daily sales.	1	2	3	4	5
	Personnel files are maintained for each staff	1	2	3	4	5
	Stabex has an accounting and financial management system	1	2	3	4	5
i)	**Financial Control Environment**	**SD**	**D**	**NS**	**A**	**SA**
	Transactions are recorded at all levels of operation	1	2	3	4	5
	Transactions are authorized by line managers	1	2	3	4	5
	A computerized accounting system is used at the station	1	2	3	4	5
	Pre-printed stationery for various operations is always available	1	2	3	4	5
	Source documents are assigned sequential reference numbers for tracking purposes	1	2	3	4	5
	Accounting entries are supported by appropriate documentation	1	2	3	4	5
	All accounting entries and supporting documentation are cancelled (Stamped PAID) to prevent reuse.	1	2	3	4	5
ii)	**Information and Communication Systems**	**SD**	**D**	**NS**	**A**	**SA**
	The station periodically reviews system privileges and access controls	1	2	3	4	5
	There are reliable and timely channels for communicating information	1	2	3	4	5
	There are well established channels for whistle blowing	1	2	3	4	5
	The station has effective information and technology systems to provide accurate information and reliable systems to employees and beneficiaries.	1	2	3	4	5

iii)	**Monitoring and Audit Functions**	**SD**	**D**	**NS**	**A**	**SA**
	Stations managers send reports to the head office every week.	1	2	3	4	5
	Findings from the provided reports have helped to improve operations	1	2	3	4	5
	Monthly internal audits are conducted to test internal controls and compliance	1	2	3	4	5
	Internal audits are conducted when there is a suspected loss of fuel or cash.	1	2	3	4	5
	Audit review reports are shared with all station managers to address audit queries.	1	2	3	4	5
	The Internal audit department is sufficiently staffed	1	2	3	4	5
	Internal audit reports are produced regularly	1	2	3	4	5
iv)	**Health, Environment and Safety**	**SD**	**D**	**NS**	**A**	**SA**
	The station has adequate fire extinguishers	1	2	3	4	5
	The fire extinguishers are in good working condition	1	2	3	4	5
	Are "NO SMOKING", "NO NAKED LIGHTS" and "WHEN FILLING SWITCH OFF ENGINE" signs are adequately displayed	1	2	3	4	5
	Smoking letters are less or equal to 6 characters	1	2	3	4	5
	Smoking letters are printed in red	1	2	3	4	5
	Staff and third parties are covered for health insurance	1	2	3	4	5
	Staff are equipped with first aid supplies and protection gear	1	2	3	4	5

v)	**Inventory Management**	**SD**	**D**	**NS**	**A**	**SA**
	The station experiences stock outs at least once every month	1	2	3	4	5
	The station replenishes fuel only after a stock out.	1	2	3	4	5
	Product losses at the station are within the allowable industry limits	1	2	3	4	5
	All inventory and fixed assets (eg vehicles, computers, equipment) owned by the station are catalogued using a fixed assets register	1	2	3	4	5
	Procurement of inventories is carried out regularly	1	2	3	4	5
	Actual ordering of inventories is triggered by inventory dropping to a specified level.	1	2	3	4	5
	Inventory is ordered at the end of a predetermined time period	1	2	3	4	5
	The right amount of inventory is requisitioned when needed	1	2	3	4	5
	Inventory is delivered at the right place by the suppliers	1	2	3	4	5

Section C: Internal Control Environment Deficiencies

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

Implementation of internal control activities is challenged by;	**SD**	**D**	**NS**	**A**	**SA**
Unethical behaviour of staff entrusted with organizational resources	1	2	3	4	5
Poor compensation/remuneration of employees	1	2	3	4	5
Impunity for fraudulent behaviour	1	2	3	4	5
The lack of harsh repercussion to punish fraudulent behaviour among	1	2	3	4	5

staff					
Pressure from colleagues and management	1	2	3	4	5
Unnoticed misconduct	1	2	3	4	5
Inadequate internal control procedures and measures at Stabex	1	2	3	4	5
Inadequate fraud control and prevention	1	2	3	4	5

Section D: Measures to improve Internal Control Environment

Please indicate the extent to which you agree or disagree with the statements below

Key: 1=SD-strongly disagree; 2=D-disagree; 3=NS- not sure; 4=A-agree and 5=SA-strongly agree

Items	**SD**	**D**	**NS**	**A**	**SA**
The scope of action of internal control should be defined.	1	2	3	4	5
Listing of the activities/processes should be carried out to identify process risks	1	2	3	4	5
Sufficient risk mitigation measure (avoid, reduce, transfer/share & accept risk) should be put in place	1	2	3	4	5
Risk mitigation measures are documented to reduce errors	1	2	3	4	5
There should be emphasis on segregation of duties during internal control	1	2	3	4	5
There is need to correct errors promptly.	1	2	3	4	5
Written procedures provide a source of continuity and a basis for uniformity.	1	2	3	4	5
Reconciliations should be done to correctly and routinely.	1	2	3	4	5
Reviews should be done at all levels of internal control	1	2	3	4	5
Approval should be performed by staff independent of the process	1	2	3	4	5

Thank You