

**INTERNAL CONTROL AND PROFITABILITY OF FLORICULTURE
INDUSTRY: A CASE OF SELECTED FLOWER COMPANIES IN WAKISO
DISTRICT UGANDA**

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ABSTRACT

The study assessed the effects of internal controls and profitability of floriculture industry in selected flower companies in Wakiso District in Uganda. The study addressed the level of Internal Controls of floriculture industry in selected flower companies in Wakiso District Uganda; examined the level of Profitability of floriculture industry in selected flower companies in Wakiso District Uganda; and established the relationship between Internal Controls and Profitability of floriculture industry in selected flower companies in Wakiso District Uganda. It was hypothesized that there is no significant relationship between Internal Controls and Profitability of floriculture industry in selected flower companies in Wakiso District Uganda. The study used descriptive, cross sectional and correlation designs with both qualitative and quantitative approaches. 80 sampled respondents were selected and the tool used was a self administered questionnaire and interviews. The study found out that there was a moderate ($\bar{x} = 3.31$; $SD = 1.26$) level of Internal Controls applied in the floriculture industry among selected flower companies in Wakiso District Uganda. There was also a moderate ($\bar{x} = 2.98$; $SD = 1.09$) level of Profitability in floriculture industry among selected flower companies in Wakiso District Uganda. The study found ($r = .70$; $p = 0.00$) a strong and positive significant relationship between Internal Controls and Profitability of floriculture industry in selected flower companies in Wakiso District Uganda. The null hypothesis was therefore rejected and the alternative one was accepted that there is a significant relationship between Internal Controls and Profitability of floriculture industry in selected flower companies in Wakiso District Uganda.

Key words: Internal control, Profitability, Floriculture Industry, Wakiso District.

INTRODUCTION

Today fewer organizations are able to perform internal controls; they employ less people due to technological advancement and changing management techniques. Professional guidance highlights opportunities to strengthen overall control. The audit is acknowledging the importance of revised control criteria in achieving effective internal control (Armoar, 2001)

It was indicated that Thailand is one of the developing countries that has over 800 years (Henry & Attavitkamtorn, 2009) of fast growing economy and capital market in South East Asia. Thai Stock Market is the capital market for investors who always use a financial reporting of listed firms for decision management. All Thai listed firms need internal control efficiency and effectiveness to achieve the organizational major objective of profit maximization with a quality of work by employees accepted for their professional in accounting policies and practices. The reliability of financial reporting is affected by the internal control that plays roles in monitoring to safeguard the corporate culture and to increase organizational complexity (AICPA, 2003).

There is a wide range of flowers and plants produced in South Africa. There is a general perception that institution and enforcement of proper internal control systems will always lead to improved financial performance. It is a general belief within the firm that properly instituted systems of internal control improve the reporting process and also give rise to reliable reports, which enhance the accountability function of management of an entity. Nevertheless, available literature still alludes that in spite of elaborate system of controls in organizations, financial performance has been elusive in most of these organizations.

In Kenya, internal controls are a major part of managing financial institutions; that comprise the plans, policies and procedures, monitoring, information and communication. Internal control systems also serve as first line of defense in safeguarding assets and prevent and detect errors and fraud (Galloway, 2009). Internal control system is relevant when rules of conduct and honesty by the governing bodies are communicated to all staff. According to Galloway (2009), each of the office directors is responsible for establishing and maintaining systems of internal control system in their respective offices. This includes identifying potential risks, making internal control system evaluations, reporting results and implementing corrective actions for weaknesses identified.

Rose is the most important ornamental crop in Uganda. About 80% of exported flowers are roses. Rose growers have maintained strong internal control measures like monitoring and control activities but they are still facing difficulties in the profitability of most companies due to high day temperatures, power shortages, ambiguous land tenure system, inadequate infrastructure to support the businesses, limited air freight and transport facilities. Earning money with the small-flowered roses is already difficult due to declining demand and rising number of intermediaries. However, growers have tried to remain profitable with a strategy of high production and low costs which help to improve profit margin, net profit and return on assets (Kenya Flower Council, 2011).

The floriculture industry in Uganda is currently increasing in hectare which now stands at about 200 Hectares with more than 40 rose varieties as well as Chrysanthemums. (Ministry of Tourism Trade and Industry, 2008-2012). Despite the facts that floriculture industries in Uganda have internal controls in place a number of companies have failed to perform as expected by not reaching their profitability target. This is evidenced by

Rosebud Ltd which is located off Entebbe Road 15km from Entebbe Airport in Uganda where the Administration Manager (2014), revealed that the company has a 10% target to reach its objective, however Rosebud has experienced profitability fluctuations from 2010/2011, 2011/2012 and in 2012/2013. Xclusive cuttings is the newest and a family joint venture launched in 2003 but also experiences fluctuations on profitability not being consistent according to the Human Resource Manager (2014). Mairye Estate also experiences similar problems on profitability fluctuations according to Human Resource Manager (2014). It is due to this that the researcher sought to find out the effects of internal controls on profitability of floriculture industry in selected companies in Wakiso District Uganda.

Profitability of floriculture industry in Uganda has been fluctuating instead of envisaged profits which could affect growth in the sector (Susman, 2012). According to Kija (2013), there are flower farms that performed poorly on profitability which resulted to their closure.

Floriculture industry still struggles with the fluctuations on its profitability levels by not meeting the companies' target or objective. Despite the fact that most floriculture companies in Uganda adhere to internal controls practices, some of the firms have still failed to perform to the expectations (Uganda Flower Exporters Association, 2012). This is evidenced by Rosebud Limited which is among the largest flower exporter in Uganda and has a target of 10% profit annually but normally fails to meet the target due to profit fluctuations despite having internal controls in place and ready market for flowers, the fluctuations on profitability in 2010/2011 was 4% profit, in 2011/2012 it increased slightly to 6.5% profit and in 2012/2013 it reduced to 5.5% profit (Rosebud Ltd Administration Manager 2014). However, the problematic case is why are there fluctuations on profitability of selected floriculture companies in Uganda leading to not meeting the profitability targets put in place despite the availability of internal control measures in place. It is based upon this that the researcher seeks to find out if the fluctuations on profitability are affected by Internal Controls employed in floriculture industry.

A major problem that organizations face is that these objectives may not be met due to a miscellany of factors. These include, but not limited to: 1.Management override of internal control systems for the purposes of manipulating financial reporting, 2.Collusion by personnel to overcome controls, 3.Human error, and cost benefit considerations (Deshmukh, 2004).

Saona (2011) argues that efficient internal controls improves firm's profitability by increasing the amount of funds available for investment, while enhancing the quality of services provided for customers. Ojo (2010), explains that the important role of firms arises because, by facilitating the use of external finance, they assist in reconciling the financial interest of the deficit economic units, which save more than they invest, thereby generating reasonable income in the process. However, little is known about the internal controls and how it impacts on profitability of the floriculture industry in Wakiso district as most authors above propound.

METHODOLOGY

The study used descriptive, cross-sectional and correlation research designs with both qualitative and quantitative approaches. Descriptive design was applied to provide a narrative detailed account of data collected in nature of quantitative and qualitative approach.

The study used a self-administered questionnaire as well as the interview guide. There were 18 Floricultural Companies in Uganda (Ministry of Tourism Trade and Industry, 2008-2012). The study targeted 3 floricultural companies - Xclusive cuttings; Mairye Estate and Rosebud Limited, which are located in Wakiso District Uganda, have been in the industry for more than 5 years, had profitability fluctuations and were accessible.

Table 1:

Showing the Target population and Sample Size for each Company

Company	Category of respondents	Population	Sample size	Sampling method
Xclusive Cuttings	Management	4	3	Purposive
	Accountants	10	7	Purposive
	Procurement officer	2	2	Census
	Human resource	1	1	Census
	Supervisor	8	6	Purposive
	Stores manager	3	2	Purposive
	Cashier	2	2	Census
Mairye Estate	Management	5	4	Purposive
	Accountants	9	7	Purposive
	Procurement officer	6	4	Purposive
	Human resource	1	1	Census
	Supervisor	8	6	Purposive
	Stores manager	3	2	Purposive
	Cashier	2	2	Census
Rosebud Limited	Management	6	5	Purposive
	Accountants	9	7	Purposive
	Procurement officer	8	6	Purposive
	Human resource	1	1	Census
	Supervisor	6	5	Purposive
	Stores manager	8	6	Purposive
	Cashier	2	1	Purposive
Total		104	80	

Source: Human Resources of Xclusive Cuttings, Mairye Estate and Rosebud Ltd (2014)

The respondents were grouped into departments and purposive sampling technique was used to select respondents where census was not used. The respondents were grouped into Management, Accountants, Procurement officer, Human resource, Supervisor, Stores manager and Cashier. The researcher used census to select all the respondents in certain

categories given their small number since according to Newman (2000), when a population is too small, the researcher should consider all the respondents for the study.

The result from Table 4 indicates that male respondents were 51(64%) and female were 29(36%). In relation to age, 25(31%) of the respondents were aged between 40-49 years, followed by 20(25%) who were 50 and above years, whereas 19(23%) were aged between 30-39 years and 16(20%) were aged 20-29 years. With reference to the educational level, it was found out that 25(31%) of the respondents had a diploma, whereas 24(30%) had bachelor degrees, 16(20%) had masters and 15(19%) had certificates. As pertains to the level of management, it was revealed that 36(45%) of the respondents were in lower management, 35(44%) had middle management, and 9(11%) were in top management.

In relation to the department attached it was found out that 39(49%) of the respondents were attached to accounts and finance, followed by 32(40%) who were in the planning unit and 9(11%) were in administration. In reference to the number of years worked, it was revealed that 36(45%) of the respondents had served between 1-5 years, followed by 27(34%) who were in service between 6-10 years. 11(14%) had served between 11-15 years and 6(8%) had served 16 and above years.

In summary, it is clear that the majority of the respondents were male, aged 40 years and above with diploma education level, attached to lower level management mostly in the accounts and finance sections, and had served between 1-5 years.

The study used self-administered questionnaire, structured with only closed-ended questions because of the sensitivity of the topic. The questionnaire was administered to the respondents after getting official permission from the respective authorities in the Flower Companies.

Data collected through the questionnaire was processed by firstly editing in order to ensure consistence and uniformity of the questionnaire/interview guide, secondly coding for accuracy and completeness before analysis was carried out and was analyzed using SPSS (Statistical Package for Social Science). The data was analyzed according to the objectives of the research study. Data collected was tabulated to show the frequency and percentages of different variables involved in the study.

The researcher used descriptive statistic to analyze objective 1 and 2 for frequency count and percentages, while objective 3 was analyzed using Pearson correlation of moment analysis to establish the relationship between internal controls and Profitability. The hypothesis was tested using P-Value for example if the P-Value is less than the level of significance – 0.01 or 0.05 then the null hypothesis was rejected. However, if the P-Value is greater than the level of significance then the null hypothesis was accepted.

RESULTS AND DISCUSSION

Level of Internal Controls of Floriculture Industry

The specific variables investigated under the construct of internal controls included control environment, control activities, monitoring and risk assessment.

Table 2.

Level of Internal Controls

	$\bar{x}$	SD	Decision
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Control Environment	3.05	1.32	Moderate
Control Activities	3.57	1.03	High
Monitoring	3.46	1.24	High
Risk Assessment	3.16	1.25	Moderate
Grand Total $\bar{x}$ and SD	3.31	1.26	Moderate

Legend 1.00-1.79 Very low level, 1.80-2.59, Low level 2.60-3.39 Moderate level 3.40-4.19 High level 4.20-5.00 Very high

It was found out that there was a moderate level of internal controls among floriculture industry in selected flower companies in Wakiso District Uganda. The result shows ($\bar{x} = 3.31$; $SD = 1.26$) that respondents moderately agreed that the level of internal controls was moderate. This is a moderate mean and a highly distributed standard deviation from the mean on either side. This means that floriculture industry in selected flower companies in Wakiso District Uganda had moderate processes designed to help an organization to accomplish specific goals or objectives such as control environment, control activities, monitoring and risk assessment. In relation to the findings Van Horne (2002), notes that effectiveness of those internal controls can then be measured by how well the objectives are achieved and how effectively the risks are managed. More generally, Yeo and Neal (2004), disclosed that setting objectives, budgets, plans and other expectations establish criteria for control. They also added that control itself exists to keep performance or the state of affairs within what is expected, allowed or accepted. Therefore, control built within a process is internal in nature and it takes place with a combination of interrelated components such as; social environment affecting employee behavior, information necessary in control, and policies and procedures.

The interviews revealed that the organizations have internal controls in place; however, the effectiveness of the internal controls was questionable, since the floriculture industry is facing challenges with usage of the internal control. They noted that as much as the internal controls are in place, the industry is so fragile hence demands that some things be done without strictly following control environment, control activities, monitoring and risk assessment since they are to be done in emergencies. For instance, three of the accountants noted that:

Sometimes we have to purchase chemicals that are not in our budget for a given period due to outbreak of diseases. Such elements may not follow the necessary procedures of control activities and monitoring. Furthermore, the market also is too fragile, once a customer returns or rejects a flower it means bulk of it which is already exported will be waste. Such risks sometimes are not controlled. This simply shows that internal controls are in place but sometimes it is overstretched in usage.

In another situation the interviewees noted that internal control systems are affected by the organizational structure, work and authority flows, people and management information systems. In most cases the floriculture industries surveyed were started as family business and are owned by foreigners. As a result the top management

sometimes spends funds without clear accountability such as paying for their children's holidays and recess periods. In this regard, the organizations resources are directed to other things which were not budgeted for making internal controls difficult to ascertain.

Control Environment

The control environment ($\bar{x} = 3.05$ and $SD = 1.32$) revealed a moderate response which means that the floriculture industries were moderately aware of the job regarding the internal controls implemented in the firm. The findings had a low standard deviation which showed a fair distribution from the mean. The findings moderately support Jenny and Pamela (2006), who assert that a governing board and management enhance an organization's control environment when they establish and effectively communicate written policies and procedures, a code of ethics, and standards of conduct. They also enhance the control environment when they behave in an ethical manner creating a positive tone at the top and when they require that same standard of conduct from everyone in the organization.

Control Activities

The study found out that control activities ($\bar{x} = 3.57$ and $SD = 1.04$) was rated high. This means that the floriculture industries in Wakiso district use control activities which involves the policies, procedures and techniques that help ensure management's response to reduce risks. In other words, control activities are used for actions taken to minimize risk. The findings are in line with COSO (2004), which considers control activities as policies and procedures established to address risks and to achieve the entity's objectives. To be effective, control activities must be appropriate, function consistently according to plan throughout the period, and be cost effective, comprehensive, reasonable, and directly relate to the control objectives. Control activities occur throughout the organization, at all levels and functions. They include a range of preventive and detective activities for example; authorization and approval procedures, segregation of duties (authorizing, processing, procuring recording, receiving), controls over access to resources and records, verifications, reconciliations, reviews of operating performance, reviews of operations and activities, and supervision (assigning, review in and approving, guidance and training), among others.

Monitoring

Monitoring ($\bar{x} = 3.46$ and $SD = 1.24$) had a high rating. The results mean that the floriculture industries were aware of the state of a system in the firms in terms of segregation of duties, supervising activities in progress to ensure they are on-course and on schedule in meeting objectives and job rotations. This concurs with Magala (2001) and Lary (2009), who noted that monitoring is needed to ensure that planned administrative, operational and financial tasks and activities are carried out in a timely and proper manner such that set internal control objectives and organizational performance are achieved.

Risk Assessment

In relation to risk assessment, the findings in Table 5 shows ($\bar{x} = 3.16$ and $SD = 1.25$) a moderate risk assessment among the surveyed floriculture industries in Wakiso. The result implies that the floriculture industries in Wakiso moderately make a careful examination of what, in work, could cause harm to the organization especially given that flowers are delicate and if not monitored properly it can cause loss. The findings moderately concurs with Gleiling (2005), who noted that at the departmental level, goals and objectives should be classified in the following categories; operational, financial, and compliance objectives. A clear set of goals and objectives is fundamental to the success of an organization. Specifically, a department or work unit should have a mission statement, written goals and objectives for each significant activity (Manashe, 2000). Furthermore, goals and objectives should be expressed in terms that allow meaningful performance measurement (Gleiling, 2005). Similarly, to some extent the findings support Cochran (2000), who considers the identification of risks as important for the achievement of the organization objectives because an effective internal control system, no matter how well conceived, and operated, can provide only reasonable not absolute assurance to management about the achievement of an entity's objectives. He says that managers should determine what can go wrong, what areas have the most risk, what asset are at risk, and who is in a position of risk. The risks may include; public scandal, misuse of revenues, assets and personnel, and also the use of unreliable information for decision making.

Level of Profitability of Floriculture Industry in Selected Flower Companies

Table 3:

Level of profitability

	$\bar{x}$	SD
Profit Margin	2.96	1.03
Net Profit	3.02	1.25
Return on Asset	2.95	1.11
Grad $\bar{x}$ and SD	2.98	1.09

Table 3 presents levels of profitability among the floriculture industry in selected flower companies in Wakiso District Uganda. The study found out that there was a moderate level of profitability among the surveyed floriculture industry in selected flower companies in Wakiso District Uganda. The study revealed ($\bar{x} = 2.98$; $SD = 1.09$) that respondents moderately agreed that there is moderate profitability. This is a moderate mean and fairly distributed standard deviation from the mean in either side. The three indicators (profit margin, net profit and return on asset) that were investigated were all rated moderate of the organization's financial performance. This implies that the organization's profit after percentage of expenses is subtracted is moderate. Similarly, the amount that remains when each sales as net income after all expenses are paid and the efficiency of the organization on how it is managing the investment on assets and using the same assets to generate profit was moderate. The findings echoes those of Williamson (2006), who argues that the best measure of a company is its profitability since it includes the two major factors of financial performance that is maximizing revenues and

minimizing expenses and without it, it cannot grow, and if it doesn't grow, then its stock will trend downward.

In the interview with the management, it was noted that the profits have been fluctuating for the last three years. This was attributed to weather conditions, markets, valentines on week days and diseases that affect the flowers. They also pointed out that the tax that they pay for materials imported are too high thus affecting their profits whereas they bring revenue to the country. The interviews further indicated that the floriculture industry is so fragile with profits due to markets dynamics and the competitiveness in the flower industries. For instance two managers noted that:

In Uganda some floriculture industries are given incentives by the government so as to compete with neighboring countries, whereas some are not given. Like the 10 year tax holiday, a duty free tax holiday for capital equipment, raw material, exemption from withholding tax, value added tax, and stamp duty that are given to some of the organizations within Wakiso... which favors them over those that do not receive the tax holiday. In such situations it is difficult to compete and make profits when the tax paid is so high for the industry to give and yet still make profits.

On the other hand, lack of direct markets has been identified as the most outstanding problem affecting the profits among floriculture industry in Wakiso. The managers interviewed pointed out that:

Most of the flower exports were designed to supply Dutch flower auctions managed by Dutch growers. Due to stiff competition, the Dutch growers developed strategies to keep non-Dutch growers out of the market by under pricing their own products compared to the imports. The non-Dutch growers are naturally disadvantaged in terms of the grade and prices they obtain at the auctions. Moreover, imports have to pay a commission of 21 per cent on gross sales; whereas payments are made in Dutch guilders, loans are given in US dollars, and with currency rates fluctuating, losses are common.

In a similar vein they argued that:

Flower production is a labour-intensive activity since few production processes can be mechanized. This makes them to employ a lot of workers to handle the production and cultivation. The industry thus spends a lot of money towards their wages and salaries which affects the profits of the industry. Also price trends have been unfavourable for the Ugandan growers compared with others. Margins are narrowing and projected prices have not materialized. Flower production is increasing all over the world and has become a high-volume, low-margin activity, which affects profits of the organizations in one way or the other... Additionally, a large part of the profit does not stay in the country. The industry is characterized by a high amount of leakages.

One managing director noted that “We are handicapped in our negotiations for better pay because we have no tangible information about the profits made by the flower firms. The trade is done in Europe, so it's difficult to know the profit margin.”

Profit Margin

As pertains to profit margin Table 2 reveals ($\bar{x} = 2.96$ and $SD = 1.03$) a moderate profit margin response, with a low distribution of standard deviation from the mean. There was a moderate profit after percentage of expenses is subtracted among the surveyed floriculture industries. The gross profit margin ratio measures the relationship between gross profit and the sales revenues. If gross profit has not increased with sales revenue, this shows that there has been increased purchase cost, there are inventory write offs and there are other increased costs allocated to cost of sales.

Net Profit

In relation to net profit, the respondents indicated ($\bar{x} = 3.02$ and $SD = 1.25$) a moderate net profit, with a fairly wide distribution of the responses from the mean. The findings imply that floriculture industries in Wakiso moderately show how much remains when each sales dollar shows up as net income after all expenses are paid. The findings reflects the same view from many scholars that net profit margin measures profitability after consideration of all expenses including taxes, interest, and depreciation.

Return on Asset

Concerning the net profit level, the findings shows ($\bar{x} = 2.95$ and $SD = 1.11$) a moderate efficiency of the organization on how it is managing the investment on assets and using the same assets to generate profit, with a low standard deviation from the mean. It also means that lesser investments are needed in assets to make profits. In the industry, as a general rule, return on assets ratio below (5%) indicates that the company is asset heavy and return on asset ratio above (20%) indicates that the company is asset- tight. The ROA ratio is an indicator of how profitable a company is relative to its total assets, gives an idea as to how efficient management is at using it assets to generate earnings and shows how well a company controls its costs and utilizes its resources. This ratio is used to determine the amount of income each asset generates and it measures overall profitability from investment in assets. A high return on assets ratio indicates that the business is earning more money and investing less on assets.

Relationship between Internal Controls and Profitability

to establish the relationship between internal controls and profitability of floriculture industry in selected flower companies in Wakiso District Uganda, Pearson's correlation was applied.

Table 4:

Relationship between Internal Controls and profitability

		Profitability
Internal controls	Pearson Correlation	0.70 ^{**}
	Sig. (2-tailed)	0.00

Coefficient of determination	0.48
N	80

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

Table 4 shows a relationship between Internal Controls and Profitability of floriculture industry in selected flower companies in Wakiso District Uganda. In this case the study found out that ($r = 0.70$; $p = 0.00$) which shows a strong positive relationship between Internal Controls applied and profitability of floriculture industry in which selected flower companies were considered in Wakiso District Uganda. The findings mean that when the internal controls are strong then the profitability will also be strong. Internal controls are designed to provide reasonable assurance regarding the achievement of an organization's objectives in terms of effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations as reflected by Davison (2005).

A further analysis on determining the extent of the relationship of variables exist shows ($R^2 = .48 \times 100 = 48\%$) This means that internal controls can explain profitability of floriculture industry in selected flower companies in Wakiso District Uganda surveyed by 48.4%, whereas 51.6% can be explained by factors and variables that were not considered in this study. This means that the moderate internal control may also explain the moderate profitability by 48%. The findings are in line with the audited reports which show that the companies were not doing well for the last three years in terms of profitability as they have kept on fluctuating now and again without meeting the proposed targets of the floriculture industry as is the case of selected flower companies in Wakiso District Uganda. In the interview with the management it was pointed out that the floriculture industry is one of the hardest industries since its profits are based on a number of things such as weather conditions, valentines on week days, diseases, and markets. Thus, the internal controls sometimes fail to account for the profits due to demands of what is planned or unplanned.

The study further explored the contribution of the internal control variables towards profitability of floriculture industries in Wakiso District Uganda.

Table 5:
Contribution of Each Internal Control Variables towards Profitability

Model	Unstandardized Coefficients	Standardized Coefficients	Sig.
	B	Beta	

(Constant)	4.96		.00
Control Environment	.14	.08	.00
Control Activities	.25	.19	.00
Monitoring	.17	.12	.00
Risk Assessment	.11	.09	.00
a. Dependent Variable: profitability			

Table 5 gives important information, where the researcher was able to look at the b , beta and significance of the four predictors separately. The first column gives the category of the three predictor variables. The variable labeled 'constant' is the intercept, or a . The second column shows b coefficients, the value that Y will change if X changes by 1 unit. The researcher considered the beta value and significance value to explain the model where, control environment is significant at ($b = 0.08$; $p = 0.00$), control activities is significant at ($b = 0.19$; $p = 0.00$), monitoring is significant at ($b = 0.12$; $p = 0.00$) and risk assessment is significant at ($b = 0.09$; $p = 0.00$).

The model shows that control environment, significant at ($b = 0.08$; $p = 0.00$) contributes least to profitability at only 8.4% when other factors in the model are held constant. This is to say, when control environment is used to set the tone for the organization, influencing the consciousness of its people, the profitability of the companies can be considerable maximized.

Further, the model indicates that control activities, significant at ($b = 0.19$; $p = 0.00$) is very important to a firm in realizing profitability at 18.9% holding other factors in the model constant. This means that if policies and procedures established to address risks and to achieve the entity's objectives are not well implemented, the companies are likely to fail in their objective of maximization of profits and minimizing costs.

This finding is supported by COSO (2004), who concurs that to be effective, control activities must be appropriate, function consistently according to plan throughout the period, and be cost effective, comprehensive, reasonable, and directly related to the control objectives. Control activities occur throughout the organization, at all levels and functions. They include a range of preventive and detective activities for example; authorization and approval procedures, segregation of duties (authorizing, processing, procuring recording, receiving), controls over access to resources and records, verifications, reconciliations, reviews of operating performance, reviews of operations and activities, and supervision (assigning, review in and approving, guidance and training), among others.

The finding also indicates that monitoring ($b = 0.12$; $p = 0.00$) contributes substantially to profitability at 11.7% holding the other factors in the model constant. In other words, when monitoring is well managed, it substantially contributes to profitability.

Monitoring aims at determining whether organizational members are carrying out or have carried out their tasks efficiently and effectively as required by the organization's policies as Spillane and Reimer (2000), puts it.

The model also shows that risk assessment, significant at ($b = 0.09$; $p = 0.00$) also contributes least to profitability at only 9.4% when other factors in the model are held constant. This is to say, when risks are identified from external and internal

factors, at the entity and the activity levels and evaluated, the companies can considerably maximize their profits. This finding is in line with Cochran (2000), who considers the identification of risks as important for the achievement of the organization objectives because an effective internal control system, no matter how well conceived and operated, can provide only reasonable not absolute assurance to management about the achievement of an entity's objectives. He says that managers should determine what can go wrong, what areas have the most risk, what assets are at risk, and who is in a position of risk. The risks may include; public scandal, misuse of revenues, assets and personnel, and also the use of unreliable information for decision-making.

CONCLUSION

The researcher concluded that there is a moderate level of internal controls and this has a positive impact on profitability of floriculture industry in Uganda despite fluctuating figures of profitability of the various selected companies. There was a significant relationship between internal controls and profitability of floriculture industry in selected flower companies in Wakiso District Uganda; whereby internal controls significantly influence profitability of the organizations. The null hypothesis was rejected and the alternative one was accepted that there is a significant relationship between Internal Controls and profitability of floriculture industry in selected flower companies in Wakiso District Uganda. This accounts for the fluctuations on profitability of the past years as noted in the statement of the problem.

The researcher recommends that the floriculture industry should adapt modern internal control management practices, especially digitizing critical records and instituting comprehensive records management systems with successive levels of off-site and secure electronic backup systems that can help monitor and track the likelihood of high costs. Given increasing profit fluctuation, there is probably a need to rethink the entire process of managing records and create better working relationship regarding records management between the IT, risk division and business units in order to keep the level of profitability high and steady.

Based on the demographic characteristics, the researcher recommends that the floriculture industry should try to employ more personnel who are above diploma level since the floriculture industry mainly deals with international market in forex rates exchange that might be affecting profitability if the figures are not converted correctly by qualified personnel. Floriculture industry in selected flower companies should try to stay with workers for more than 5 years so that they can become experts and this can help improve profitability fluctuations because less will be spent on orientation of new personnel.

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