

**THE EFFECTIVENESS OF INTERNAL CONTROL PROCEDURES IN
PREVENTING INACCURATE FINANCIAL REPORTING AMONG HOTELS IN
MUKONO MUNICIPALITY: A CASE STUDY COLLINE HOTEL**

CHARITYJOLLY ADOK

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Date..... 15/9/2025.....

ADOK JOLLY CHARITY

APPROVAL

This is to certify that this dissertation has been written and compiled by **Adok Jolly Charity** under my supervision until completion and now approved in partial fulfilment of the requirements of this institution for the award of the Bachelor of Business Administration.

Signature.....

Date.....15/9/2025

Dr. HENRY MUGISHA

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DEDICATION

This report is dedicated to my affectionate, loving and caring Dad Mr. Bongomin Alfred, my lovely sisters Maurine Aceng and Brenda Alanyo who have supported me and tirelessly inspired me to struggle up to this Academic echelon.

A special feeling of gratitude to my loving lectures and supervisor whose love encouraged me at every step to come up with everything in this report.

ABSTRACT

This study assessed the effectiveness of internal control procedures in preventing inaccurate financial reporting in Colline Hotel. The specific objectives of the study were to examine the effectiveness of internal audit in preventing inaccurate financial reporting, to assess the effectiveness of risk assessment in preventing financial reporting inaccuracies and to investigate the effectiveness of segregation of duties in preventing inconsistent financial reporting. A descriptive cross-sectional design using both quantitative and qualitative approaches was used to collect a sample of 50 respondents. The researcher used questionnaires to collect data. The measurement of central tendency was used to analyse quantitative data and regression and correlation analysis technique for qualitative data.

A good relationship between internal audit and financial performance was found out during the study. The study shows a high positive significance relationship between risk assessment and financial performance. Also, a high positive significant relationship between segregation of duties and financial performance is shown by the study.

The conclusion drawn by the study is that the existence of internal control mitigates possibility of committing fraud among the staff members and any other members of the organization. The management of any organization is capable and has a task of putting up internal control system and its performance monitoring. The system should be proficient for the purpose of detecting and preventing inaccurate reporting and when this happens effectively, most organizations will be in position to financially perform well. There should be properly accessible and its performance well inspected consistently by the management for proficient performance. Internal control procedures have a vital role in providing precise measurement of data.

This study recommends that organizations should pay careful attention to monitoring and evaluating through provision of independent checks of processes and evaluation of activities consistently and making sure that internal reviews of establishment of internal control systems within functions are administered regularly.

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LISTS OF ACRONYMS

COSO: Committee of Sponsoring Organizations

IAS: International Standards of Accounting

IFRS: International Financial Reporting Standards

ERP: Enterprise Resource Planning

SOX: Sarbanes-Oxley Act

SAS: Statement of Auditing Standards

SoD: Segregation of Duties

IFC: International Financial Corporation

SD: Standard deviation

ICS: Internal Control Systems

CHAPTER ONE

1.0 INTRODUCTION

This chapter covers the background of the study, statement of the problem, purpose/main objective of the study, objectives/specific objectives of the study, research questions/hypothesis, scope of the study, significance of the study, limitations of the study and the conceptual framework.

1.1 BACK GROUND OF THE STUDY

International Financial Corporation, IFC (2021) defines the internal control system as a system that consists of all the procedures, methods and measures instituted by the board of directors and management to ensure that operational activities are undertaken adequately.

Additionally, IFC defines internal control as a process implemented by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations, reliability of financial reporting, compliance with applicable laws and regulations.

The concept of reasonable assurance recognizes that the cost of an entity's internal control structure should not exceed the benefits that are expected to be derived, Douglas R. and John J. (1996).

Scholars and professionals bodies, like the Institute of Internal Auditors (IIA) and the committee of sponsoring Organizations (COSO), view it as a dynamic and on-going process that integrates into the Organization's overall operations.

Internal Controls aim at; creating order in the way an organization's activities are carried out, there are defined ways of doing things and this order is supposed to result in efficiency. Internal Controls are not intended to stifle work but to improve efficiency. Internal Controls help deter and detect errors, frauds and theft, Internal Controls act like the watch man of the organization. An organization with efficient internal control will have minimal occurrences of errors, theft and fraud.

The International Auditing Practices Committee, (2013) defines fraud to mean "an intentional act by one or more individuals of management, employees or outsiders, severally or jointly, involving the use of deception to obtain an unjust or illegal advantage".

Fraud comprehends intentional misrepresentation of Financial Information by management employees or third parties in a Company.

Fraud through embezzlement (diversion of cash, misappropriation of goods), fraud through accounts (leaving out transactions not recorded, entering dummy transactions).

Rahmawati & Islamiyati, (2022) adds that fraud can cause significant harm, leading to financial losses for both public and private sector organizations. To reduce this risk, companies implement various strategies aimed at preventing fraudulent activities. Fraud may take several forms, such as corruption—which includes bribery, kickbacks, unauthorized gifts, financial coercion, or conflicts of interest—asset misappropriation, or the falsification of reports.

Fraud can have a negative impact, including losses for organizations or companies in the public and private Sectors.

Financial Reporting, according to Nkundaabanyanga, (2004), refers to the presentation of financial information and statements on a consistent basis. Most businesses globally as well as national report following the International Financial Reporting Standards (IFRS) gain the advantage of international harmonization. Financial Reporting entails the procedures of producing financial statements that disclose an organizations financial status to stakeholders, like management, investors, creditors, the government, general public, regulatory agencies and others.

For instance, the Enron and WorldCom scandals are extreme examples where financial reports manipulated led to the bankruptcy of major corporations, loss of trust from stakeholders, including investors, creditors, and regulators (Prechel, 2022).

Financial reporting plays a vital role in ensuring transparency and accountability within a company, acting as a key channel of communication with stakeholders. Reliable financial statements offer an in-depth understanding of a company's financial health and operational results, which is essential for informed decision making by investors, lenders, and regulatory bodies.

However, inaccuracies in financial reporting whether caused by technical issues, human mistakes, or intentional fraud can lead to serious repercussions. Such errors can erode stakeholders trust, potentially damaging a company's reputation and market value. In severe instances, they may even trigger financial crises. As noted by Hertati (2020), past incidents

have shown that errors in financial reports often result in a loss of confidence that significantly affects a company's performance.

1.2 STATEMENT OF THE PROBLEM

Despite the wide spread adoption of internal control procedures, many companies continue to experience financial coercion, understating expenses, overstating revenue, misappropriation of inventories hence inaccurate financial reporting, suggesting gaps in their effectiveness.

It is majorly due to incomplete internal control management system and the inadequate awareness and prevention of various risks will lead to ferocious economic cases among companies regularly. This will certainly lead to massive financial losses to the companies therefore causing financial distress and leading to business failures.

These companies face numerous challenges in achieving high financial accuracy and compliance standards, including complex regulatory requirements, manual reporting processes, and the risk of human error (Abed, Hussin, Haddad, Almubaydeen, & Ali, 2022; Roszkowska, 2021). Companies must be able to overcome the above threats with various methods; one way is by implementing an internal control procedures. The internal control is expected to provide the best solution to the above mentioned threats (Lestari & Amri, 2020). Existing research often emphasizes the presence of Internal Control System (ICS). Most Companies actually acknowledges the importance of internal controls but fails to critically evaluate their actual performance in real-world settings. Moreover, limited studies integrate both qualitative insights like employee behaviour, organizational culture and quantitative measures like fraud occurrence, reporting accuracy to assess system efficiency. This study addresses these gaps by employing a mixed-methods approach to examine how to design, implementation and monitoring of internal control system (ICS) impact financial reporting reliability. Findings will guide companies in strengthening internal controls and offer practical recommendations for enhancing financial integrity and accountability.

1.3 PURPOSE OF THE STUDY/MAIN OBJECTIVE.

The purpose of this study is to assess the effectiveness of internal control systems in preventing inaccurate financial Reporting among companies in Mukono Municipality.

1.4 RESEARCH OBJECTIVES/SPECIFIC OBJECTIVES

- i. To examine the effectiveness of internal audit in preventing inaccurate financial reporting.

- ii. To assess the effectiveness of risk assessment in preventing financial reporting inaccuracies.
- iii. To investigate the effectiveness of segregation of duties in preventing inconsistent financial reporting.

1.5 RESEARCH QUESTIONS/HYPOTHESES.

- i. What are the roles of internal audit in preventing cash diversion and inventory misappropriation?
- ii. How does the segregation of duties in organization help in preventing failure in including related-party transactions in a company's books of accounts?
- iii. To what extent does the risk assessment affect the accuracy of financial reporting under Internal Control System?

1.6 THE SCOPE OF THE STUDY

1.6.1 SUBJECT SCOPE

This research is conducted on the effectiveness of internal control systems in preventing fraud and financial Reporting erratic of companies as seen in the specific objectives of the study, therefore it is conducted to investigate the effectiveness of internal controls like the internal Audit department, Management Information system, internal Checks in preventing fraudulent activities like misappropriation of inventory, embezzlement of cash and Financial reporting irregularities.

1.6.2 TIME SCOPE

The research will take approximately a period of two months that is June to August 2025, this period is proposed to give me (the research) sufficient and ample time to conduct a meaningful and relevant study.

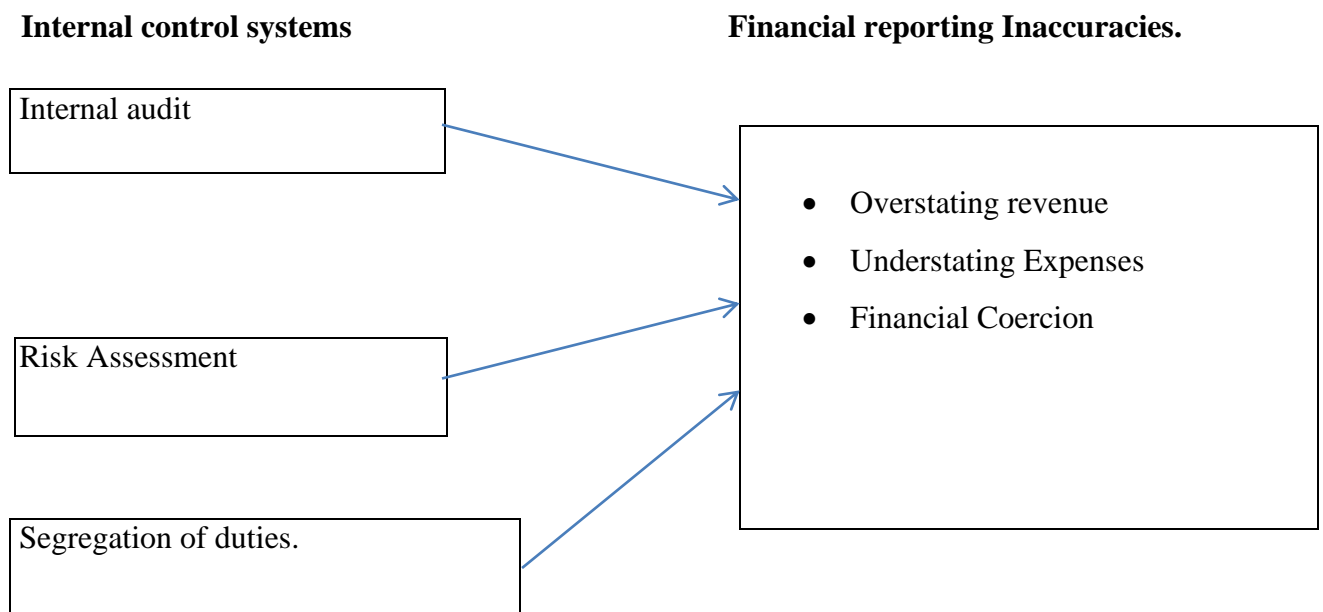
1.6.3 GEOGRAPHICAL SCOPE

The study is going to be conducted within Mukono Municipality located about 20km from Kampala City Centre (Wikipedia ~22nd 2025). This is because Mukono encompasses a number of companies that have ineffective internal controls.

1.7 THE CONCEPTUAL FRAMEWORK OF THE STUDY

The purpose of this study is to investigate the effectiveness of internal controls on mitigating inaccuracy in financial reporting. Internal Controls are systematic checks, reviews, methods and procedures instituted by an organization. The main objectives are to detect and deter errors, frauds and theft, ensure accuracy and reliability of financial reporting.

Figure 1: Conceptual framework



Source: *Information on collection, storage and processing of Financial and Accounting data, 2013*

Financial reporting is crucial in maintaining company transparency and accountability, serving as a primary communication tool between the company and its stakeholders. Accurate financial statements provide a comprehensive view of a company's performance and financial condition, which forms the basis for strategic decision-making by investors, creditors, and regulators. However, errors in financial reporting, whether due to technical mistakes, human error, or deliberate manipulation, can have severe consequences for a company, particularly in undermining stakeholder trust. The loss of confidence resulting from inaccurate financial reporting can lead to declines in a company's value and reputation and, in extreme cases, financial crises (Hertati et al., 2020). This research systematically examines the impact of financial reporting errors on stakeholder trust. Several cases have

demonstrated that financial reporting errors often result in a crisis of confidence, significantly harming a company's performance. For instance, the Enron and WorldCom scandals are extreme examples where financial reports manipulated led to the bankruptcy of major corporations.

The above figure illustrates how internal control system influences fraud prevention and accuracy in financial reporting. The Internal audit department, management information system, internal checks, corporate governance; the dependent variables are misappropriation of inventory, financial coercion, bribery, overstating revenue, understating expenses, falsification of report. Both analytical and descriptive research methods will be applied in this study in addition to secondary data. The data acquired from these companies will be put to use.

1.8 SIGNIFICANCE OF THE STUDY

By achieving the above objectives, this research provided insights into the effectiveness of internal control system in preventing of bribery, inventory misappropriation, diversion of cash, conflicts of interests, overstating revenue and understating expenses and forgery of reports to ensure reliability and comparability of financial reports of an organization that improves decision making and hence economic growth and development.

The policy makers also gained understanding on the effectiveness of internal control systems in effecting financial performance of various companies and they were also taught the types of and examples of internal control systems.

Other institutions also gained through the insight of internal control systems (ICSs) in enhancing accountability and transparency and effective financial performance and they have the idea that ICSs helps in mitigating risks and safe guarding assets, ensuring accurate records, efficiency, adherence to policies, rules, regulations and laws.

1.9 LIMITATIONS OF THE STUDY.

The researcher may experience language barrier as one of the limitations. This is because Mukono is comprised of people of different tribes.

The researcher may also lack enough materials where to get the related literature. This might affect the smooth running of research activities due to inaccessibility.

Also, some respondents may hide some information from the researcher. This is a limitation because the researcher am interested in getting full information about the effectiveness of internal controls in preventing fraud and financial erratic.

Inadequate research skills might also become a limitation to the study, for instance, skills of renewing the related literature and confidentiality due to advancements.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter helps recap the literature review that is existing already encompassing the effectiveness of internal control procedures in preventing inaccurate financial reporting among organisations. The starting objective is the effectiveness of internal audit in preventing inaccurate financial reporting, followed by effectiveness of risk assessment in preventing financial reporting inaccuracies and then the effectiveness of segregation of duties in preventing inconsistent financial reporting.

The chapter brings out an overview of past work on related topics that provides the necessary background for this research from other scholars. The literature review provides an insight of theoretical solution of the problem being solved and what research has already been done as well and how the findings relate to the problem at stake.

2.1 Theoretical Review

This study has been directed by “Fraud Triangle Theory and Agency Theory”

The fraud triangle theory was put across by Donald R. Cressey and Edwin Sutherland and later expounded by Steve Albrecht.

The agency Theory developed by Jensen and Meckling (1976), assesses the relationship that exists between the Owners (Principals) and Managers (Agents) in an Organization. The agency theory posits the potentials conflicts that come up when there is information asymmetry, where agents possess more information about the organization more than the principals, Davis et al, (2021). This difference may come up when agents try to put their interest as priorities over the aims of the owners, Raimo et al, (2021). Agency theory then advocates establishing some mechanisms for example internal audits, segregation of duties to verify that the managers’ activities align with the principals’ objectives in order to address the these concerns, Ali, (2020).

In other studies, Agency theory has found out how organizations can plan systems of controls to minimize agency costs and enhance managerial accountability, Jan et al (2021), Solomon et al, (2021). In this study, the Agency theory is important as it cultivates and points out the role of internal control systems in reducing information asymmetry and aligning the interest

of hotel management with the owners' ensuring reporting accuracy. The theory was important for evolving the hypotheses about the relationship that exists between internal controls and financial reporting accuracies.

These theories form the foundation for Understanding behind fraudulent activities and the various conflicts of interest that arise in Organizations like Colline Hotel Limited. In a study conducted by Matriano & Muscat, (2022) and Schrank, (2021), internal control procedures, assessed through the lens of internal audit, risk assessment, segregation of duties and others, are important elements in the fight against inaccurate financial reporting and financial frauds. According to Ratliff,(2022), the combination of learning continuously, commitment to moral values and standards and integrated technology has further improved the effectiveness of internal controls in safe guarding and securing Organizations against constantly changing landscape of fraudulent reporting.

Mutua, (2023) argues that the efficacy of segregation of duties, internal auditing and risk management in preventing inaccuracies in financial reporting is a vital concern in modern practices in accounting. Effective internal control is crucial for organizations to accomplish its objectives and goals effectively, transparently and effectively, Kristly, (2018) . An organization with strong internal controls is equipped properly to ensure compliance with rules and regulations, mitigate risks and ensure the accuracy of its financial statements and reports (Morris, 2011).

2.2 The effectiveness of internal audit in preventing inaccurate financial reporting.

According to Promise et al, (2024), internal auditing is a vital function within organizations that prioritize accountability, transparency and entire financial health of the organization. An essential process for internal audit bestows the management, the board and other stakeholders with assessment evaluations of financial operation, risk management mechanisms and internal controls hence aiding to mitigate and reduce financial risks and ensuring informed decision making mechanisms, Alex & Kazaara, (2023).

Deus, (2023), defines internal audit reporting practices as the procedures by which the internal auditors convey their findings, opinions, recommendations, and entire evaluation of management of finance, systems controls and regulation compliance by an organization. The reports are then presented to the senior managers and board of directors to play crucial role in controlling and guiding decisions being made, tackling areas of weaknesses and effecting

financial performance. A well-established reports imparts actionable insights that might enhance corrective actions targeted at upgrading the operational efficiency of the organization and mitigating financial mismanagement risk, Sarah & Audrey (2024).

The internal audit mainly includes assessing operational procedures, compliance with regulations and financial transactions the ideal goal of making sure that the financial statements and reports show a true and fair view of an organization's financial position. Ivan, et al (2023). A stable internal audit is important in sustaining organizations and hotels like Colline Hotel.

According to Islahuzzaman et al (2018), on his study on the effect of audit committee and internal audit on achieving financial quality and using external audit and corporate governance issues as intervening variables. The result showed that the existence internal audit and audit committee simultaneously and relatively affect financial reporting quality.

Pozzoli, Pagani & Paolone, (2022), posit that, independent audit committee should be positioned well in order to provide neutral examinations of financial reports, oppose management's judgements and practice due diligence in investigating, finding out and preventing frauds and inaccuracies. The existence of strong and stable audit committee minimizes the probability of conspiracy between management and auditors, ensuring the committee's efficacy in mitigating fraudulent financial reporting risks, Khemakhem & Fontaine, (2019). The members that have financial expertise have an insight comprehension of accounting principles, auditing standards and analysis of financial statements.

There are four main elements of internal auditing that is, method inquiry, record checking, and method compliance and evaluation justification. Internal management and staffing ensures competence and affiliation with organization's strategies and providing recommendations for improvement of the managers.

An effective insight review of administration performances reduces overheads, points out ways to enhance competence and surge exposure to potential misfortunes from insufficient safe guarded resources of the organization, Beyanga, (2021).

Internal auditing is a crucial control and management of both open and private associations according to Udu, (2020). The point of insight investigation is to enhance hierarchical competence and adequacy by important feedbacks. Internal Auditing has four primary segments: that is check of composed records investigation of approach, examination of the

rationale and accomplishment of proper methods. Internal administration and staffing guarantees competence, clear organization's strategies and reporting suggestions for enhanced administration.

2.3 The effectiveness of risk assessment in preventing financial reporting inaccuracies.

Karagiogos et al. (2007), defines risk assessment as the factors that influence the likelihood of a company's objectives not being attained. Firms need to point out and investigate the risk of financial fraud through comprehending the possible vulnerabilities, examining the probability and result of fraud, hence prioritizing the areas of highest risk. Risk assessment serves as a vital and versatile tool in the monarchy of detecting financial inaccuracies, functioning as observant protector against potential financial irregularities, Nyakarimi et al, (2020).

Risk management among Ugandan firms indicates uneven degrees of effectiveness and result on performance. Significant studies show a notable positive correlation between risk management and profitability in production and insurance sectors with risk management procedures affecting up to 64% of financial performance in some cases.

High level of attention by regulators, auditors and the public is put on discussion about financial reporting inaccuracies due to increasing failures in corporate governance. The inaccuracy cases mostly occur within an organization more than its outside dealings known as fraud. Opposed to the famous belief, 68% of cases about fraud happen within an organization by employers and employees and the remaining happening by those in the value chain, (Fraud, Bribery and Corruption Survey, 2014). Fraud has gotten three main types which include corruption, misappropriation of assets and financial statement irregularities ACFE, (2018).

ACFE, (2018), reports that financial statement irregularity stands as the most serious of all the types of fraudulent activities in an organization. Apart from being common, financial reporting inaccuracies results in to the highest median loss for companies (ACFE, 2020; ACFE, 2022). Fraudulent reporting refers to misinterpretation of an organization's financial statement intentionally with an idea of providing stakeholders an inaccurate sense about the company's profitability and overall performance.

As one of the type of fraudulent activity, inaccurate financial reporting has resulted into legislative inquiries about the role of risk management. For instance the Statement of

Auditing Standards(SAS) No. 99 was conveyed by the American Institute of Certified Public Accountants (AICPA) in October 2002 to restraint the limitations of detecting fraud and hence bringing out the significance of investigating fraud risks factors in various organizations.

Lyer & Samociuk, (2016) posit that due to subjection of organizations to various kinds of risks, organizations should put in place defensive strategies for fraudulent reporting which can be attained by systematic risk management.

Regulators are apprehensive about putting in place risk management procedures, however, studies indicate that risk management practices are still limited (Ishak & Mohamad Nor, 2017), various investigations were conducted to compare risk management practices with cash flow irregularity (Lobo et al., 2019), wealth creation (Dilling & Harris, 2018), financial crash (Gonidakis et al., 2020), auditing (Johnstone & Bedard, 2003, White et al., 2020) and taxation (Doyle et al., 2009). However, various research and studies have been carried out; there is minimum evidence on the ability of managing risk in deterring fraudulent reporting, Johnson & Soileau, 2020.

The objective of study is to assess the effectiveness of risk assessment practices among listed organizations in Mukono Municipality since the frame work of risk management was introduced. For this case the researcher used risk management activities disclosure together with the implementation of risk management committee in weighing risk assessment practices. Although the practices are generally risky, it is believed that this investigation will bring out and initial evidence on the role of risk management practices in reducing possible fraudulent financial reporting.

Its effectiveness lies in its ability to diligently inspect various components associated with transactions and user behaviour, therefore securing the defense of organizations against fraudulent activities. At its core, risk assessment involves the insightful evaluation of possible risks and vulnerabilities within a financial system. By searching through transactional data, it discerns patterns, irregularities, and anomalies that may signify fraudulent behaviour. This process operates as an anticipatory measure, allowing organizations to point out and address potential threats before they happen into substantial losses.

Risk assessment holds forth its watchful study beyond mere transactional patterns. It embodies behavioural analysis, acknowledging the distinct digital marks of users and their

devices. This elegant approach contemplates factors like login times, the number of attempts failed, and device characteristics to point out possibly fraudulent activities. Through following the above, it does not only investigate the 'what' but also the 'how' and 'who' behind transactions, adding layers of difficulty to its fraud detection proficiency and competence.

To sum it up, the proficient risk assessment points out internal factors such as the type of hotel operations, firm's changes and personal loss, the complicated nature of organizational structure and other external factors like economic situations, the changing business environment and technological integration that affect the achievement of the organizations goals and objectives. The insightful evaluation should be led individual levels of Organizations and other exercises and backups of integrated managing an account association. And this can be clarified using different strategies (Pickett, 2020). Achieved hazard evaluation encompasses both quantifiable and non-quantifiable parts of dangers and weighs expenses of control against significances they bestow. Risk assessment as an element of the internal control system permits the management to stay focused on the organizations goals of its operation and brings out excellent and high-quality financial reporting

2.4. The effectiveness of segregation of duties in preventing inconsistent financial reporting.

To prevent fraudulent schemes, segregation of duties (SoD) can be a key factor in the counteraction of fraud and manipulation within a firm. Common types of fraud can happen when there is limited governance that sets up authorization limits and responsibilities for overseeing the firm (Luis, 2025). The risks include embezzlement, when an employee exhibits authorization and execution of financial transactions, he/she could misappropriate funds for his/her personal use without being known, record changing that is when a worker has the access and right to both approval and creativity of records of accounts, then change the records to hide fraudulent acts, conflicts of interest between the owner and the managers or other employees, here the employee is in charge of ratifying purchase of contracts or orders and also exhibits personal and financial interests in a seller, a conflict of interest could happen that cause decision made benefit the worker instead of the firm, and overbilling, when a worker is in charge of both the ratification and request of buying orders and contracts, they could ratify overpriced orders from sellers with whom they have a consent (Schandl & Forster, 2019).

(Luis, 2025) adds that function of segregation of duties can aid in reducing risks of deception by making sure that no employee has full control over critical and significant processes. Firms can deploy responsibilities among capable individuals or teams, developing oversight-accountability that makes it hard for fraudulent activities and inaccuracies to be conducted. To make segregation of duties (SoD) proficient enough, organizations should convert their strategic visions and missions to tactical and operational level, as regards to governance and system controls. SoD is a proficient control of operational activities within a firm which reports revenue of the firm (Rubino & Vitolla, 2024).

Tarantino, (2010), posited that these tasks may be receipting of sales, issuance of deposit, safekeeping, reconciling and reporting, were authentic if given to capable individuals as effective and efficient practices in management of risks.

Gathii et al., (2014) mentioned that SoD is a dependable remedy for reducing inaccuracy risk like frauds and errors. Nantunda and Ddungu, (2018) also carried out an investigation in Ugandan Private schools indicating that detective controls mechanism in achieving revenue had an important results on proficient education practices. Bakalikwira et al, (2017) added that effective accountability in the healthy sectors in the country is having consistent challenge. These investigations, even though they were done in Nigeria, USA, using the quantitative techniques or in a different context of another country, other than those surveyed in Uganda, those in schools acknowledged other controls than preventive financial controls.

Negligence of segregation of duties lead to the serious consequences to an organization for example misappropriations and deception, reputational damage arising from insufficient SoD controls eating away trust among customers, investors and many other stakeholders. Also, firms might feature legal and regulatory sanctions like penalties and fines when they fail to establish effective SoD measures. Inefficient operation is another significant consequence, as inadequate segregation of duties can cause unproductive and disorganized procedures that reduce productivity and overall proficiency.

Therefore, this study particularly analysed and investigated the effectiveness of perceived preventive controls within the SoD that caused realization of desired control and designed within the COSO control activities elements in Companies' context in Uganda.

2.5. Conclusion

Effective financial reporting is scope that has been broadly studied in various industries. However, there is insufficient significant literature on financial variables in comparison to the financial reporting of different companies and it is the perception and acceptance of the researcher that there were loopholes in the research done. It is concluded from the literature that Internal Audit, Risk Assessment and segregation of duties (SoD) are important determinants and projection of financial reporting. From the reviewed literature, many researchers seem to agree that there is a relationship between Internal Control Systems and Financial Reporting of an Organization, these conclusions were however confirmed and some eliminated after empirical evidence was acquired from the research.

According to [Karagiogos et al. \(2007\)](#), risk assessment refers to factors that affect the possibility of an organization's objectives not being achieved. Organizations need to identify and assess the risks of financial fraud. This involves understanding the potential vulnerabilities, assessing the likelihood and impact of fraud, and prioritizing the areas of highest risk.

Risk assessment serves as a crucial and multifaceted tool in the realm of fraud detection, functioning as a vigilant guardian against potential financial malfeasance ([Nyakarimi et al., 2020](#)). Its efficacy lies in its ability to meticulously scrutinize diverse elements associated with transactions and user behavior, thereby fortifying the defenses of organizations against fraudulent activities. At its core, risk

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter contains the methodology that is used when carrying out the study which involves, the research, study population sample size, techniques for sampling, data source, methods for data collection, instruments for data collection, the data itself, presentation of data and data analysis.

3.1 Research Design

This study endorsed using quantitative approach only. Quantitative data was presented in form of descriptive statistics of percentages and frequencies, mean and standard deviations for each of the variables used in the study. Strongly agree and agree were combined to indicate agree while strongly disagreed and disagree were combined to indicate disagree. Quantitative research approach is used to explore patterns, test relationships, make predictions, and come up with findings to bigger populations. It is used to know “how”, “how many” and “how much” of different variables that are investigated.

3.2. Population

A population was the cluster or sum of individuals or objects having single or several attributes in common that are of the great scrutiny of the researcher (Mugenda & Mugenda, 2006). A study population involves the individuals who were part of the group studied and had comparable traits (Creswell, 2014). The study was carried out in Mukono Municipality in Colline Hotel, Mukono Resort Hotel and African Village hotel. Generally, the research estimate entailed approximately 50 people that directly or indirectly work in the above organizations in Mukono Municipality.

3.3 Sample size

The sample size of this investigation is confined to the information needed and for the motive of this study; a sample size was determined using random sampling methods to attain the appropriate sample size for use in the study. Stratification of the population is used in the computation that is population put in their strata attributes that is those working in Accounts department and finance department 20, cashiering 10, and controls department 10 and others. The total population of 50 is going to be used for collection of data.

Table 1: The sample size of the respondents.

Nature of respondents	Population	Sample size	Sampling technique
Accounts and Finance department	20	10	Random sampling
Cashiering	10	7	Purposive sampling
Controls and Auditing	10	5	Purposive sampling
Other employees	10	5	Purposive
Total	50	27	

Source: Primary data, 2025

3.4. Sampling techniques.

Simple random technique is to be deployed and every department got an equal probability of being chosen for sample. Purposive sampling method will also be used where some respondents and not all having the relevant particular information will be selected from the entire population that will be involved in the study. Furthermore, the researcher will use systematic sampling to minimize errors, improve accuracy of data and ensure that every department is picked if not the wholly, by random figure. This will permit the researcher to select the department to start from.

3.5 Data source

Two sources of data are to be obtained, that is, Primary data and secondary data are to be collected. Primary data refers to data that is attained from the source directly by the researcher and has not been given out before. While secondary refers to data that has been acquired before by someone else for a study and is to be used by the researcher for this study.

3.5.1 Primary data

The researcher will acquire data directly from the respondents from the selected organizations mentioned previously within Mukono Municipality.

3.5.2 Secondary data

These data will be collected from the internet, other literatures relating to the topic written by other scholars, journals, magazines and other resource centres. Under this data source, the data is to be acquired financial reports, invoices and others that have been backed up.

3.6 Data collection tools

These refer to data gathering methods, collection techniques and instruments that will be used to acquire the relevant data needed for the study.

3.6.1 Questionnaire

An exquisite questionnaire will be employed as a collection tool for the data needed to make sure that the study questions are accomplished. The respondents should provide replies to the several of pre-posed inquiries, and every respondent is to be given direct and simple queries by the researcher. Semi-structured, self-directed questionnaires are created to collect quantitative information. Both open-ended and closed-ended questions are to be used since it allows for respondents to choose whether to reply research questions without feeling rushed, this instrument for research is essential for this investigation. . A standard Questionnaire on a 5-point Likert scale was used to acquire quantifiable primary data from respondents on a scale of 5- Strongly Disagree; 4- Disagree; 3- Neutral; 2- Agree; 1- Strongly Agree.

3.6 Validity and reliability of data

3.6.1 Validity of the data.

Validity refers to the extent to which the data is systematic and integrated when it is measured. Validity of the data determines if the instruments used in research truly measure the intention to measure or how genuine the research outcome is. Confidentiality of the respondents is guaranteed and the reports worked out to guard individuals' identifications. Collection of data will be put through some tasks like coding, editing to detect errors and omissions by the researcher. The researcher will do a pilot study through administering some questionnaires to the staffs that will be answered randomly by some respondents. The pilot study will help the researcher to realize questions that need to be corrected and others that are so broad and need to be specified.

3.6.2 Reliability of the data.

Reliability of data refers to the extent of getting error in the data when measured. It means the extent to which the data can be depended on. It also shows the level of accuracy of the

instruments used for measurement. Reliability ensures investigation of features of variables and scales making them up. The analysis helps to calculate the number of measures of scales dependability that will be commonly used and provides information on the relationships among individual variables in the scale.

3.7 Data processing, data analysis and presentation.

Data that will be collected will be edited for regularity and clarity; it will then be sorted to make sure that it is easily entered in to the computer.

Data analysis includes the use of relevant tables, calculations, to inaugurate the trend in the data.

Descriptions like frequencies, measures of central tendency that is mean and standard deviation will be done using SPSS.

Qualitative data will be analysed through percentages and frequencies

Quantitative data entails describing the conditions at hand and will be analysed depending on the researcher's knowledge and content.

3.8 Ethical Considerations.

These are the codes, principles and conducts that the researcher will consider when carrying out the research (schulze, 2002). The researcher should research consider humanity and dignity through not airing out the identity and profile of the respondents. A letter of introduction from Uganda Christian University, School Of Business should be given through the supervisor in order to acquire permission to carry out the study and data collection. This letter should be given to the respondents in the study scope for permission to proceed. If the permission is granted, questionnaires will be issued, and the researcher will maintain privacy, a good relationship with the respondents and submission to trust, confidentiality and consistency.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

Using Colline Hotel as a case study, this chapter gives the findings on “The Effectiveness of Internal Control Procedures in Preventing Inaccurate Financial Reporting among Organizations in Mukono Municipality. Response rate will be given in the first section. Data in the background will be provided. And lastly, an analysis and presentation of the finding of this study in regards to the objectives was done using both descriptive and inferential methods.

4.1 Response rate

Table 2: Response rate

Number of questionnaires distributed to respondents	50
Number of questionnaires that were received back from respondents	50
Number of questionnaires not received back	0

Source: Primary data, 2025

Response rate = $\frac{\text{Questionnaires received}}{\text{Sum of distributed}} = \frac{50}{50} * 100$

Sum of distributed 50

=100%

The rate of response for this study was 100% which was really high. That means that a high response equally proposes more accurate survey results.

This section shows the number of people who responded to this research against the target of the researcher and also the features of the respondents in relations to age, gender, work experience and others. This was founded on the information provided in the interviews and questionnaire by the respondents.

4.3 Biographic characteristics

ITEM	CATEGORY	FREQUENCY	PERCENTAGE(%)
SEX	Male	17	34
	Female	32	64
	Other	1	2
AGE	18-20	2	4
	21-25	30	60
	26-30	15	30
	31-35	2	4
	36 and above	1	2
POSITION/DEPARTMENT	Accounts/Finance	23	46
	Cashier	5	10
	Internal audit	5	6
	Management	12	24
	Other	7	14
NUMBER OF YEARS WOKED	Less than 1 year	11	22
	1-3	33	66
	4-6	5	10
	6 and above	1	2

Source: Primary date, 2025

Table 3 above expresses that 64% of the respondents were female compare to 34% female and 2% other invalid response. Male were fewer compared to female and this shows that most employees of Colline Hotel are female.

The information in table 3 above also indicates that 60% of the respondents were aged between 21-25 years. 30% aged between 26-35 years, 4% between 18-20 years, 4% were 31-35 years and lastly 2% aged above 36 years.

46% of the respondents worked in Accounts/finance department, 24% were managers, 14% were other employees, 10% work in cashiering department and 6% work in internal audit department.

The results in table 3 expresses that 66% of the respondents have been working with Colline Hotel for the period between 1-3 years, 22% for a period less than 1 year, 10% for a period between 4-6 years and 2% of the respondents worked for 6 years and above.

4.3 The different forms of internal controls used by hotels within Mukono.

Table 4: Different forms of internal control systems used by hotels within Mukono.

Table 4 summarizes respondents' responses on the different forms of internal controls used by hotels in Mukono Municipality by using Likert scale of 1= SA (Strongly agree), 2= A (Agree), 4= DA (Disagree) and 5= (Strongly Disagree), giving the frequencies and percentages F(%) , mean and standard deviations of the responses.

No.	Statements	Agree F (%)		Disagree F (%)		Mean	Standard deviation
		SA 1	A 2	DA 4	SDA 5		
1	Internal control procedures are effectively implemented in your organization	20 40%	18 36%	5 10%	4 8%	4.48	0.557
2	To what extent do internal controls prevent financial irregularities?	11 22%	24 48%	8 16%	4 8%	4.043	0.935
3	Most internal control activities are applied in your organization	18 36%	21 42%	5 10%	4 8%	4.201	0.585
4	Your organization has established robust policies, procedures, and mechanisms to mitigate identified risks, including segregation of duties and other protocols.	8 16%	27 54%	8 16%	3 6%	3.714	1.1990
5	Technology safeguards are proficiently employed to minimize the likelihood of fraud, errors, and operational inefficiencies.	13 26%	29 58%	1 2%	1 2%	4.102	0.684

6	Clear communication channels within our organization enhance transparency, accountability, and decision-making processes.	16 38%	24 58%	5 10%	3 6%	4.34	0.585
7	Senior management's commitment to a strong control environment fosters a culture of compliance and accountability within your organization.	10 20%	33 66%	2 4%	3 6%	4.08	0.633

Source: Primary data, 2025

Table 4 above shows statistics of different forms of internal controls used by different hotels in Mukono Municipality, 40% and 36% of the employees strongly agreed and agreed respectively that most internal controls are implemented in their companies, this was supported by a high mean score of 4.48 which the highest and a low standard deviation of 0.557 which shows low variation in the consensus level. These internal controls include internal audit which is done independently by the internal auditors and the committee, risk assessments where procedures like risk evaluation matrices were used, segregation of duties where the employees are really concerned and responsible on the tasks given to them, effective communication through accessible communication channels that influence performance of the employee concerning accurate reporting. Therefore this consistency further indicates how core internal control is crucial in an organization.

Furthermore, 16% of strong agreement, 16% of disagreement and a mean score of 3.714 being the lowest shows that the organizations are perceived to be less effective in implementing a strong and formalized procedure, policies and risk reducing mechanisms. It indicates weakness potentially in the formal environment of control. The standard deviation of 1.199 expresses that there is a wide range of opinions on the strength of these policies. Other organizations might have robust policies while others might have few, causing a significant data spread.

In conclusion, there is positive perception about internal controls that there should be consistent senior management commitment and clear communication being particularly strong areas, also there is opportunity to adjust for implementation of procedures and policies to mitigate risks.

The finding in Table 4 gives an insight that is valuable into the proficiency of internal control systems within organizations in Mukono, indicating areas that need improvement and their strengths. Therefore, the findings shows an overall positive relationship between the general effectiveness of internal control procedures and their elements like risk evaluation methodology, risk assessment, internal audit and segregation of duties. However, notable exceptions are acknowledged specifically sharing information and security of technology. . While some organizations leverage robust policy implementation and senior managements' engagement to mitigate fraud and errors, there is a significant variation in performance among others. This variation is witnessed in an existing research on translating governance and legal compliance: exploring the role of translation in facilitating corporate reporting and policy implementation (Tarawneh, Badawi & Wafa, 2024) and management commitment to strengthen the quality improvement of regional financial report (Nurlinda, 2019) respectively.

4.4 The effectiveness of Internal Audit in preventing inaccurate Financial Reporting.

Table 5: The effectiveness of Internal Audit in preventing inaccurate Financial Reporting.

Table 5 summarizes respondents' responses on the effectiveness of internal audit in preventing inaccurate financial reporting by using Likert scale of 1= SA (Strongly agree), 2= A (Agree), 4= DA (Disagree) and 5= (Strongly Disagree), giving the frequencies and percentages F(%) , mean and standard deviations of the responses.

No.	The effectiveness of Internal Audit in preventing inaccurate Financial Reporting	Agree F (%)		Disagree F (%)		Mean	Standard deviation
		SA 1	A 2	DA 4	SDA 5		
1	Internal audit department review financial reports periodically	9 18%	35 70%	3 6%	2 4%	4.92	0.614
2	Internal audits help in reducing cases of financial misstatement.	24 48%	20 40%	3 6%	1 2%	4.387	0.671
3	Internal audit reports led to corrective actions against financial irregularities in your organisation.	11 22%	34 68%	1 2%	0 0%	4.1	0.677
4	Your organization conducts	13	32	0	1	4.12	0.718

	internal audits, reviews, and performance assessments periodically to identify deficiencies in internal control system.	26%	64%	0%	2%		
5	High levels of personnel and ethical values are crucial for ensuring the effectiveness of our organization's internal control systems.	12 24%	33 66%	2 4%	0 0%	4.1	0.782
6	Your organization's management philosophy significantly influences how internal controls are perceived and implemented across the organization.	5 10%	29 58%	4 8%	1 2%	3.673	0.851
7	Effective audit committee are essential for ensuring rigorous oversight of internal controls within your organization.	10 20%	34 68%	2 4%	1 2%	4	0.788

Source: Primary source, 2025

Table 5 above indicates that the 10% of the employees strongly agreed, 70% agreed, 6% disagreed and a high mean score of 4.92 is exceptionally high on the frequency of carrying out internal independent auditing within the organization; a typical Likert scale predicts a very high frequency perception of internal audit reviews. Also, a significantly large standard deviation of 0.614 is shown in the finding. This shows a very low level of heterogeneous response and the points of data are scattered widely from the mean, so this indicates some organizations experience very high reviews frequency and other might observe less often, therefore leading to remarkable agreement on the frequency of reviews of financial report.

In most cases, internal audit reporting are successful hence corrective actions considering a mean score of 4.1 and a very low standard deviation of 0.782 which further strengthens the investigation, with a 66% level of agreement, a 24% of strong agreement indicating a high level of agreement, therefore this shows that the reports are not just being created or prepared

but also acted upon effectively. Conclusively, the data above shows that a consistent and clear pattern of consensus among respondents concerning the efficacy of internal audits. A relatively low standard deviation across several statements shows a high level of agreement that internal audits are a crucial tool for mitigating financial inaccuracies, hence, action plans and corrections, and finding out insufficiencies. The analysis shows the perception that internal control is a vital element for financial integrity, which heavily relies on robust ethical and philosophical foundations and procedural effectiveness within the organization.

The findings show a strong and positive relationship between a strong internal audit function and the prevention of material misstatements and errors in financial statements. Internal audit plays a vital and proactive role in finding out and preventing financial reporting associated with risks, this is evidenced by a book of risk management and other factors preventing fraudulent financial reporting by state-owned enterprises in Indonesia (Novatiani & Roebiandini 2022). By carrying out independent reviews of financial procedures, controls and data, internal auditors are specifically put to find out possible irregularities before finalizing and reporting. Firms with internal audit departments and have audit committee with qualified professionals have significantly low occurrences of financial reporting inaccuracies. But departments that do not have independent or insufficient resources are ineffective. Proficient internal audit goes further than just compliance checks but also robust control environment and accountability culture. Consistent monitoring and feedback given by internal audit aids managers to maintain strong internal controls; therefore mitigating the possibility of either unintentional or intentional errors seen in a literature; evaluating the impact of internal control systems on organizational effectiveness (Alfartoosi & Jusoh (2021).

While effectively high, internal audit is not the only solution. Its achievement is strategic upon the support of senior management, the active participation of the audit board, and the cooperation of all functions included in the financial reporting procedures.

4.5. The effectiveness of Risk Assessment in preventing inaccurate Financial Reporting.

Table 6: The effectiveness of Risk Assessment in preventing inaccurate Financial Reporting.

Table 6 summarizes respondents' responses on the effectiveness of risk assessment in preventing inaccurate financial reporting by using Likert scale of 1= SA (Strongly agree), 2=

A (Agree), 4= DA (Disagree) and 5= (Strongly Disagree), giving the frequencies and percentages F (%), mean and standard deviations of the responses.

No.	The effectiveness of risk assessment in preventing inaccurate financial reporting.	Agree F (%)		Disagree F (%)		Mean	Standard deviation
		SA 1	A 2	DA 4	SDA 5		
1	Risks are related to financial reporting identified in your organization.	3 6%	36 72%	4 8%	0 0%	3.76	0.981
2	Risk assessment contributes to preventing financial reporting errors.	13 26%	33 66%	3 3%	0 0%	4.12	0.706
3	Employees are trained to recognize potential financial reporting risks.	11 22%	28 56%	6 12%	1 2%	3.875	0.799
4	Internal control systems must adapt to new risks to remain relevant and effective in a changing environment.	13 26%	30 60%	1 2%	1 2%	4.081	0.718
5	The organization's risk management practices play a critical role in building and maintaining stakeholder confidence.	15 30%	31 62%	2 4%	1 2%	4.163	0.686
6	Transparent risk reporting enhances the organization's ability to communicate risk management efforts to stakeholders.	10 20%	33 66%	2 4%	0 0%	4.04	0.786
7	Systematic risk evaluation provides a scientific basis for decision-making processes in managing risks.	15 30%	31 62%	0 0%	1 1%	4.204	0.675

Source: Primary data, 2025

Table 6 above shows that there is a moderate mean score of 3.760 which indicates that there is a moderately positive consensus suggesting general agreement by the respondents of the organization, that the organization finds out risk related financial reporting, therefore this

discovery process may not be regarded as being an accurately outstanding or comprehensive, the low standard deviation of 0.981 also means that there is small disagreement among the respondents in this regards, though they practice some means of identifying risks like risk matrices, risk brainstorming idea generation, this probably are not enough to identify the risk as shown by the level of respondents' agreements.

Also a high mean score of 4.12 and agreement of 66% shows a strong positive consensus, suggesting that assessment of risk is largely regarded as a proficient tool for preventing errors of financial report. The moderate standard deviation of 0.706 indicates that there is low variability in responses; consensus level remains high generally, proving that most respondents confirm a direct and positive risk assessment contribution.

To sum it up, the data above shows that there is a clear agreement that assessment of risk is a crucial and proficient element in preventing financial reporting inaccuracy. The high values of mean across the board show that most of the respondents accept with the statements concerning the significance of assessing risk and its validity error prevention, and contribution to stakeholder confidence. The most significance finding is the standard deviation that is relatively high for training employees, this indicates that when organizations know the significance of assessment of risk and its related practices, the establishment of training employee may be irregular or may vary in quality across organizations. Therefore this is an area of improvement to enhance the general proficiency of risk management.

In terms of variability, the greatest divergence in responses was found in the statement about training employees to recognize potential financial reporting risks, which had a standard deviation of 0.981. This high level of variability indicates inconsistent implementation or perception of risk-related training across organizations. While some participants feel their organizations are doing well in this area, others see significant shortcomings. On the other hand, the lowest standard deviation (0.675) was associated with the belief that transparent risk reporting enhances communication with stakeholders, suggesting a strong and consistent agreement on the importance of open communication regarding risk management. Overall, the results highlight that although many organizations are proficient in the structured evaluation and communication of risks, there remains a clear need to improve risk identification processes and ensure consistent employee training to strengthen the foundation of risk management systems, this is evidenced by a literature, effects of risk assessment as an

element of internal control system on the quality of financial reporting information (Amidab & Gitua, 2024).

4.6 The effectiveness of Segregation of Duties in preventing inaccurate Financial Reporting.

Table 7: The effectiveness of Segregation of Duties in preventing inaccurate Financial Reporting.

Table 7 summarizes respondents' responses on the effectiveness of segregation of duties in preventing inaccurate financial reporting by using Likert scale of 1= SA (Strongly agree), 2= A (Agree), 4= DA (Disagree) and 5= (Strongly Disagree), giving the frequencies and percentages F(%) , mean and standard deviations of the responses.

No.	The effectiveness of segregation of duties in preventing inaccurate financial reporting.	Agree F (%)		Disagree F (%)		Mean	Standard deviation
		SA	A	DA	SDA		
		1	2	4	5		
1	Segregation of duties is highly practiced in your organization.	10 20%	29 58%	8 16%	1 2%	3.795	1.020
2	Segregation of duties is effective in preventing fraud or errors.	10 20%	30 60%	6 12%	2 4%	3.816	0.949
3	Employees understand their roles and responsibilities regarding financial controls.	11 22%	29 58%	8 16%	0 0%	3.346	1.23
4	Proper segregation of duties within organization helps prevent errors and fraud, enhancing overall organizational integrity.	9 18%	33 66%	2 4%	9 18%	3.979	0.675
5	Regular performance reviews are essential for ensuring that the organization meets its financial and operation targets effectively.	12 24%	28 56%	4 8%	0 0%	3.877	0.828

Source: Primary data, 2025.

In the table 7 above 66% of employees agreed, 18% strongly agreed while 4% disagreed that proper segregation of duties within organization helps prevent errors and fraud, enhancing

overall organizational integrity, backed by a high mean score of 3.979 is very high indicating that employees agree that segregation of duties is practiced well within the organization, with a standard deviation of 0.675 which is the lowest suggesting that there is a reasonable low level of discrepancy in responses while almost all the respondents accept although there is a significant group that have varying opinions. There is also an average strong agreement on effectiveness of segregation of duties in preventing errors and fraud.

The lowest mean value of 3.346 in the dataset though still above the midpoint of the scale that is a scale of 1-5 shows a lower level of consent compared to some other statements. So this indicates a yielding belief that segregation of duties directly and this intensifies general organizational honesty and integrity though there is a high level of agreement upon its efficacy in preventing errors and fraud. Then, the highest standard deviation of shows limited level of agreement so there are possibly many respondents who strongly agree and also many who disagree or others are neutral on this larger statement about integrity of an organization. Conclusively, while the employees acknowledge the merits of segregation of duties, for preventing fraud, their unification in their opinion is less on its wider result on the integrity of the organization.

The analysis indicates that the highest average response was for the statement, “Systematic risk evaluation provides a scientific basis for decision-making processes in managing risks,” with a mean of 4.204. This suggests that respondents overwhelmingly agree on the importance of a structured and analytical approach to risk evaluation. It reflects a shared perception that such a process not only enhances the quality of decisions but also serves as a cornerstone for effective risk management. This finding underscores the value placed on using formal methodologies to guide how risks are assessed and addressed within organizations.

On the other end of the spectrum, the variable with the lowest mean score, 3.76, relates to whether risks associated with financial reporting are effectively identified within organizations. This suggests that the initial phase of risk assessment identification is viewed as a weaker area. Many respondents seem to believe that their organizations may not consistently or thoroughly recognize financial reporting risks, which could hinder the success of the overall risk management strategy. Failure to adequately identify risks at the outset may compromise the effectiveness of subsequent controls and mitigation measures, this is supported by a literature, segregation of duties: A simple idea to prevent fraud (Felipe, 2025).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.0 Introduction

The study assessed the effectiveness of internal control procedures in preventing inaccurate financial reporting among organisations. The chapter gives a discussion, summary, conclusions and recommendations of this research. The first section gives a summary of the study findings in regards to specific objectives and it is followed by discussion, conclusion and recommendations of the research in regards to the objectives of the study and recommendations for the research.

5.1 SUMMARY OF THE KEY FINDINGS

This summarizes the key findings of this study.

5.1.1 The different forms of internal control systems used by organizations in Mukono.

The results presents that organizations within Mukono have strong and vigorous internal control systems, especially in case of internal audit, risk assessment and segregation of duties where consistent and reliable course of actions are followed. In these dimension, high mean scores and low standard deviations locates to methods that are proven for noticing, evaluating and controlling risks and also stimulating effective internal audit, segregation of duties and effective communication inside organizations. Never the less, there is a high deal of variation in which technology is used and information is distributed, as indicated by lower mean scores and higher standard deviations. These inconsistencies show that some organizations perform incredibly well in these states, and others perform poorly, indicating to areas that should be made to in order to improve overall proficiency and management of risk.

5.1.2 The effectiveness of internal audit in preventing inaccurate financial reporting.

The effectiveness of the internal audit function in preventing inaccurate financial reporting is a vital outcome unpredictable on polished interplay of foundational controls, professional effectiveness, independence of an organization and environment for supportive governance but not a structural quality. The study also shows that while internal audit gives a critical surface of assurance, its ability to reduce risk of financial misstatement is directly proportional to its strategic positioning and its allocated resources. A sustained and mature internal audit function serves as a dynamic, enhancement of strategic partner that remarkably

elevate the dependability of financial data. Never the less, it is not a dependable mechanism, as it is instinctively limited by the likelihood of composite fraud and the challenges of a consistently evolving business aspect. Finally, the report sums that a strong internal audit function, known by its proficiency and independence, is an essential support of modern corporate governance, crucial for strengthening accountability and protecting trust of the stakeholders.

5.1.3 The Effectiveness of risk assessment in preventing financial reporting inaccuracies.

This research indicates that risk assessment is an essential and highly proficient tool for preventing inaccurate financial reporting. It serves as a stronghold for dependable internal control system, aiding that target resource application, and promotes a culture of accuracy. Organizations that prioritize and invest in a systematic approach to financial reporting risk assessment are better founded to enhance transparent and trustworthy financial statements, therefore promoting stakeholder confidence and adhering to regulatory requirements. Therefore this report encourage organizations of all sizes to continually revise and sustain their risk assessment procedures to protect them against the significant financial and reputational costs associated with reporting inaccuracies.

5.1.4 The effectiveness of segregation of duties in preventing inconsistent financial reporting.

Segregation of Duties (SoD) is a cornerstone of a sound internal control environment and an essential tool for preventing unreliable financial reporting. It works as both a detective and a preventive control, making it hard for errors to occur or fraud execution and concealed. While limitations may be detected in organizations with few staffs, the report highlights the significance of executing compensating controls like increased management oversights and audit surprises, to reduce the risks. Organizations that proficiently execute a vital segregation of duties (SoD) framework are better equipped to ensure the integrity, accuracy and dependability of their financial statements.

5.2 CONCLUSION

5.2.1 The different form of internal control systems used by organizations in Mukono Municipality.

The study shows that organizations within Mukono generally have robust, reliable and dependable internal control systems, specifically in areas such as evaluation methods, risk

assessment, internal audit and segregation of duties. These firms are strategic at identifying and evaluating possible risks, executing courses of actions to mitigate them, and making sure that there is transparency through effective communication. Never the less there is a detected gap in how proficiently they employ technology to safe guard user and distribute information; many organizations find it hard to adopt integrated tools and systems of reporting. This irregularity suggests that improvement could strengthen overall efficiency in operation and mitigating disparities across the industry. There is commitment to internal controls as evidenced; concentrating on reliability in sharing information and employment of technology could strengthen the system.

5.2.2 The effectiveness of internal audit in preventing inaccurate financial reporting.

The findings show a strong and positive relationship between a strong internal audit function and the prevention of material misstatements and errors in financial statements. Internal audit plays a vital and proactive role in finding out and preventing financial reporting associated with risks. By carrying out independent reviews of financial procedures, controls and data, internal auditors are specifically put to find out possible irregularities before finalizing and reporting. Firms with internal audit departments and have audit committee with qualified professionals have significantly low occurrences of financial reporting inaccuracies. But departments that do not have independent or insufficient resources are ineffective. Proficient internal audit goes further than just compliance checks but also robust control environment and accountability culture. Consistent monitoring and feedback given by internal audit aids managers to maintain strong internal controls; therefore mitigating the possibility of either unintentional or intentional errors. While effectively high, internal audit is not the only solution. Its achievement is strategic upon the support of senior management, the active participation of the audit board, and the cooperation of all functions included in the financial reporting procedures.

5.2.3 The Effectiveness of risk assessment in preventing financial reporting inaccuracies.

Risk assessment, if well established, is a proficient and essential tool for preventing inaccurate financial reporting as evidenced from both fundamental frameworks and real-world case study. Its efficacy is not inherent but is forged by a commitment of a company to seeing it as a vital strategic function rather than just a requirement for compliance. A framework that is strong must be built on the integrated operations of three essential pillars; a

robust internal control environment, independent external oversight and a steadfast commitment to ethical corporate governance. Failures might occur if these pillars are compromised. The rate at which technology is upgrading, integration of tools like Artificial Intelligence machine learning and automation, which turns risk assessment in to course of action, consistent and predictive discipline capable of disclosing and reducing threats with exceptional speed and accuracy.

5.2.4 The effectiveness of segregation of duties in preventing inconsistent financial reporting.

Segregation of duties is highly proficient in preventing irregular financial reporting by distributing vital financial tasks like recording, authorization and custody of assets to different individuals, functions or departments. This helps creates a system of responsibility and accountability, through consistent checks and balances that significantly mitigates the risk of fraudulent activities, errors and manipulation. In essence, a strong segregation of duties framework is an essential element of good internal controls. Its efficacy lies in its ability to break the “chain of command” for only one person, therefore introducing a powerful layer of oversight that systematically prevents the conditions under which unreliable financial reporting is most like to happen.

5.4 RECOMMENDATIONS

5.4.1 The effectiveness of internal audit in preventing inaccurate financial reporting.

To address the identified disparities in accordance with internal audit, technological security and the distribution of information, it is crucial for organizations to distribute resources in regards to the adoption of integrated technological solutions combined with enhancement of their reporting infrastructures and safeguarding the resources as well. Executing dreadful technological foundations has the possibility to increase the accuracy of data, speeding up the establishment of internal regulatory procedures and facilitate the real-time observation of financial transactions. It is proposed that organizations should prioritize combination of innovation directed toward evaluation of risk and information management, making sure that the integrated tools for technology are east to access across all units of operation. Such outlay of finance is expected not to exclusively support the comprehensive internal ecosystem but to lift up production operations while concurrently reducing irregularities all through production landscape. In light of inconsistent impacts stemming from assessment of the influence of internal controls on indicators of profitability and the operation risk operations, some

organizations are entailed to adopt a much refined procedures in the execution of internal controls.

5.4.2 The Effectiveness of risk assessment in preventing financial reporting inaccuracies.

It is essential for these organizations to participate in comprehensive assessment of the particular challenges of operations they experience, eventually, formulating and demonstrating mechanisms of control that entail such exclusive issues. It is important to integrate periodic internal audit alongside timely feedback mechanism for consistent refinement and flexibility of frameworks of internal controls. Through aligning internal controls with the exceptional requirements and uncertainties essential to each individual organization, it is stated that their efficiency will be maximized, therefore fostering operational risk management capabilities and also enhanced outcomes.

5.4.3 The effectiveness of segregation of duties in preventing inconsistent financial reporting.

Lastly organizations should put much effort on ensuring effectiveness in their control activities and communication in order to improve internal controls and their positive impact on financial performance. Proposing straight to point mechanisms for trailing and examining financial transactions is necessary in strengthening control operations. So staff members should be responsible and follow internal control mechanisms if such initiatives are put in place and a culture of receptiveness and transparency should be promoted in to influence participative and commitment among the employee when given tasks and duties to perform.

5.5 Areas for further Research

Since this research assessed the effectiveness of internal control procedures in preventing inaccurate financial reporting among hotels in Mukono Municipality, the recommendation from the study is based on the following areas.

Firstly, the study recommends the need to carryout comprehensive research on specific internal control procedures used by hotels in Mukono and Uganda at large in influencing and ensuring accuracy of financial reports. Exploring the most effective procedures that are potentially used to mitigate inconsistencies.

Secondly the study also recommends the significance of investigating the results of independent auditing, reviews and assurance on reliability and credibility of financial reports in various hotels. Financial reporting practices and perceptions of stakeholders should be compared and contrasted especially the ones that do auditing and the ones that do not do in order to comprehend the merits and demerits of the practices.

Finally, there is also need to carry out a qualitative research to explore an insight in to the limitations faced by these hotels in comprehending and implementing regulations and standards of accounting especially when preparing financial reports, identifying the specific confusing areas and areas of complexity and also finding out strategies to enhance compliance among the hotels.

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