

**THE IMPACT OF INTERNAL CONTROL EFFECTIVENESS ON THE FINANCIAL  
REPORTING QUALITY IN THE UGANDA'S BUSINESS INDUSTRY: A CASE  
STUDY OF JACTOR SUPERMARKET MUKONO**

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**UGANDA CHRISTIAN  
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**DECLARATION**

I NUWASASIRA ALEX, hereby affirm that this research is out of my own effort and personal findings from the research carried out, and it has never been submitted by any person for any award. And therefore I take full responsibility for every information herein.

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Signature ..... 

Date..... 16/05/2025

**APPROVAL**

This is to certify that this report has been submitted with my approval as the Research supervisor.

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Date..... *19/5/2025* .....

## **DEDICATION**

I dedicate this field report to my beloved parents, my brothers, sisters and friends, and more so to my beloved Aunt Dr. Nankya Loy for the encouraging and supportive efforts rendered to me in terms of finances and guidance while compiling this report.

## **ACKNOWLEDGEMENT**

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## ABSTRACT

**Introduction;** The study assessed that the impact of internal control effectiveness on the financial reporting quality in Jactor supermarket Mukono. The study was guided by the following objectives: To analyze the effect of internal control policies on the quality of financial reporting in Uganda's business industry, to evaluate the influence of corporate governance practices on the financial reporting quality in Uganda's business industry and to evaluate the effectiveness of internal control systems on the financial reporting quality in Uganda's business sector.

**Methods:** The study adopted a descriptive research design. Descriptive design was used because it's appropriate in collecting information about people's attitude, opinions and habits. the study population was 60 and the sample size was 52.

**Results: The** study established that Internal control policies had helped to detect errors and fraud in financial reporting at Jactor supermarket, strong internal control policies had helped to prevent and detect errors and fraud in financial reporting, accurate financial reporting depended on internal controls at Jactor supermarket.

The study further revealed that the board was responsible for overseeing the financial reporting at Jactor supermarket and Internal control system had provided reasonable assurance that the company's financial reporting is accurate and reliable. The efficacy and quality of the internal control system implemented enabling the business to survive at Jactor supermarket.

**Conclusion:** The study concluded that internal control policies has a significant effect on quality of financial reporting at Jactor supermarket. Hence it was concluded that an effective internal control system was an important factor in determining the quality of financial reporting at Jactor supermarket. cooperate government practices at Jactor supermarket had tried to effectively maintain the quality of financial reporting at Jactor supermarket.

**Recommendations:** Jactor supermarket should develop a good internal control system to monitor financial, record and track all the finance payments so that there is effectiveness in payment of cash and ensure to cover loopholes in the system to enhance financial performance. The top management in at Jactor should ensure that there is adherence to financial reporting standards. The accountants should have up-to-date standards and employ them while performing their function.

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# **CHAPTER ONE**

## **INTRODUCTION**

The quality of financial reporting is crucial for stakeholders who rely on financial statements to make informed business decisions. In Uganda, the effectiveness of internal control systems plays a significant role in ensuring the accuracy and reliability of these financial reports. This dissertation explores the impact of internal control effectiveness on the quality of financial reporting within Uganda's business industry.

### **1.1 Background of the Study**

The financial reporting landscape in Uganda has undergone significant changes, prompting the need for robust internal controls. Internal control systems are integral to the financial reporting process, ensuring compliance with regulations and enhancing the reliability of financial information. In Uganda, where the business environment is continuously evolving, assessing the effectiveness of these internal controls is crucial for maintaining financial integrity.

In the recent years, internal controls and deliberate reporting on these controls has received a great amount of interest in the accounting literature as well as accounting profession (Hossain et al., 1995; McMullen et al., 1996). Verschoor (1999) defines internal control as a term used by management to ensure that the firm accomplishes its financial objective as well as other objectives. Furrugia (2002) defines internal control as the system of the firm and the collaborated activities used to secure assets from loss by errors, measure the precision and reliability of data to be utilized by the management in decision making, to promote operational effectiveness and ensure conformity to rules and regulations in areas where financial departments have direct or indirect duties. Internal control supports the utilization of resources and hence assists the management to accomplish the organization's objectives (Knechel et al., 2007). Weakness in internal control systems causes ineffective allocation of resources to definite priorities and to ensure that worth for the money will be achieved in public spending (Lawson, De Renzio and Umarji, 2006).

Internal controls are a set of policies and procedures adopted by an entity in ensuring that organization's transactions are processed in the appropriate manner to avoid waste, theft and misuse of organization resources. Internal Controls are processes designed and effected by those charged with governance, management, and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of the

financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations (Mwindi, 2008). It is worth noting that internal controls only provide reasonable but not absolute assurance to an entity's management and board of directors that the organization's objectives will be achieved. "The likelihood of achievement is affected by limitations inherent in all systems of internal control" (Hayes et al., 2005).

## **1.2 Research problem**

The quality of financial reporting is crucial for stakeholders who rely on financial statements to make informed business decisions. In Uganda, the effectiveness of internal control systems in ensuring the accuracy and reliability of these financial reports is a significant concern. Despite the importance of internal controls and the existence of regulatory frameworks and guidelines, there is limited empirical evidence on how these controls impact the quality of financial reporting in Uganda's business industry. This study aims to fill this gap by examining the relationship between internal control effectiveness and financial reporting quality and also to explore how the effectiveness of internal controls directly impacts the quality of financial reports in Uganda.

## **1.3 Research objectives.**

To analyze the effect of internal control policies on the quality of financial reporting in Uganda's business industry.

To evaluate the influence of corporate governance practices on the financial reporting quality in Uganda's business industry.

To evaluate the effectiveness of internal control systems on the financial reporting quality in Uganda's business sector.

## **1.4 Research questions.**

Explain the internal control policies on the financial reporting quality in Uganda's business industry.

How do corporate governance practices influence the internal control effectiveness on the financial reporting quality in Uganda's business industry?

How effective are internal control systems influence the financial reporting quality in Uganda's businesses?

### **1.5 Scope of the Study**

This study focuses on businesses operating in Uganda, examining the effectiveness of their internal control systems and the quality of their financial reporting. The research will include various sectors within the business industry, with a particular emphasis on financial institutions, supermarkets, and microfinance institutions.

### **1.6 Significance of the Study**

This study contributes to the understanding of internal controls in enhancing financial reporting quality. The findings will be useful for policymakers, business owners, and financial managers aimed at improving transparency and financial accountability. Understanding the impact of internal control effectiveness on financial reporting quality is vital for several reasons:

**For Businesses:** It helps in improving internal control mechanisms, thereby enhancing the reliability of financial reports.

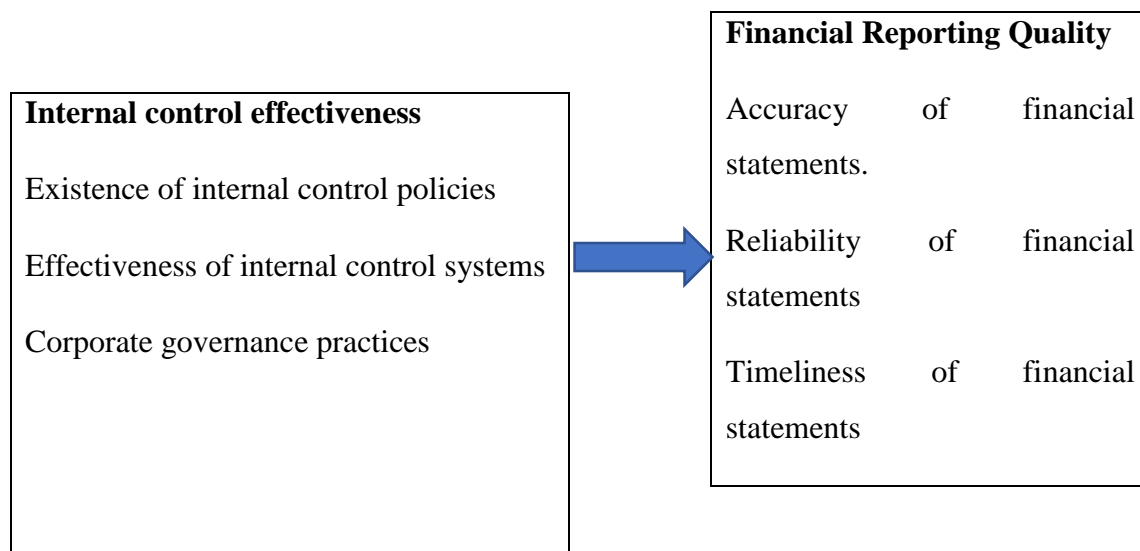
**For Regulators:** Provides insights into areas that require regulatory attention to ensure robust internal control systems.

**For Academics:** Contributes to the existing literature on internal controls and financial reporting quality, particularly in the context of developing countries like Uganda.

### **1.7 Justification of the study.**

To give a detailed report on how internal control effectiveness within the businesses operating in Uganda are impactful on the financial reporting quality, which is the basis of decision making of stakeholders in many organizations.

## 1.8 Conceptual framework.



The conceptual framework above shows the relation between the study variables as; internal control effectiveness as the independent variable, and financial reporting quality as the dependent variable. The figure above shows internal control effectiveness while indicating its dimensions as the existence of internal control policies, effectiveness of internal control systems, corporate governance practices and determinants of internal controls. It also shows financial reporting quality detailing its dimensions as accuracy, reliability, and timeliness of financial statements.

The conceptual framework shows the relationship between the independent variable with its dimensions and dependent variable; as per the business industry in Uganda, the existence of internal controls is vital as it enables the organization to produce the expected results hence providing the ability in portraying accuracy of financial statements which aid the decision making of stakeholders. Also the effectiveness of the internal control systems put in place in the organizations smoothens the work of auditors when found that the systems installed are working and effective, it eases the work while auditing hence leading to reliability of financial statements thus enhancing the financial reporting quality. Furthermore, we take a look at the frequency of internal control assessments which shows how often are the internal controls checked to see if they are functioning or not hence identifying the dents in the systems used and finding solutions to the dents found, thus improving on the timeliness of the financial statements for the essence of improved financial reporting quality.

## **1.9 Transitional summary**

As indicated from the whole chapter one, the impact of internal control effectiveness on the financial reporting quality in Uganda's business industry is being highlighted all the way from the introduction of the study, the research problem shows the ideal situation on how the effectiveness of internal control is crucial in ensuring the accuracy and reliability of financial statements thus being a concern. Furthermore, to the objectives, research questions, scope of the study, significance and the conceptual framework of the study that show you, if the internal controls are in place, how related and important are they to the financial reporting quality within the Uganda's business industry thus igniting an improved performance of the organizations as a whole hence leading stakeholders involved to make informed decisions. This will further be broken down in details as the study goes on in the next chapters.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The quality of financial reporting is crucial for stakeholders who rely on financial statements to make informed business decisions. Effective internal control systems are essential in ensuring the accuracy and reliability of these financial reports. This literature review explores the impact of internal control effectiveness on financial reporting quality within Uganda's business industry, drawing on various studies to highlight key determinants and outcomes.

#### **2.1 The influence of internal control policies on the financial reporting quality**

Ozili, (2021) examined financial reporting under economic policy uncertainty. He established that there was a link between economic policy uncertainty and financial reporting, in terms of earnings management and fair value accounting. It argues that high economic policy uncertainty will transmit fewer new information to firms which can motivate managers to influence accounting numbers in the direction of the desired financial reporting outcome.

According to Ali (2018), Internal controls Policies play a crucial role in ensuring the integrity of financial processes and safeguarding the accuracy and reliability of financial reporting within organizations. This section delves into the significance of internal controls in maintaining financial integrity and compliance with regulatory requirements. he further urged that Adequate internal controls are essential for maintaining the integrity of financial reporting and ensuring compliance with applicable laws and regulations. Controls related to the financial close and reporting process are particularly critical, as they govern the accuracy and completeness of financial information disclosed to stakeholders. Moreover, robust controls are instrumental in preventing and detecting fraud, minimizing the risk of financial misstatements and unauthorized transactions.

Jamila and Maria, (2022) investigated the company's internal control systems and their impact on the quality of financial reports for all companies in general, in addition to that, the study aimed to know the impact of internal audit and the control environment that fall under the components of internal control systems. In this study, questionnaires and interviews were used for data collection, as a sample of 80 people working was taken. After obtaining the results, the analysis was carried out using Microsoft software. The study revealed that there is a positive relationship between internal control systems and the quality of financial reports, as the more

effective and efficient the internal control systems are, the higher the quality of the financial reports, as there must be strong internal control systems for the financial reports to be free from errors, manipulation, and embezzlement. The researcher also recommends the need to pay attention to internal control systems and financial reports and to put in place many plans and programs that help in developing them to prepare financial reports that are credible and reliable.

According to Maria (2023) The accuracy of financial reporting is vital for global enterprises to keep accurate and trustworthy records. Without dependable financial data, it can be difficult to evaluate an organization's performance. He stressed the need for Companies to use the best practices to improve the quality of their financial reporting. This can be accomplished by automating processes where possible, utilizing advanced analytics tools for deeper insights into the data's trends or patterns, adhering to regulations such as Sarbanes Oxley (SOX), and keeping up with changes in accounting standards such as Generally Accepted Accounting Principles (GAAP). By meticulously adhering to these rules, firms may ensure that their financial reports are always accurate and trustworthy for making educated decisions.

Nanzala&Ingabo, (2021) established that Effective financial reporting also requires accurate financial data. Inaccurate information given to stakeholders or authorities could result in costly penalties or fines if it is not accurate. Companies should develop processes that allow them to accurately collect all pertinent transaction details and maintain the integrity of their records over time through rigorous testing and validation. Automated solutions, such as cloud-based software applications, may be advantageous in this situation because they provide greater accuracy than manual methods while reducing the costs associated with labor-intensive tasks, such as double-entry bookkeeping or reconciliation efforts between multiple systems/databases.

According to Hung, & Nguyen, (2022) Keeping consistency in financial reporting is essential for firms to maintain stakeholder and investor confidence. Without consistency, it might be challenging to appreciate an organization's true efficacy and make decisions based on trustworthy facts. To achieve consistency, companies should have a framework for their financial reporting processes that are well-defined and adhered to by all departments. This involves having consistent data collection techniques, assuring the correctness of data entry into the system, and employing quality control measures throughout the process. In addition, any changes or updates made to the system should be communicated immediately so that everyone is on the same page about the preparation of financial statements.

According to Liu & Li, (2020) The achievement of quality financial reporting is a problem for worldwide enterprises. Compliance with regulations, data accuracy, and timeliness are essential components of any effective financial reporting system. Keeping compliance with local rules and regulations can be challenging, especially in nations where the laws are continually changing or not established. If the data used to produce financial accounts are erroneous or insufficient, it can result in costly errors in the future. Lastly, it can be difficult to ensure the timely delivery of reports due to restricted resources or external variables such as supply chain delays.

To ensure that their financial statements are of the utmost precision and dependability, organizations must establish a comprehensive strategy to face these challenges head-on. Automating operations whenever possible can reduce manual errors and dramatically accelerate report-generating times. Moreover, investing in high-quality software solutions created expressly for regulatory reporting can give firms greater control over their processes and help them remain compliant with ever-evolving global standards. Developing robust internal controls and monitoring systems can assist maintain data integrity across numerous sources and reduce the risk of incurring penalties for noncompliance from regulators around the world.

Maintaining the quality of financial reporting is a challenging endeavor, but it can be achieved with the right procedures and tools. In conclusion, global organizations must comprehend the significance of this issue and take action to address it.

Internal control policies play a vital role in enhancing the quality of financial reporting in Uganda's business industry. Monitoring of controls assure efficacy and efficiency in system design and operation (Masa'deh, Al-Dmour, &Obeidat, 2015). These policies are designed to provide reasonable assurance that the organization's operations are effective and efficient, and that financial reporting is accurate and reliable.

One of the key benefits of having strong internal control policies is that they help to prevent and detect errors and fraud in financial reporting. These functions are aimed to decrease substantial errors, omissions, wastes, purposeful acts and frauds which impacts negatively on a company's performance (Quasim, 2021; Singleton & Singleton, 2010).This is particularly important in Uganda, where there have been instances of financial reporting fraud and mismanagement in the past. By implementing robust internal controls, businesses can reduce the risk of such occurrences and ensure that their financial statements provide a true and fair

view of their financial position, and financial performance. Control activities include the processes and measures that are taken to decrease risks which have been recognized. (Hassan et al, 2019). These activities encompass structural measures, authorization policies, physical and technological restrictions (Jones & Kuhn, 2018)

In addition to preventing errors and fraud, internal control policies also help to ensure compliance with relevant laws and regulations. This is important because non-compliance can result in significant financial penalties and damage to the organization's reputation. By having strong internal controls in place, businesses can ensure that they are meeting their legal and regulatory obligations and avoiding potential legal and financial risks. Risk assessment detects and analyzes operational risks in a timely manner (Taiwo et al., 2016).

Furthermore, internal control policies can also help to improve the efficiency and effectiveness of business operations. By identifying and addressing inefficiencies and areas for improvement, businesses can optimize their operations and improve their overall performance. This can lead to increased profitability and competitiveness, which is particularly important in Uganda's business industry, where competition is intense and the economic environment is challenging.

In conclusion, the existence of strong internal control policies is essential for enhancing the quality of financial reporting in Uganda's business industry. These policies help to prevent and detect errors and fraud, ensure compliance with laws and regulations, and improve the efficiency and effectiveness of business operations. By implementing robust internal controls, businesses can ensure that their financial statements provide a true and fair view of their financial position and performance, and that they are meeting their legal and regulatory obligations.

## **2.2 The influence of the corporate governance practices on the financial reporting quality**

Kigongo and Nairuba (2020) examined the relationship between corporate governance attributes and financial reporting quality using evidence from Uganda's financial institutions.

The Results of the study indicated that board expertise and board role performance are significantly associated with financial reporting quality. Also, internal audit quality was significantly associated with financial reporting quality. Board independence is not a significant predictor of financial reporting quality.

Turyahebwa, et al (2022) established a significant positive relationship between internal controls, corporate governance and financial performance of MFIs. Internal Controls and

financial performance of MFIs ( $r = 0.651$ ,  $P\text{-value} = 0.000$ ), corporate governance and financial performance of MFIs ( $r = 0.562$ ,  $P\text{-value} = 0.000$ ). From the results, we sanction that internal controls, corporate governance, predict over 70.2% of the change in financial performance of Micro Finance Institutions in Uganda. They also established that Corporate governance practices put in place play an important role in influencing the effectiveness of internal controls on the quality of financial reporting in Uganda's business industry.

Dowdell (2020) urges that the board is responsible for overseeing the company's management and ensuring that the company's affairs are conducted in a manner that is in the best interests of the shareholders. In Uganda, the board of directors is required to establish and maintain an effective internal control system that provides reasonable assurance that the company's financial reporting is accurate and reliable.

The commitment of the top management to a strong control environment promotes a culture of compliance and accountability across the organization (Wu & Zhang, 2019). Continuing surveillance is a way to enhance the reliability and the effectiveness of internal controls as per the changing legislative and business environments. The internal control framework starts with the control environment, emphasizing the importance of integrity, ethical behavior and adherence to corporate governance principles.

Louwers et al, (2015) stressed that Another important aspect of corporate governance is the role of the audit committee. The audit committee is a sub-committee of the board of directors that is responsible for overseeing the company's financial reporting and internal controls. The audit committee is tasked with reviewing the company's financial statements, assessing the effectiveness of the internal control system, and ensuring that the company is in compliance with relevant laws and regulations.

In addition to the board of directors and the audit committee, corporate governance also involves the establishment of an effective risk management framework. Johnson & Davis, (2019) urges that this framework should identify and assess the risks that the company faces, and provide guidance on how to manage those risks. By implementing a robust risk management framework, companies can ensure that they are able to identify and mitigate potential risks to their internal control system and financial reporting. According to empirical data, financial performance metrics are greatly impacted by the adoption of efficient control measures such regular audits and job segregation (Johnson & Davis, 2019).

Furthermore, corporate governance practices also involve the establishment of an effective compliance program. Having this program in place enables the company to identify and assess any dents that are not complying with the relevant laws and regulations, and thus gives a way on how to cub them down and be in line with the laws and regulations.

In a culture of accountability and responsibility, people in governance and leadership roles are answerable for their actions. Francis & Imiete, (2018) reported that Directors and managers are responsible for their decisions and the performance of the company. They're required to make sure the company follows legal and ethical standards. Accountability mechanisms include regular audits, reporting and a clear division of roles and responsibilities so that decisions are made in the best interest of all stakeholders.

The principles of fairness and equity maintain that all stakeholders should be treated equitably and justly. Lawson et al (2017) urged that the rights of shareholders, employees and other parties should be protected, and their interests considered, regardless of their number, influence or relationship with the company. This promotes a culture of respect and ethical treatment. Taken together, these principles support sustainable business practices and long-term success.

Chalmers, Hay, & Khlif, (2019) urged that businesses must follow several major finance regulations and compliance standards as part of their corporate governance practices. After the Enron fiasco and several other corporate scandals, the United States Congress passed the Sarbanes-Oxley Act (SOX), which was designed to protect investors by improving the accuracy and reliability of corporate disclosures. SOX mandates strict rules for financial disclosures to prevent accounting fraud. It also holds top management and auditors accountable for compliance.

Bett & Memba, (2017) emphasized that a corporation's board of directors is governed by setting the company's vision, mission and strategic direction. It oversees management's performance and manages the company's risks. It's also responsible for safeguarding stakeholders' interests, making decisions on major company issues and setting policies on dividends, corporate governance and executive compensation.

According to Smith, & Stephens, (2012) the board must consist of a mix of executive and independent directors. The majority of the directors must be independent and provide unbiased oversight and objective judgment. This is especially important when dealing with potential conflicts of interest and ensuring that decisions are made in the best interests of the corporation and its stakeholders.

Albert, &Byaruhanga, (2014) opined that in private companies, members of the board can be chosen in accordance with the company's by-laws or articles of incorporation; they may also be chosen by simple agreement among the shareholders. Committees improve the board's efficiency by focusing on specific tasks within particular areas of corporate operation: An audit committee oversees financial reporting, internal controls and compliance with legal and regulatory requirements.

Investors and other stakeholders can't make informed decisions regarding investments, loans, and other business relations without accurate financial reports. Financial reporting and disclosure statements provide essential information about a company's financial health and operational results. The guidelines for financial reporting and disclosures give all market participants equal access to material information to maintain market integrity and investor trust.

In conclusion, corporate governance practices are important in influencing the effectiveness of internal controls on the quality of financial reporting in Uganda's business industry. By establishing an effective internal control system, audit committee, risk management framework, and compliance program, companies can ensure that their financial statements provide a true and fair view of their financial position and performance, and that they are meeting their legal and regulatory obligations.

### **2.3 The effect of Internal control systems on the financial reporting quality**

Asila and Maria (2021) identified and evaluated the internal controls used in a computerized accounting system of the SMEs, to identify and evaluate the merits and demerits of the internal controls used in the companies, and to identify the challenges in the implementation of internal control systems in the computerized accounting system of the SMEs. Design/methodology/approach: The population of the study was the employees of the SME's registered with Ministry of Commerce and Industry (MOCI) in Muscat, Oman. Samples were selected from this population on a random sampling basis. One-member employee from the SMEs representing the enterprise filled the questionnaire. The survey was conducted through a questionnaire using a Google form. 220 samples were collected from the population. The study suggested that the Government should emphasize the SMEs to implement a good internal control system. This can reduce the errors and also increase the efficiency of operations.

Jamila and Maria (2022), examined the company's internal control systems and their impact on the quality of financial reports. The study established a positive relationship between internal control systems and the quality of financial reports, as the more effective and efficient

the internal control systems are, the higher the quality of the financial reports, as there must be strong internal control systems for the financial reports to be free from errors, manipulation, and embezzlement. The researchers also recommended the need to pay attention to internal control systems and financial reports and to put in place many plans and programs that help in developing them to prepare financial reports that are credible and reliable.

Internal control systems are essential for ensuring the quality of financial reporting in Uganda's business industry. An internal control system is a set of policies and procedures that a company implements to ensure the accuracy and reliability of its financial reporting. Internal controls are a system of rules and processes that help a company comply with regulations and laws, improve operational efficiency and effectiveness and achieve financial reporting dependability (Alfartoosi&Jusoh, 2021).

Internal control mechanisms improve financial reporting systems, operational effectiveness and efficiency and adherence to established norms and rules (Nanzala&Ingabo, 2021; Francis &Imiete, 2018). The effectiveness of an internal control system can have a significant impact on the quality of financial reporting.

An efficient internal control system aids organizations in realizing its goal of providing trustworthy financial information as well as protecting its assets and other significant resources (Hermanson, Hoai, Hung, & Nguyen, 2022). The efficacy and quality of the internal control system implemented by organization's management are key factors in an entity's ability to survive (Musah, Padi, Okyere, Adenutsi, &Ayariga, 2022).

One of the effective internal control system is the internal check, which is the system through which accounting procedures in an organization are so laid out that the accounts procedures are not under the absolute and independent control of any person. In this case, the work of an employee is complementary of the other, enabling the continuous audit of the business to be made. This helps to prevent and detect errors and fraud in financial reporting.

(Parker et al., 2020) identifies risk assessment, control activities, information and communication, monitoring, and the control environment as elements of internal control systems from a literature perspective. An effective internal control system also helps to ensure compliance with relevant laws and regulations. Internal controls involve various techniques aimed at safeguarding assets, ensuring compliance with regulations, and providing reasonable assurance regarding the accuracy of financial reporting (Liu & Li, 2020). This is important because non-compliance can result in significant financial penalties that can tarnish the

organization's image. According to (Chen et al., 2021), a strong control environment enforces a culture of accountability and compliance, which induces more reliability in financial reporting and a reduced incidence of fraud.

According to (Smith, 2018), effective risk assessment practices ensure that risks are promptly identified and mitigated to reduce the occurrence of financial loss and thereby enhance profitability as a whole.

In conclusion, internal control systems are essential for ensuring the quality of financial reporting in Uganda's business industry. By implementing a robust internal control system, businesses can prevent and detect errors and fraud, ensure compliance with laws and regulations, and improve the efficiency and effectiveness of business operations. This can lead to increased profitability and competitiveness, and a stronger reputation for the organization.

## 2.5 Gaps in Existing Literature

Many studies are conducted in developed countries, leaving a need for more localized studies focusing on developing economies like Uganda. There is a gap in understanding how cultural, social, and economic factors in Uganda uniquely impact internal controls and financial reporting quality.

(Mawanda ,2008) conducted a research on effects of internal control systems on financial performance in institution of higher learning in Uganda. In his study he investigated and sought to establish the relationship between internal control systems and financial performance in an Institution of higher learning in Uganda. Internal controls were looked at from the perspective of Control Environment, Internal Audit and Control Activities whereas Financial performance focused on Liquidity, Accountability and Reporting as the measures of Financial performance. The Researcher set out to establish the causes of persistent poor financial performance from the perspective of internal controls. The study established a significant relationship between internal control system and financial performance.

Amudo and Inanga, (2009) also carried out a study in Uganda to evaluate the internal control systems that the regional member countries of the African Development Bank Group institute for the management of the Public Sector Projects that the Bank finances. There are 14 projects of the Bank's Public Sector Portfolio in Uganda. The data received and analyzed is for 11 projects. Three projects were omitted because they were not fully operational to install effective

internal control systems. The study identified the following 6 essential components of an effective internal control system: control environment, risk assessment, control activities, information and communications, monitoring and information technology. The outcome of the evaluation process was that some control components of effective internal control systems were lacking in those projects. These rendered the control structures ineffective.

In summary, the effectiveness of internal control systems is paramount in ensuring high-quality financial reporting in Uganda's business industry. As indicated above, corporate governance practices, internal control policies and systems put in place, play a significant role in strengthening internal controls hence being effective on the accuracy and reliability of financial reports. By focusing on these factors, businesses in Uganda can improve their financial reporting quality, thereby gaining the trust of stakeholders and enhancing overall financial performance

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY.**

#### 3.1 Introduction.

This chapter described the research methodology of the study. Research methodology is the procedural plan that is adopted by the researcher to validly, objectively and accurately answer the research questions. It is a detailed explanation of the procedures and techniques that were used while collecting, processing, and analyzing data. This section of the study therefore described the research design, target population, data collection instrument, procedures and analysis management that the study used.

#### 3.2 Research Design

Research design refers to the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure (Babbie, 2002). The research design that I employed in this study is descriptive design. A descriptive design is a process of collecting data in order to answer questions concerning the current status of the subjects in the study. It involves gathering data that describes events and then organizes, tabulates, depicts, and describes the data. Descriptive studies portray the variables by answering who, what, and how questions (Babbie, 2002; Cooper & Schindler, 2004). Descriptive design was used because it's appropriate in collecting information about people's attitude, opinions and habits. It can be used to obtain information concerning the current status of the phenomena and to describe "what exists" with respect to variables or conditions in a situation (De Vaus,2011).

A mixed-methods approach was utilized to provide a comprehensive analysis of the topic. This approach combined qualitative data (interviews with managers) and quantitative data (surveys) to enrich the overall findings.

#### 3.3 Population and sample size

Population refers to the total or entire group of individuals or elements or objects having one thing in common or more features in common that are of interest to the researcher and where inferences are to be made ((Amin, 2005).

The target population of the study included directors of Jactor supermarket, finance managers, cashiers, supervisors, store keepers, and customers. These were chosen because they are directly involved and affected by the internal control systems used at Jactor supermarket.

The sample size selection was established using the Krejci and Morgans, (1970)table of sample size selection.

Table1: Population and sample size determination

<b>Respondent category</b>	<b>Population</b>	<b>Sample size</b>
Directors	03	02
Supervisors	05	04
Finance managers	02	02
Store keepers	03	03
Cashiers	10	8
Clients /customers	37	34
Total	60	52

Therefore, from the study population of 60, a sample size of 52 will be selected to participate in the study.

### 3.4 Sampling Techniques

#### 3.4.1 purposive sampling

This is a sampling method in which all members of the population are taken in to account instead of a fraction (Creswell, 2005). The directors, store keepers and finance managers at Jactor supermarket were selected to give information in regard to this study using census inquiry. A Census survey was employed because it reduces the time needed for data collection, produces validated information and gives more detailed questions among others.

#### 3.4.2.Simple random sampling

Simple random sampling which is also referred to as lottery method is a sampling method whereby the researcher uses ballots with numbers written on them and one ballot is picked at

a time until the required number is attained (Oso, & Onen, 2009). The researcher employed simple random sampling for cashiers, supervisors, and customers. This ensured that each individual is given equal opportunity to be selected into the sample. The researcher applied the fish bowl approach so as to create equal chances for the respondents to participate in the study.

### 3.5 SOURCES OF DATA

#### 3.5.1 Primary source

A primary data source is an original data source, meaning it contains data that the researcher has personally gathered for a particular study endeavor or goal. Numerous techniques can be used to gather primary data (Neil, 2010). Self-administered surveys, and interviews shall be employed by the researcher.

#### 3.5.2 Secondary source:

Secondary data is the data that has already been collected through primary sources and made readily available for researchers to use for their own research. It is a type of data that has already been collected in the past (Amin 2005). The Sources of secondary data included books, journals, newspapers, websites, university records and articles etc. Secondary data was known to be readily available compared to that of primary data.

### 3.6 Data Collection methods

This is a methodical approach to measuring and obtaining data on variables that enables one to analyze data, test hypotheses, and assess results (Creswell & Clark, 2011). Interviews and questionnaire surveys were used to collect data in this study. They are appropriate for the research design, research objectives, and research questions that makes them appropriate for use in this study.

#### 3.6.1 Questionnaire survey

According to Amin (2005), a questionnaire is a tool for gathering data that highlights the study questions and hypotheses. Self-administered questionnaires were used in the study because they save time and all respondents are literate. Data from cashiers, supervisors and customers was gathered using this method. According to Creswell (2014), this approach is advised since it makes it possible to gather data from large responder samples without the researcher's bias.

#### 3.6 .2 key informant Interview

Key informant interviews are in-depth, qualitative interviews conducted with individuals who are aware of community events. Key informant interviews are intended to gather data from a diverse group of individuals who possess first-hand knowledge of the community. Interviews have the advantage of allowing for on-the-spot explanations, changes, and variety during the data collecting process. This is accomplished by incidental comments made by respondents, as well as through the use of facial and bodily expressions, tone of voice, gestures, moods, and attitudes (Amin, 2005). This approach was used in the study since it provides chances to delve further into material, particularly in areas where the questions were unclear.

According to Cohen, et al (2018) an interview is a two-way method which permits the exchange of ideas and information. The face-to-face interviews were held with directors, store keepers and finance managers in order to collect data on effectiveness of internal control systems at Jactor supermarket Mukono.

### 3.7 Measurement of variables

When designing questionnaires and measuring variables, Mugenda and Mugenda (2003) advocate for the use of nominal, ordinal, and Likert type rating scales. Among other things, the nominal scale was used to quantify factors like marital status and gender. Age, education level, years of experience, and other characteristics were measured using the ordinal scale. The independent and dependent variables were measured using a five-point Likert scale: 1-for strongly disagree, 2-for disagree, 3-for not sure, 4-for agree, and 5-for strongly agree.

## 3.8 QUALITY CONTROL

### 3.8 .1 Reliability

Reliability refers to the extent to which research findings can be replicated Merrian, (1998). It tests to see whether the results can be the same if the same situation is repeated all over again. To ensure reliability, a pilot study was conducted and a test – retest was done and Cronbach Alpha coefficient was used to get reliability. According to Amin (2005) a reliability coefficient above 0.7 qualifies the tool to be reliable.

### 3.8.2 Validity

According to Kombo and Tromp (2006), validity of a research instrument is the appropriateness, meaningfulness and usefulness of the research instrument in respect to the inferences a study makes. The validity of the research instruments in the current study was determined through the content-related method. Validity refers relevance of the instruments in measuring what it is supposed to measure. The study used face validity to measure the validity of the research instrument. The researcher used 3 people with expertise in research methodology to judge the items whether they are appropriate to answer the intended questions. After judgment CVI was calculated.

## 3.9 Data Analysis

Quantitative data was analyzed using statistical methods such as correlation and regression analysis to determine the relationship between internal control effectiveness and financial reporting quality. Qualitative data was analyzed thematically to identify key insights and patterns.

### 3.10 Ethical Considerations

Ethical transparency was upheld by ensuring that all participants give informed consent and by guaranteeing their anonymity and the confidentiality of their responses

**Confidentiality:** confidentiality refers to the obligation of researchers to protect the privacy of participants by preventing unauthorized access to their data and information, ensuring that sensitive data is handled with care and not disclosed without consent. The researcher was sure that the data collected from the respondents was strictly used for research purpose but not for any administrative actions.

Anonymity: providing anonymity of information collected from research participants means that either the project does not collect identifying information of individual persons (e.g., name, address, email address, etc.), or the project cannot link individual responses with participants' identities.

### 3.11 Limitations of the Study

Limitations included potential non-response bias if the participants are hesitant to disclose inadequate internal control practices, as well as the challenge of obtaining comprehensive financial data.

## **CHAPTER FOUR**

## DATA PRESENTATION, ANALYSIS AND DISCUSSION

### 4.0 Introduction

This chapter presented, analyzed and interpreted data collected from the field. Data analysis and interpretation was based on the research objectives. Below are the data presentations and analysis of research findings.

### 4.1 Response Rate

Table 4.1: showing response rate

Issued questionnaires	Questionnaires filled and Returned	Response rate
52	47	90 %

Source: field data 2025

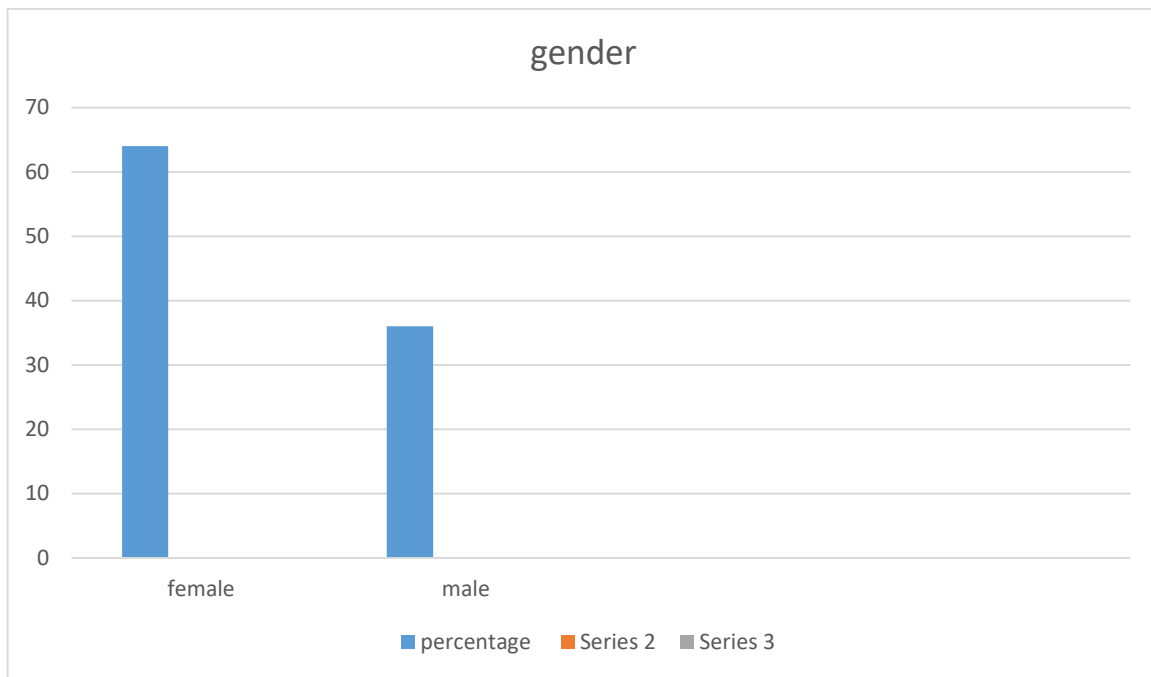
The response rate of study was ascertained to indicate whether the number of questionnaires that were returned was sufficient enough for analysis. Issued questionnaires were 52, filled and returned 47, Response rate 90%. Results in the table above show that the total number of questionnaires issued was 52 and out of these, only 47 questionnaires were fully filled and returned which forms a response rate of 90 %. This response rate is representative enough since it exceeds the requirements as proposed by (Holbrook *et al.*, 2016).

### 4.2 Demographic characteristics of respondents

The study aimed to establish the general information about the respondent. The study used this information to base the study finding on the experience of the respondents and familiarity of the respondent to the information that the study sought.

#### 4.2.1 Gender

Gender of the respondents was collected to establish the composition of the respondents as regards to the two sex of male and female and the findings are presented in figure 1 below.



Source: Primary Data, 2025

Further the study aimed to establish the distribution of respondents' gender. According to the study findings most (64%) of the respondents while the rest 35. % were male. This implies that majority of the most of the employees and directors of Jactor supermarket were female while their male counterpart occupies only small portion

#### 4.2.2 Age category of respondents

The respondents were told during the study to indicate the age bracket where they belong and the findings are presented in table 4.3 below;

Table 4.3: Age of respondents

Category	Frequency	Percentage
20-25 years	14	29.9%
26-30 years	21	44.8%
31-36 years	7	13.9%
41 years and above	5	11.4%
Total	47	100%

Source: Primary Data (2021)

The findings from table 4.3 above show that most of the respondents 44.8% were aged between the 26-30 years, followed by 29.9% who were aged between 20-25 years, 13.9% were between 31 and 36 years, and the least proportion of respondents 11.4% were 41 years and above. This implies that the Dominance of employees in the age bracket of 26– 30 years suggests that Jactor super market employs youthful workers who can adjust to the market needs and offer better services to the clientele hence improving their growth levels.

#### 4.2.3 Education level of respondents

During the interviews, the respondents were also told to indicate their level of education as presented in table 4.4 below;

Table 4.4: Education level of respondents

Category	Frequency	Percentage
Master's degree	2	5.0%
Diploma	15	30.8%
Bachelor's degree	16	34.8%
Certificate	9	18.9%
Others	5	10.4%
Total	47	100

Source: Primary Data, 2021

Table 4.4above presented the findings on the level of education of the respondents that participated in the study. Results indicate that majorityof the respondents (34.8%) were Bachelor's degree holders, followed by 30.8% who were at the diploma level of education, 18.95 , were certificate holders , 10.4% were others such as those who didn't sit for PLE and UCE , and finally only 5% had attained masters as far as their level of education.

#### 4.2.4 Working experience

The distribution of the respondents by their job occupation is indicated in table 4.5.

Table 4.5: Working experience

Categories	Frequency	Percentage
Below 2 years	9	18.4%
3-5 years	15	31.3%
6-8 years	20	43.3%
9 years and above	3	7.0%
Total	47	100

Source: Primary Data, 2021

In table 4.5, in terms of years spent working, majority of the respondents (43.3%) had worked for 6-8 years, followed by those between 3-5 years (31.3%), those with below 18.4% had worked for 2 years and below, finally only 7%, had worked for 9 years and above. This indicated that majority of these respondents had enough experience in their fields, and therefore they could provide the researcher with the information required.

### 4.3 KEY STUDY FINDINGS

**The study findings were presented objective by objective.**

Key for interpretation of means-Key for interpretation of means

Mean range	Interpretation
3.4-5.0	high
2.8 – 3.39	Moderate
1.0 - 2.79	Low

**4.3.1 The internal control policies and the quality of financial reporting in Jactor super market this was the first objective of the study and its findings were presented in table 4.6 below.**

Table 4.6 Descriptive statistics on internal control policies and the quality of financial reporting in jactor super market (n= 47)

Indicators	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Mean	Interpretation
Internal control policies have enhanced the quality of financial reporting	23(48.9%)	11(23.4%)	2(4.25%)	7(14.9%)	4(8.5%)	3.89	High
Monitoring of controls has assured efficiency in system	6(12.76%)	17(36.2%)	0(0%)	15(31.9%)	9(19.1%)	2.91	Moderate
Internal control policies have helped to detect errors and fraud in financial reporting.	11(23.4%)	19(40.4%)	2(4.25%)	8(17.02%)	7(14.9%)	3.4	High
Internal control policies have ensured compliance with relevant laws and regulations.	7(14.9%)	16(34.04%)	5(10.6%)	13(27.7%)	6(12.8%)	3.1	Moderate
strong internal control policies have helped to prevent and detect errors and fraud in financial reporting.	7(14.9%)	18(38.3%)	4(8.5%)	9(19.1%)	9(19.1%)	3.1	Moderate
Internal controls Policies have influenced	13(27.7%)	9(19.1%)	3(6.4%)	17(36.2%)	6(12.8%)	3.2	Moderate

integrityof financial reporting within organizations.							
The company pays attention to internal control systems and financial reports and to put in place	10(21.3%)	16(34.04%)	4( 8.5%)	12(25.5%)	5(10.6%)	3.3	Moderate
Accurate financial reporting depends on internal controls .	16(34.04%)	11(23.4%)	5(10.6%)	15(31.9%)	0(0%)	3.6	High
Adhering to the controls ensures that financial reports are always accurate and trustworthy.	21(44.6%)	8(17.02%)	4( 8.5%)	8(17.02%)	6(12.8%)	3.6	High
Internal controls are necessary for achieving high-quality financial reporting	11(23.4%)	5(10.6%)	4( 8.5%)	14(29.8%)	13(27.7%)	2.7	Low

**Source: primary data 2025**

Results in Table 4.6 indicate that most of the respondents 71.3% agreed that Internal control policies had enhanced the quality of financial reporting at Jactor supermarket as opposed to only 28.7% who disagreed. this was further supported by a mean of 3.89 which indicated a high level of agreement.

Respondents were asked whether Monitoring of controls had assured efficiency in the system 48.9% agreed while 51% disagreed. The mean for this was 2.91 indicating a moderate level of agreement with the statement.

Respondents were also asked whether Internal control policies had helped to detect errors and fraud in financial reporting at Jactor supermarket 63.8% agreed while 31.9% disagreed. The mean for this was 3.4 indicating high level of agreement with the statement. This implied that internal control policies enhanced financial reporting at Jactorsupermarket.

Respondents were also asked whether control policies had ensured compliance with relevant laws and regulations at Jactor super market 38.9% agreed, 10.6 % were not sure while 40.5% disagreed. The mean for this statement was 3.1 indicating that control policies had not effectively ensured compliance with relevant regulations and laws at Jactor supermarket.

Respondents were further asked if strong internal control policies had helped to prevent and detect errors and fraud in financial reporting the reactions were mixed 53.1% agreed, 8.5% were not sure while 38.2% disagreed. This was supported by a mean of 3.1 which was moderate. This implies that strong internal controls at Jactor super Market had a moderate influence on the quality of financial reporting.

In regard to Internal Controls Policies having influenced integrity of financial reporting within Jactor supermarket 46.7% of the respondents agreed, while 49% disagreed. The mean for this statement was 3.2 indicating a moderate level of agreement. This implies that internal Controls Policies had to some extent influence financial reporting at Jactor supermarket.

The respondents were also asked whether the company pays attention to internal control systems and financial reports and to put in place 55.3% agreed ,36.1% disagreed while 8.5% were not sure. The mean for this statement was 3.3 indicating a moderate level of agreement.

In relation to the statement that accurate financial reporting depends on internal controls at Jactor super market, 57.4% of the respondents agreed, 10.6% were not sure while 31.9% disagreed. The mean for this statement was 3.6 indicating a high level of agreement with the statement. This implies that accurate financial reporting at Jactor supermarket depends on internal controls to a great extent.

The respondents were asked whether Adhering to the controls ensures that financial reports are always accurate and trustworthy 57.6% agreed, 8.5% were not sure while 29.8% disagreed. The mean for this statement was 3.6 reflecting a high level of agreement.

Finally, the respondents were asked whether Internal controls were necessary for achieving high-quality financial reporting 34% agreed, 8.5% were not sure while 57.5% disagreed. The mean for this statement was 2.7 indicating a low level of agreement.

### 4.3.2 The influence of corporate governance practices on the internal controls on the financial reporting quality in Jactor supermarket

This was the second objective of the study and its findings were presented in table 4.7 below.

Table 4.7; Descriptive statistics on the influence of corporate governance practices on the internal controls on the financial reporting quality in Jactor supermarket (n=47)

Indicators	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Mean	Interpretation
Corporate governance practices have been put in place to enhance the quality of financial reporting	6(12.7%)	19(40.4%)	3(6.3%)	10(21.3%)	9(19.1%)	3.06	Moderate
The board is responsible for overseeing the company's financial reporting	14(29.8%)	23(48.9%)	1(2.1%)	9(19.1%)	0(0%)	3.89	High
Internal control system provides reasonable assurance that the company's financial	8(17%)	25(53.2%)	3(6.3%)	4(8.5%)	7(14.9%)	3.5	High

reporting is accurate and reliable							
The audit committee oversees the company's financial reporting and internal controls.	13(27.6%)	24(51%)	2(4.2%)	8(17%)	0(0%)	3.89	High
The board expertise is associated with financial reporting quality	7(14.9%)	23(48.9%)	7(14.9%)	10(21.3%)	0(0%)	3.57	High
The board is responsible for ensuring that the company's affairs are conducted in a manner that is in the best interests of the shareholders.	4(8.5%)	22(46.8%)	3(6.4%)	11(23.4%)	7(14.9%)	3.11	Moderate
The commitment of the top management has promotes a culture of compliance and accountability across the organization	11(23.4%)	23(48.9%)	2(4.2%)	7(14.9%)	4(8.5%)	3.63	High
Accountability mechanisms in the company include regular audits, reporting and a clear division of roles and responsibilities	9(19.1%)	17(36.2%)	5(10.6%)	9(19.1%)	7(14.9%)	3.25	Moderate
Finance regulations and compliance standards are	11(23.4%)	23(48.9%)	3(6.4%)	10(21.3%)	0	3.74	High

implemented by top management							
Financial reporting and disclosure statements have provided essential information about a company's financial health and operational results.	6(12.7%)	25(53.2%)	0(0%)	6(12.7%)	10(21.2%)	3.23	Moderate

**Source: primary data 2025**

The respondents were asked whether the Corporate governance practices had been put in place to enhance the quality of financial reporting at Jactor supermarket, 53.1% of the respondents agreed with the statement, 40.4% disagreed while 6.3% were not sure. The mean for this statement was 3.06% indicating a moderate effect of Corporate governance practices on the quality of financial reporting at Jactor super market.

The respondents were asked whether the board was responsible for overseeing the financial reporting at Jactor super market most of the respondent 78.7% agreed, 19.1% disagreed while 2.1% were not sure. The mean was 3.89 which was high according to the rating scale, this implies that at Jactor super market the board was responsible for overseeing the financial reporting.

The respondents were also asked if Internal control system provides reasonable assurance that the company's financial reporting is accurate and reliable most of the 70.2 % agreed, 23.4% disagreed while 6.4% were not sure. The mean for this statement was 3.5 which was rated high, this implies that Internal control system provides reasonable assurance that the Jactor super markets financial reporting was accurate and reliable.

In regard to the audit committee overseeing the company's financial reporting and internal controls most of the respondents 78.6% agreed while 17% disagreed. The mean was 3.89 which was high according to the rating scale. This implies that audit committee oversees Jactor super markets financial reporting.

The respondents were asked whether the board expertise was associated with financial reporting quality at Jactor super market most of the respondents 63.8% of the respondents agreed ,14.9% were not sure while 21.3% disagreed. The mean for this statement was 3.57 which was high. This reflects that the board expertise was associated with financial reporting quality at Jactor super market.

In regard to the board being responsible for ensuring that the company's affairs are conducted in a manner that is in the best interests of the shareholders 55.3% of the respondents agreed, 38.3% disagreed and 6.4% were not decided. The mean was 3.11 indicating a moderate response.

The respondents were asked if the commitment of the top management had promoted a culture of compliance and accountability across the organization most of the respondents 72.3% agreed while 23.4% disagreed while only 4.3% were not sure. The mean for this statement was 3.63 which was high according to the rating scale. this implies that the commitment of the top management had promoted a culture of compliance and accountability at Jactor super market.

Finally, in regard to Financialreporting and disclosure statements providing essential information about Jactor's financial health and operational results, 65.9% of the respondents agreed while 33.9% disagreed. The mean was 3.23 which was a moderate response.

### 4.3 .3 The effectiveness of internal control systems and the financial reporting quality in jactor super market

This was the third objective of the study and its findings were presented in table 4.8 below.

Table 4.8: Descriptive statistics on the effectiveness of internal control systems and the financial reporting quality in Jactor supermarket (n=47)

Indicators	Strongly agree	Agree	Not sure	Disagree	Strongly disagree	Mean	Interpretation
The effectiveness of internal control system has had a significant impact on the quality of financial reporting	25(53.2%)	12(25.5%)	3( 6.4%)	0(0%)	7( 14.9%)	4.0	High
The efficacy and quality of the internal control system implemented have made the business to grow	20(42.6%)	3( 6.4%)	4( 8.5%)	10(21.3%)	10( 21.3%)	3.3	Moderate
Effective risk assessment practices have reduced the occurrence of financial loss	7( 14.9%)	13( 27.6%)	2(4.3%)	10( 21.3%)	15(31.9%)	2.73	Low
Effective internal controls systems have improved the efficiency and effectiveness of business operations.	12(25.5%)	8( 17%)	4(8.5%)	13( 27.7%)	10( 21.3%)	2.9	Moderate
Effective internal control systems have enhanced profitability and	5(10.6%)	12( 25.5%)	3( 6.4%)	17( 36.2%)	10(21.3%)	2.3	Low

competitiveness of the business							
Internal control systems have reduced the errors and increased the efficiency of operations	4(8.5%)	16(34%)	4( 8.5%)	10( 21.3%)	13( 27.7%)	2.76	Low
The internal control systems have made the quality of financial reports better	18( 38.3%)	2( 4.2%)	2( 4. 2%)	15( 31.9%)	10( 21.3%)	3.06	Moderate
Internal controls systems have helped the company to comply with regulations and achieve financial reporting dependability	6( 12.7%)	14(29.8 %)	4( 8.4%)	13( 27.6%)	10( 21.3%)	2.85	Moderate
The efficacy and quality of the internal control system implemented have enabled the business to survive	20( 42.6%)	1( 2.1%)	5( 10.6%)	1(2.1%)	20( 42.6%)	3.0	Moderate
Internal control mechanisms have improved financial effectiveness	15( 31.9%)	5(10.6 %)	4(8.4%)	10( 21.3%)	13( 27.6%)	2.98	Moderate
Control systems have enforced reliability in financial reporting and a reduced incidence of fraud	13(27.6 %)	7( 14.9%)	3( 6.4%)	7( 14.9%)	17( 36.2%)	2.83	Moderate

Source: Primary Data, 2025

With respect to the effectiveness of internal control system on the quality of financial reporting, results in table 4.8 indicate that this construct was rated high and this was indicated by the mean of 4.0. This indicated that internal control systems were effective in ensuring the quality of financial reporting at Jactor supermarket.

The efficacy and quality of the internal control system implemented having made the business to grow was rated moderate since its mean was 3.3 which was at the range of moderate. This was also supported by 49% of the respondents who agreed and 46.2 % who disagreed.

The respondents were asked whether Effective risk assessment practices had reduced the occurrence of financial loss at Jactor super market, there were mixed reactions with 42.5% agreeing and 53.2% disagreeing while 4.3% were un decided. The mean for this was 2.7 which was low according to the rating scale. This depicts that Effective risk assessment practices had notreduced the occurrence of financial loss at Jactor super market,

In regard to Effective internal control systemsimproving the efficiency and effectiveness of business operations at Jactor super market 42.5% of the respondents agreed while 49% disagreed.The mean for this was 2.9 which was moderate.

Furthermore, in regard to Effective internal control systemsenhancing profitability and competitiveness of the business at Jactor super market most of the respondents 57.5% disagreed whileonly 36.1% agreed. The mean for this was 2.76 which was rated low, this implies that Effective internal control systemsenhancing profitability and competitiveness of the business at Jactor super market was low.

In regard to The efficacy and quality of the internal control system implemented enabling the business to survive at Jactor super market 44.7% of the respondents agree while 44.7% disagreed. the mean for this was 3.0 which was moderate

The respondents were also asked whether Internal control mechanisms improved financial effectiveness at Jactor super market .42. % agrees, 44 .9% disagrees while 8.4 % were undecided, the mean was 2,98 reflecting a moderate level of agreement.

Finally, the respondents were asked if Control systems had enforced reliability in financial reporting and a reduced incidence of fraud most of the respondents 42.5% agreed as opposed 51.5% who disagreed with the statement. And the mean for this was 2.83 which was moderate agreement.

## **CHAPTER FIVE**

## **SUMMARY, DISCUSSION OF RESULTS CONCLUSIONS AND RECOMMENDATIONS**

### **5.0 Introduction**

This chapter contains the summary and discussion of the findings. The major findings of this study were based on the internal control policies and the quality of financial reporting in Jactor, the influence of corporate governance practices on the internal controls on the financial reporting quality in Jactor super market and the effectiveness of internal control systems and the financial reporting quality in Jactor super market. The conclusion is made and further recommendations are provided, and suggested areas that need further research following the study objectives.

### **5.1 Summary**

In regard to objective one, the key findings were most of the respondents (71.3%) agreed that Internal control policies had enhanced the quality of financial reporting at Jactor super market, Internal control policies had helped to detect errors and fraud in financial reporting at Jactor supermarket 63.8% agreed, strong internal control policies had helped to prevent and detect errors and fraud in financial reporting the reactions were mixed 53.1% agreed, accurate financial reporting depends on internal controls at Jactor super market, 57.4% of the respondents agreed, however, in regard to Internal controls being necessary for achieving high-quality financial reporting 57.5% disagreed.

In regard to the second objective the study revealed that the board was responsible for overseeing the financial reporting at Jactor super market most of the respondent 78.7% agreed, Internal control system had provided reasonable assurance that the company's financial reporting is accurate and reliable most of the 70.2 % agreed, the audit committee was overseeing the company's financial reporting and internal controls most of the respondents 78.6% agreed and the board expertise was associated with financial reporting quality at Jactor super market most of the respondents 63.8% of the respondents agreed and the top management had promoted a culture of compliance and accountability across the organization most of the respondents 72.3% agreed .

In regard to the third objective the study revealed that internal control system were effective in ensuring the quality of financial reporting at Jactor super market., internal control systems were not very effective in enhancing profitability and competitiveness of the business at Jactor super market most of the respondents 57.5% disagreed , The efficacy and quality of the internal control system

implemented enabling the business to survive at Jactor super market was just moderate and the Control systems enforcing reliability in financial reporting and reducing incidences of fraud was moderate at Jactor super market.

## **5.2 Discussions**

### **5.2.1 The internal control policies and the quality of financial reporting in Jactor super market**

In regard to objective one the key findings were: most of the respondents 71.3% agreed that Internal control policies had enhanced the quality of financial reporting at Jactor super market, Internal control policies had helped to detect errors and fraud in financial reporting at Jactor supermarket 63.8% agreed, strong internal control policies had helped to prevent and detect errors and fraud in financial reporting the reactions were mixed 53.1% agreed, accurate financial reporting depends on internal controls at Jactor super market, 57.4% of the respondents agreed, however, in regard to Internal controls being necessary for achieving high-quality financial reporting 57.5% disagreed.

These findings are in agreement with Ali (2018) who established that Internal control policies played a crucial role in ensuring the integrity of financial processes and safeguarding the accuracy and reliability of financial reporting within organizations. This section delves into the significance of internal controls in maintaining financial integrity and compliance with regulatory requirements.

The findings are also congruent with Jamila and Maria, (2022) who revealed that there was a positive relationship between internal control systems and the quality of financial reports, as the more effective and efficient the internal control systems are, the higher the quality of the financial reports, as there must be strong internal control systems for the financial reports to be free from errors, manipulation, and embezzlement. These findings also agreed with Maria (2023) who established that accuracy of financial reporting is vital for global enterprises to keep accurate and trustworthy records. Without dependable financial data, it can be difficult to evaluate an organization's performance.

### **5.2.2 The influence of corporate governance practices on the internal controls on the financial reporting quality in Jactor super market**

In regard to the second objective the study revealed that the board was responsible for overseeing the financial reporting at Jactor super market most of the respondent 78.7% agreed, Internal control system had provided reasonable assurance that the company's financial reporting is accurate and reliable most

of the 70.2 % agreed, the audit committee was overseeing the company's financial reporting and internal controls most of the respondents 78.6% agreed and the board expertise was associated with financial reporting quality at Jactor super market most of the respondents 63.8% of the respondents agreed and the top management had promoted a culture of compliance and accountability across the organization most of the respondents 72.3% agreed .

These study findings agree with Kigongo and Nairuba(2020) indicated that board expertise and board role performance are significantly associated with financial reporting quality. Also, internal audit quality was significantly associated with financial reporting quality. Board independence is not a significant predictor of financial reporting quality.

Furthermore the results are congruent with Dowdell, (2020) who urged that the board was responsible for overseeing the company's management and ensuring that the company's affairs are conducted in a manner that is in the best interests of the shareholders. Additionally, the findings also agree with Louwers et al, (2015) who stressed that The audit committee was a sub-committee of the board of directors that is responsible for overseeing the company's financial reporting and internal controls.

### **5.2.3 The effectiveness of internal control systems and the financial reporting quality in jactor super market**

In regard to the third objective the study revealed that internal control system were effective in ensuring the quality of financial reporting at Jactor super market., internal control systems were not very effective in enhancing profitability and competitiveness of the business at Jactor super market most of the respondents 57.5% disagreed , The efficacy and quality of the internal control system implemented enabling the business to survive at Jactor super market was just moderate and the Control systems enforcing reliability in financial reporting and reducing incidences of fraud was moderate at Jactor super market . This finding agree with Asila and Maria (2021) who suggested that the Government should emphasize the SMEs to implement a good internal control system. This can reduce the errors and also increase the efficiency of operations.

In the same vessel the results are also in agreement with Jamila and Maria (2022) who established a positive relationship between internal control systems and the quality of financial reports, as the more effective and efficient the internal control systems are, the higher the quality of the financial reports, as there must be strong internal control systems for the financial reports to be free from errors, manipulation, and embezzlement. The study findings also conquer with (Parker et al., 2020) who

reported that an effective internal control system also helps to ensure compliance with relevant laws and regulations.

## **5.2 Conclusions.**

### **5.2.1 Objective one; The internal control policies and the quality of financial reporting in Jactor super market**

According to the findings internal control policies has a significant effect on quality of financial reporting at Jactor super market. Hence it was concluded that an effective internal control system was an important factor in determining the quality of financial reporting at Jactor super market.

### **5.2.2 Objective two; the influence of corporate governance practices on the financial reporting quality in Jactor super market**

According to the findings corporate governance has a significant effect on the quality of financial reporting at Jactor super market. Hence concluding that corporate government practices at Jactor super market had tried to effectively maintain the quality of financial reporting at Jactor super market.

### **5.2.3 Objective three; the effectiveness of internal control systems on the financial reporting quality in Jactor super market**

According to the findings effectiveness of internal control systems had moderate effect on quality of financial reporting at Jactor super market. Hence concluding that as a way of increasing on the quality of financial reporting, Jactor super market should always consider internal control systems.

## **5.3 Recommendations**

Jactor super market should develop a good internal control system to monitor financial, record and track all the finance payments so that there is effectiveness in payment of cash and ensure to cover loopholes in the system to enhance financial performance.

The top management in at Jactor should ensure that there is adherence to financial reporting standards. The accountants should have up to date standards and employ them while performing their function.

The researcher also recommends that Jactor supermarket should monitor their receivables closely and device automated mechanisms for reporting financial transactions.

#### **5.4 Areas for Further Research**

Prospective researchers and even students are encouraged to research on the following areas:

- i. Cash collection and performance of Jactor supermarket
- ii. Financial Reporting and profitability of Jactor supermarket
- iii. Working Capital Management and profitability of Jactor super market

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## **Appendices**

### **QUESTIONNAIRE TO ASSESS THE EFFECT OF INTERNAL CONTROL SYSTEMS ON THE FINANCIAL REPORTING QUALITY IN THE UGANDA'S BUSINESS INDUSTRY.**

#### **A CASE STUDY OF JACTOR SUPER MARKET MUKONO**

Dear Respondent,

I am ..... student of Uganda Christian University. I am undertaking research titled “the effect of internal control systems on the financial reporting quality in the Uganda’s business industry. a case study of Jactor super market Mukono “. The questions presented to you in this questionnaire are only intended to help me undertake my research and will not be used for any other purpose. Your answers given will be treated with utmost confidentiality.

Yours sincerely

#### **SECTION A; Demographic characteristics**

- 1) Age; i) 20- 25years ii) 26- 30 years iii) 31-36years iv) 41 above years
- 2) Gender; i) male ii) female
- 3) Experience: i) 1-5 years ii) 6-10 years iii) 11-15 years’ iv) above 15 years
- 4) Highest level of education i) diploma ii) certificate iii) bachelor’s degree iv) master’s degree v) others.

**SECTION B: THE INTERNAL CONTROL POLICIES AND THE QUALITY OF FINANCIAL REPORTING IN JACTOR SUPER MARKET**

Indicators	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Internal control policies have enhanced the quality of financial reporting					
Monitoring of controls has assured efficiency in system					
Internal control policies have helped to detect errors and fraud in financial reporting.					
Internal control policies have ensured compliance with relevant laws and regulations.					
strong internal control policies have helped to prevent and detect errors and fraud in financial reporting.					
Internal controls Policies have influence on integrity of financial reporting within organizations.					
The company pays attention to internal control systems and financial reports and to put in place					
Accurate financial reporting depends on internal controls .					
adhering to the controls ensures that their financial reports are always accurate and trustworthy.					
Internal controls are necessary for achieving high-quality financial reporting					

**SECTION C THE INFLUENCE OF CORPORATE GOVERNANCE PRACTICES ON  
THE INTERNAL CONTROLS ON THE FINANCIAL REPORTING QUALITY IN  
JACTOR SUPER MARKET**

Indicators	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
Corporate governance practices put in place have played an important role in enhancing the quality of financial reporting in Uganda's business					
The board is responsible for overseeing the company's financial reporting					
Internal control system that provides reasonable assurance that the company's financial reporting is accurate and reliable					
The audit committee oversees the company's financial reporting and internal controls.					
The board expertise is associated with financial reporting quality					
The board is responsible for ensuring that the company's affairs are conducted in a manner that is in the best interests of the shareholders.					
The commitment of the top management has promotes a culture of compliance and accountability across the organization					
Accountability mechanisms in the company include regular audits, reporting and a clear division of roles and responsibilities					
Finance regulations and compliance standards are implemented by top management					

Financial reporting and disclosure statements have provided essential information about a company's financial health and operational results.

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**SECTION D: THE EFFECTIVENESS OF INTERNAL CONTROL SYSTEMS ON THE FINANCIAL REPORTING QUALITY IN JACTOR SUPER MARKET**

Indicators	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
The effectiveness of internal control system has had a significant impact on the quality of financial reporting					
The efficacy and quality of the internal control system implemented have made the business to grow					
effective risk assessment practices have reduced the occurrence of financial loss					
Effective internal controls systems have improved the efficiency and effectiveness of business operations.					
Effective internal control systems have enhanced profitability and competitiveness of the business					
internal control systems have reduced the errors and also increased the efficiency of operations					
The internal control systems have made the quality of financial reports better					
Internal controls systems have helped the company to comply with regulations and achieve financial reporting dependability					
The efficacy and quality of the internal control system implemented have enabled the business to survive					
Internal control mechanisms have improved financial effectiveness					
control systems have enforced reliability in financial reporting and a reduced incidence of fraud					