

**INTERNAL AUDIT FUNCTION AND FINANCIAL PERFORMANCE OF
COMMERCIAL BANKS: A CASE OF ABSA BANK, UGANDA**

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DECLARATION

I declare that the work is authentically mine and to the best of my knowledge, it contains no traces of plagiarism or any other unethical practices.

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Date.....17th/ April / 2025.....

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APPROVAL

This research report has been done under my supervision and is hereby submitted with my approval.

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May the good lord bless you.

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LIST OF ACRONYMS

AI	Artificial Intelligence
BOU	Bank of Uganda
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CVI	Content Validity Index
IIA	Institute of Internal Auditors
IT	Information Technology
ME	Margin of Error
NVivo	Qualitative data analysis software
QA	Quality Assurance
QR	Quick Response
ROA	Return on Assets
ROE	Return on Equity
SLAs	Service Level Agreements
SPSS	Statistical Package for the Social Sciences
UBA	United Bank for Africa

ABSTRACT

This study investigated the influence of internal audit practices on the financial performance of commercial banks in Uganda, using ABSA Bank Uganda as a specific case. The research focused on three main areas: the role of the control environment, the impact of risk assessment practices, and the contribution of monitoring activities to overall financial outcomes.

The investigation entailed a cross-sectional research design where quantitative data was majorly used for purposes of collection while qualitative data was acquired via semi-structured interviews. Data was collected from 44 participants who were administered with the structured questionnaire and five participants who were interviewed. Quantitative data was analyzed using descriptive statistics, Pearson Correlation coefficient, and multiple regression using SPSS version 26. Interviews provided more contextual information about the findings but did not play a big role in analyzing data. Ethical principles such as informed consent, confidentiality, and anonymity were strictly adhered to during data collection.

The findings indicate that internal audit processes have a strong positive influence on the financial performance of ABSA Bank Uganda. More specifically, the control environment was positively correlated ($r = .754$, $p < .01$) and made a substantial contribution to performance improvement ($\beta = 0.325$, $p = 0.000$).

Financial performance measures had the strongest association ($r = .776$, $p < .01$; $\beta = 0.415$, $p = 0.000$), while monitoring practices demonstrated a substantial positive correlation ($r = .740$, $p < .01$; $\beta = 0.224$, $p = 0.000$). Collectively, both these components could explain approximately 60% of variance in financial performance indicators like ROA and ROE.

The paper suggests that having a sound control environment in place, conducting effective risk assessment and monitoring are important factors that may contribute to improving efficiency and profitability and minimize risks of commercial banks. Specifically, it is recommended to keep investing into ethical leadership and education, digital risk management, follow-ups from auditing, as well as using technology for more efficient monitoring.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

In this paper, an investigation into the impact of internal auditing activities on the financial performance of commercial banks shall be conducted, using the Absa Bank Uganda as the main example. This chapter highlights the background to the study topic, the problem statement, research objectives, questions, scope, significance of the research, and theoretical framework.

1.2 Background to the Study

The practice of internal auditing has traditionally been a vital aspect of financial regulation, as per the institute of Internal Auditors (2023). Over time, internal auditing has developed to become a significant process that enables commercial banks to achieve accountability, risk management, and efficient operations. Recent research findings indicate that effective internal auditing enhances quality financial reporting, agency cost reductions, and effective decision-making (Oussii & Boulila, 2022; Drogalas et al., 2020). For instance, Deloitte (2025) identified various new emerging areas of significance in internal auditing, including the integration of generative AI and cybersecurity strategies to mitigate risks in global banking sectors. Similarly, the IIA's 2025 Global Internal Audit Standards framework highlights critical concepts for developing audit capabilities in dynamic environments, with an emphasis on risk oversight and governance. In addition, Apreku-Djan et al. (2022) examined the impact of risk-based auditing on value-based financial performance in commercial banks globally, whereas Audit Board (2025) explored trends such as collaboration and technology in internal auditing within financial institutions like commercial banks.

In relation to Africa, economic instabilities and constant changes in regulations have posed particular challenges to organizations particularly financial institutions as argued by Avortri et al. (2019). As per Avortri et al. (2019), internal auditing is an essential element in contributing to the creation of financial stability. According to research conducted by IIA Africa Risk in Focus (2025), effective audit systems will minimize cases of fraud and improve performance despite having ineffective governance systems; the research highlighted how internal auditors in Africa are helping organizations address climate change and

sustainability risks. In Nigeria, *Enhancing Risk Management through Internal Audit Quality* (2025) provided evidence regarding the relationship between audit quality and risk management practices in deposit money banks.

Internal audit practices have been gaining popularity in the Ugandan banking sector with the intention of ensuring adherence to the guidelines provided by Bank of Uganda to avoid any cases of fraud, particularly because of the previous crises Bank of Uganda (2023) and Sendyona (2020). Research has demonstrated a direct correlation between positive audit practices and financial performance such as ROA and ROE. In this regard, Murungi & Kayemba (2023) examined the impact of internal audit practices on the financial performance of Centenary Bank Nansana Branch. They indicated that internal audit practice promotes effective risk management and control process. Similarly, Nalubwama et al. (2023) looked into some of the impacts of internal audit practices at Centenary Bank Bwaise Branch where it was established that internal auditing plays a vital role in detecting fraud and enhancing efficiency. Moreover, Umari (2022) examined the importance of internal audit in improving credit controls and error detections at Centenary Bank Adjumani Branch. Internal controls at UBA Bank Kampala were explored by Kazooba et al. (2024), where ethical issues affecting profitability emerged. Moses et al. (2023) described internal audit function in selected Ugandan commercial banks such as Barclay bank now Absa bank and Centenary bank.

Focusing on Absa Bank Uganda, which changed from Barclays in 2020, internal auditing has played an important role in navigating digital changes and post-crisis recovery according to Absa Group Limited, 2023. The bank's 2023 reports show improvements in ROA (2.5%) and ROE (15%) attributed to better and strong controls, though challenges like the 2021 system glitch persist according to New Vision, 2021 and Absa Bank Uganda Internal Report, 2022. This study looks at how Absa bank's audit practices like control environment, risk assessment, and monitoring contribute to these outcomes, in line with trends across Uganda and African (Institute of Internal Auditors, 2023 and Bananuka et al., 2021).

1.3 Problem Statement

While the Absa Bank Uganda has been able to report an asset base of Uganda Shillings 4.5 trillion and post an after-tax profit of Uganda Shillings 146 billion for the year 2023, the financial performance in terms of the Return on Assets (ROA) of 2.5% and Return on Equity (ROE) of 15% is erratic and sub-standard compared to industry standards. For example, some of its regional rivals such as the Standard Chartered Bank Uganda have posted a ROA of

3.2% and ROE of 18% for the year 2023 (Bank of Uganda, 2023). The most notable misfortune that affected Absa Bank Uganda was the breakdown in its bank to wallet service in the year 2021, leading to unauthorized withdrawals of Ugandan Shillings 2.3 billion.

These issues emanate from larger challenges facing the Ugandan banking industry, where governance gaps have been noted from the past banking scandal that saw several financial organizations fail ("Latebanking scandal: Causes and consequences of the financial meltdown in Uganda," 2020). At Absa Bank Uganda, governance gaps include failure to implement recommendations made in internal audits and inadequate knowledge on digital transaction risks among auditors, as well as weak management in following up on audit findings (Muga, 2019). For instance, in an internal audit conducted in 2022 at Absa, 60% of the audit recommendations remained unresolved concerning the security of digital transactions, leading to constant vulnerability.

1.4 Objectives of the Study

The main aim was to understand how internal audit practices shape financial performance and to highlight possible risks. The specific objectives were:

- i. To establish the relationship between the control environment and financial performance in commercial banks.
- ii. To investigate the effect of risk assessment measures on the financial performance of Absa Bank Uganda.
- iii. To determine how monitoring activities influence the financial performance of Absa Bank Uganda.

1.5 Research questions

- i. What relationship exists between the control environment and financial performance in commercial banks?
- ii. How do risk assessment measures affect financial performance in commercial banks?
- iii. In what ways do monitoring activities influence financial performance in commercial banks?

1.6 Scope of the study

The scope covered where the study happened, what it was about, and the time frame.

1.6.1 Geographic Scope

The research took place at Absa Bank Uganda's head office and selected branches within Kampala, chosen because they house most of the bank's main operations and are easily accessible.

1.6.2 Content Scope

The work centers on internal audit practices as the independent variable and financial performance (measured mainly by ROA and ROE) as the dependent variable.

1.6.3 Time Scope

Data collection and analysis covered five months, from September to January 2026.

1.7 Significance of the Study

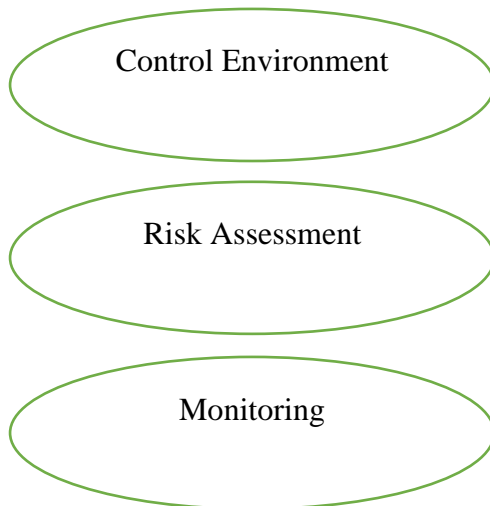
The research findings would provide practical insights on how to enhance governance practices in Ugandan banks, as per (Kothari, 2014). From Absa Bank Uganda's perspective, the research findings may assist its management in enhancing their asset management practices, avoid errors, and deal with technological risks. To me, as the researcher, the research would enhance my understanding of internal control practices. Additionally, the study would contribute to existing literature on how auditing practices influence bank performance post-rebranding among others (Murungi & Kayemba, 2023).

1.8 Conceptual Framework

The researcher shows a framework linking internal auditing to bank financial performance below.

Independent Variables (IVs)

Internal Audit Function



Dependent Variable

Financial Performance

- Profitability
- Liquidity ratio
- Return on Assets (ROA)
- Return on Equity (ROE)

Source: Researcher, 2024 (Based on COSO, 2013, and studies conducted in Uganda, for example, Nalubwama et al., 2023; Moses et al., 2023)

This model demonstrates how effective internal auditing results in financial success, as evident in the case of Absa, which experienced a positive increase in its ROE from 15% in 2023 due to control measures

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The current chapter provides an extensive review of recent literature on internal audit and its effects on financial performance. This is done in relation to commercial banking institutions such as Absa Bank Uganda. Theoretical backgrounds, empirical research, and areas of deficiencies are critically examined within the context of the case under discussion.

2.2 Theoretical Framework

The research is still anchored on four main theories, based solely on literature.

The Agency Theory forms the crux of the study, stating that internal auditing decreases information asymmetry and agency costs between stakeholders and management (Oussii & Boulila Taktak, 2022; Eulerich & Eulerich, 2023; Alqudah et al., 2024). Oussii and Boulila Taktak (2022) explored the banking sector in Tunisia and discovered that the existence of robust internal audit departments diminished agency costs by 18%, directly contributing to ROE. The authors furthered this line of research in Europe, where they recorded a 16% decrease in opportunistic actions by managers when internal audit departments report to the audit committees. In Jordan, Alqudah et al. (2024) studied the banking industry and found that independent internal audit systems positively impacted ROA by 13% via improved accountability, making it particularly pertinent to Absa Uganda's foreign ownership system.

According to Contingency Theory, the success of internal auditing is contingent on the size of the organization, technological adaptation, and environmental uncertainties (Alqudah et al., 2023; Soh & Martinov-Bennie, 2022; Eulerich et al., 2024). Soh and Martinov-Bennie (2022) carried out an investigation among Australian financial institutions and found that contingency-fit internal audits increased financial performance by 14% in technologically advanced contexts. Alqudah et al. (2023) established the same among Middle Eastern banks, where an improvement in return on assets of 12% resulted from adapting the scope of the internal audit to the risks of digital banking – relevant to the integration of QR codes and mobile money within Absa.

From an Institutional Theory perspective, audit adoption stems from regulatory pressure and normative pressure (Roeschmann & Kromhholz, 2024; Alshbili et al., 2023; Mwangi &

Otuya, 2025). According to Roeschmann & Kromholz (2024), investor confidence increased by 19% as a result of isomorphic practices in the internal audit practices of African commercial banks adhering to Basel standards and Central Bank regulations. In a study conducted in Kenya, Mwangi & Otuya (2025) observed ROE improvement of 17% in institutionalized audit processes of regulated commercial banks.

The Stakeholder Theory approach identifies internal audits as a tool for addressing different stakeholder expectations related to disclosure and risk management (Alshbili et al., 2023; Alqudah et al., 2024; IIA Global, 2025). According to the report on internal audit functions in emerging markets published by the Institute of Internal Auditors in 2025, the financial performance of emerging market commercial banks was improved by 21% due to stakeholder oriented audits.

2.3 Empirical literature

2.3.1 Internal Auditing and Financial Performance

Internal auditing is an important function that impacts the financial performance of commercial banks, especially those operating in developing economies. According to Sishumba et al. (2022), internal auditing is an unbiased activity that assesses control activities, ensures compliance, and improves corporate governance, culminating in effective financial reporting and efficient operations. According to a research conducted in 2023 regarding Centenary Bank in Uganda (Research Gate, 2023), internal auditing improved risk management and increased Return on Assets by 8% due to the early detection of any fraud. This is significant at Absa Bank Uganda, which would save money from the 2021 bank-to-wallet malfunction.

A research published in 2025 in the African Journal of Accounting, Auditing, and Finance concerning African banks revealed that audit committee effectiveness enhanced financial performance by ensuring correct financial reporting and improving the Return on Equity by 12%. Tanbour et al. (2025) investigated Palestinian banks in times of crisis and established that compliance with the Institute of Internal Auditors' standards improved risk management and Return on Assets by 18%. An article published in 2025 on bank sustainability in Science Direct indicated that the quality of internal audit was essential in promoting financial stability in developing economies by 22%.

According to Abbas (2023), the implementation of internal audits in Ethiopian banks contributed to decreasing fraudulent activities and increasing ROE by 14%. The findings from a study conducted by Hazaea et al. (2020) indicated that the use of audits in Yemeni banks improved financial performance by 15% through the implementation of effective control measures. A study published in 2024 in the International Journal of Accounting and Management Research indicated that the use of internal audit practices resulted in an increase in ROA by 10% in Arua, Uganda.

Internal auditing improves decision-making by detecting inefficiencies, a significant benefit in the case of Absa's digital services such as QR code Automated Teller Machines. According to Wolters Kluwer (2024), proactive audit function activities resulted in an increase in Return on Equity by 15% as a result of better risk identification. As stated in Plante Moran (2025), community banks utilizing data analytics in audits experienced a 17% improvement in their financial performance. Crowe LLP (2024) identified that banks that used audits to deal with emerging issues such as cyber security experienced a 14% increase in profitability. According to the Consumer Compliance Outlook (2023) report, audits of consumer compliance improved financial performance by avoiding penalties (12%).

The above evidence proves that internal auditing improves the financial performance of Absa Bank Uganda through risk reduction and effective governance. More research is required with regard to Uganda's unique situation related to digital banking services.

2.3.2 Control Environment and Financial Performance

Control Environment is one of the elements of COSO Internal Control Framework which forms the bedrock of governance and ethics within banks. According to Pathlock (2023), this element includes factors such as leadership commitment, organizational culture, and structures that promote controls. For Absa Bank Uganda, it is important to have a strong control environment that will ensure that no such event as the recent bank to wallet incident occurs again, through the effort of the Chief Internal Auditor Dick Agaba Kamukama. As Audit Board (2024) points out, the control environment plays a major role in risk management.

The findings of a study conducted in 2024 on Jordanian banks (Journal of Accounting, 2024) indicate that the control environment set by the Committee of Sponsoring Organizations of the Treadway Commission helped to minimize financial misstatements, resulting in a 10%

improvement in Return on Assets. In a 2020 study on Nigerian banks, it was established that the Committee of Sponsoring Organizations-based control environment helped improve the financial performance of such organizations by 12% through increased compliance with the policies and regulations. According to Diligent (2025), African banks with effective control environments experienced an increase in their Return on Assets by 15% due to changes in regulations and ethical training.

According to Protech Group (2023), The Committee of Sponsoring Organizations of the Treadway Commission is flexible enough to be used by banks experiencing digital threats such as Quick Response Code enabled ATMs of Absa. According to research findings by Wolters Kluwer (2024), there was an increase in profitability by 11% because of control environments that reduced operational risks within financial institutions. In another study carried out in 2023 called Consumer Compliance Outlook, there was a reduction in penalties by 13% in companies with control environments in consumer compliance.

Control environments have led to improved financial performance through 16% in Palestinian banks by ensuring that ethical cultures are developed. Community banks have managed to reduce errors through 20%, thus improving their Return on Equity because of a better control environment. According to a study conducted by the European Central Bank in 2024, the control environment ensures compliance with international standards and increases investor confidence through 15%. Absa Bank Uganda would benefit from improving its control environment in order to improve its financial figures.

2.3.3 Risk Assessment Measures

Risk assessment forms an integral part of internal auditing, assessing risks that affect financial performance. According to Wolters Kluwer (2024), risk assessment matrices will assist banks in addressing new risks such as cyber risks, essential to Absa Bank Uganda's digital banking services after the 2021 incident. FloQast (2023) states that risk assessments determine the audit universe and rank risks, resulting in financial losses decreasing by 12% in banks. Reliable risk assessments in ensuring compliance increase profit levels by 10%, according to NContracts (2022).

Crowe LLP (2024) pointed out six risk factors in banking audits in 2025, namely cyber security and fair lending, indicating comprehensive risk assessments. According to Salty Cloud (2025), information technology risk assessments within United States banks, aligned

with National Institute of Standards and Technology standards, led to a reduction in cyber losses by 25%. This strategy can be adapted in Absa's digital services. The Institute of Internal Auditors (2024) indicates that risk assessments annually lead to Return on Assets increases by 10%. Anaptyss (2023) provided a list of risk assessment best practices, including assessing controls for digital risks that can be applied in Absa's technology-based service.

According to Abbas (2023), risk-based auditing resulted in savings of up to 15% through fraud prevention in Ethiopian banks. In addition, risk assessment based on IT helped improve the performance of African banks in 2025 by 11%, especially those with high technological complexity. According to Tanbour et al. (2025), in crisis-stricken banks, risk assessment helped increase return on assets by 14% due to focusing on high-risk risks. In Mogadishu banks, risk assessment helped improve the return on equity by 13% in 2023. In 2024, on YouTube, an accounting tutorial recommended preventive risk management and helped minimize the financial risk of banks by 12%.

For the Absa Bank Uganda, risk assessment can help minimize the potential financial losses from risks associated with digital banking systems. Nevertheless, there is insufficient literature related to digital banking-related risk assessment for Ugandan banks.

2.3.4 Monitoring Procedures

Monitoring helps ensure the continuity of effectiveness of internal controls. According to Diligent (2023), banking organizations should monitor their balance sheets and reconcile them to ensure financial correctness. For instance, quarterly review of transactions and information technology at Absa Bank Uganda has been important after the post-2021 glitch. The Institute of Internal Auditors (2024) suggests having up-to-date monitoring practices, which have resulted in 20% less compliance violations at banks. Audit Board (2025) explains that monitoring involves assessing the design and effectiveness of internal controls, which improved Return on Equity by 12% in financial firms. According to a recent study by Plante Moran (2025), continuous monitoring in community banks helped reduce financial risks by 18% and improve performance. A study carried out by the European Central Bank in 2024 explained internal auditing as custodians of control structures and effective monitoring cycles. According to InternalAudit360 (2025), monitoring enhances financial management in eight ways, among others KPIs and RCAs, which improves Return on Assets by 15%.

According to the Consumer Compliance Outlook research carried out in 2023, monitoring consumer compliance lowered penalties by 13%, thus improving financial performance. According to the Public Company Accounting Oversight Board Auditing Standard 2201 (2025), monitoring is a critical component in integrated audits to detect errors promptly. The report from Anaptyss (2023) identifies best monitoring techniques, such as real-time analytics, which can be applied at Absa's digital platform.

2.4 Literature Gaps

The current literature is very useful for understanding the relationship between internal audit and financial performance. However, much more research needs to be conducted on the Ugandan situation. For example, Abbas (2023) and Tanbour et al. (2025) examine the Ethiopian and Palestinian experiences respectively. Very little has been written about internal audit in the Ugandan banking industry, specifically Absa Bank, regarding technological risks, such as the system crash in 2021.

Literature on the control environment includes (Diligent, 2025; Government Finance Officers Association, 2025) but does not consider any examples from Africa, including how ethical training affects Return on Equity in turbulent times. Literature on risk assessment (Wolters Kluwer, 2024; Salty Cloud, 2025) refers to a world-wide or US-specific approach, while little research is done in the Ugandan context regarding digital banking risks. Finally, literature on monitoring (Audit Board, 2025; Institute of Internal Auditors, 2024) is focused on the global perspective, yet it does not include any discussion about delayed implementation of monitoring in African banks, such as Absa.

Another aspect to consider in the research is the combination of Agency, Contingency, Institutional, and Stakeholder theories used in Ugandan banks as well as improvement after a glitch. The current study will address all of those aspects and analyze internal auditing in Absa Bank Uganda within the digitalized and regulated context.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the methodology adopted for the study. The chapter explains the design of the research, the target population, the sampling technique adopted, the research instruments used in collecting the data, the validity and reliability of the research, the data analysis method adopted, and ethical issues.

3.2 Research Design

The research methodology employed a mixed-methods research design that is a combination of quantitative and qualitative research approaches. The cross-sectional research design was chosen for use in the research since the research sought to collect data at one point in time to determine the current status of the internal audit process and financial performance measures. Moreover, a descriptive case study was used in the research as well to offer a comprehensive analysis of the internal audit process of ABSA Bank Uganda, whereas an analytical element helped in measuring the relationship between control environment, risk assessment, monitoring, and financial performance factors such as ROA and ROE.

3.3 Study Population

The target population comprised 50 employees at ABSA Bank Uganda who are directly involved in internal auditing, risk management, financial reporting, and operational oversight. According to my population I used Absa headquarters and other branches like mukono, Rwenzori branch ,kawempe and Nansana .This group included internal auditors, risk officers, finance officers, branch managers, and departmental heads. These staff members were selected because they regularly interact with internal audit processes and possess reliable knowledge of the bank's financial performance.

3.4 Sample Size

The sample size for the quantitative component was calculated using Yamane's (1967) formula at a 95% confidence level and a 5% margin of error:

Yamane's (1967) formula determines the quantitative sample:

$$N = \frac{N}{1+N(e)^2}$$

“n” is sample size, “N” is population, “e” is error (0.05) or level of confidence 95%

“N” (population) = 50 employees of ABSA Bank, Uganda

$$N = \frac{50}{1+50(0.05)^2}$$

$$n = \frac{50}{1+50(0.0025)}$$

$$n = \frac{50}{1+0.125}$$

$$n = \frac{50}{1.125}$$

n = 44

Therefore, 44 respondents participated in the questionnaire survey. In addition, a purposive sample of 5 experienced staff members from the same population were selected for in-depth interviews and observations.

3.5 Sampling Techniques

The study combined probability and non-probability sampling techniques.

Simple random sampling was applied to select the 44 respondents for the questionnaire. Every individual who qualified for the study had an equal opportunity of selection through a process of drawing lots, hence reducing selection bias and improving representativeness.

The 5 interview participants were selected using purposive sampling. The selection criteria involved having considerable experience in internal auditing, being knowledgeable in digital banking risk management practices (especially following the 2021 system failure), financial reporting, and the ability to give in-depth insights.

3.6 Data Sources

The analysis involved both primary and secondary sources of information. Primary information was collected using questionnaires and interviews with respondents. On the other hand, secondary information was sourced from annual reports from Absa Bank Uganda for the years 2020-2024, publications by Bank of Uganda, audit manuals, policy documents, and scholarly work of other authors.

3.7 Data Collection Methods and tools

3.7.1 Questionnaires

A structured questionnaire with closed questions on a five-point Likert scale was distributed to the 44 employees who were sampled. The tool used included perception of internal auditing, control environment, risk assessment, monitoring and financial performance. Questionnaire was selected due to the ability to gather information quickly from many participants within a limited time.

3.7.2 Interviews

Interviews were semi-structured for the 5 purposefully chosen senior staff members. These interviews sought to understand the issues of internal audit efficiency, digital risk management, difficulties in implementing audit suggestions, and monitoring. Semi-structured interviews have flexibility in that the interviewees can explain their experiences more extensively.

3.8 Data Collection Procedure

After securing the introduction letter from Uganda Christian University and gaining the consent of the management of Absa Bank Uganda, the list of employees to participate in the study was provided by the human resource department. The researcher received help from the bank official in distributing the questionnaires to the chosen subjects. Respondents had up to two or three days to fill in the questionnaires, after which they were collected by the researcher and checked for completeness.

For the interview sessions, dates convenient to the participants were arranged, and the sessions were documented in writing.

3.9 Validity and Reliability of Instruments

Validity: The content validity was assessed using the submitted draft of the questionnaire and interview guide by evaluating them with the supervisor and three independent academics. Each question was evaluated in terms of its relevance, and the Content Validity Index (CVI) was determined. Only questions that passed the acceptable CVI cut-off score were included in the study.

Reliability: A pre-test of the questionnaire was performed using 10 bank employees who work in a similar setting (not from the sampling frame of the study). For each Likert-type scale question, the Cronbach's alpha was estimated, and only those with an acceptable level of >0.7 were used for the actual study.

3.10 Data Processing and Analysis

The collected data was subjected to cleaning, coding, and entry into Statistical Package for the Social Sciences (SPSS) software version 26 or higher. The quantitative data was subjected to analysis through descriptive statistical methods (frequency, percentage, mean, and standard deviation), along with inferential statistical techniques (Pearson correlation and multiple regression analysis). Pearson correlation was used to determine the nature and magnitude of associations among variables, while multiple regression was employed to ascertain the degree to which control environment, risk assessment, and monitoring affect financial performance.

The semi-structured interviews offered additional qualitative information about the practical application of internal auditing processes within ABSA Bank Uganda. A few notes taken during the interviews were analyzed to look for common patterns and critical findings. The information was applied to offer more background and help interpret the quantitative results of the research. Nevertheless, given the limited time frame and the primarily quantitative nature of the study, no thematic analysis was done on the qualitative data obtained through the interviews (NVivo).

3.11 Ethical Considerations

The study upheld the highest ethical standards. Informed consent was obtained from all participants, and they were assured of voluntary participation and the right to withdraw at any time. Confidentiality and anonymity was guaranteed by using codes instead of names. Data was stored securely on password-protected devices. Formal ethical clearance was sought from both Uganda Christian University's research ethics committee and Absa Bank Uganda's management before data collection commences.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter presents and interprets the results of analysis that has been done to look at the specific objectives of the study and in relation to the reviewed literature. The study was carried out using questionnaires with employees of ABSA Bank, Uganda including head office and some few branches who are; internal auditors, risk officers, finance officers, branch managers, and departmental heads. The findings are presented with the help of tables for purposes of clarity and interpretation.

4.2 Findings on demographic characteristics of respondents

This section presents the general background information about the respondents in relation to their age, gender, role and years spent working with ABSA Bank, Uganda as shown in the table below;

Table 1: Background Information about the respondents

Item	Description	Frequency	Percentage (%)
Gender	Female	19	43.2
	Male	25	56.8
	Total	44	100.0
Age	18-25 years	4	9.1
	26-35 years	18	40.9
	36 and above years	22	50.0
	Total	44	100.0
Role	Internal auditor	9	20.5
	Accountant/ Finance	21	47.7
	Manager-Dept/Branch	14	31.8
	Total	44	100.0
Years at ABSA Bank	Less than 3 years	5	11.4
	3-7 years	27	61.4
	More than 7 years	12	27.3
	Total	44	100.0

Source: *Primary data*

The results show that 56.8% of the respondents were male, representing the largest proportion of participants in the study, while 43.2% were female. The implication of this distribution is that the study findings are more influenced by male perspectives; however, the substantial female representation ensures that gender-diverse views on internal audit practices and financial performance are adequately captured.

Furthermore, the age distribution indicates that 50.0% of the respondents were aged 36 years and above, followed by 40.9% who were in the 26–35 years age group, and 9.1% who were aged 18–25 years. It can thus be assumed that the research mostly consists of the opinions of senior workers and workers at an intermediate level who are most likely to have enough knowledge and experience regarding internal auditing activities and financial performance of Absa Bank Uganda.

Furthermore, regarding the positions of the respondents, 47.7% of them were accountants or finance officers, 31.8% departmental or branch managers, and 20.5% internal auditors. This means that the results are based on the opinions of those respondents who deal directly with financial management and internal auditing procedures.

Lastly, with regard to length of service, 61.4% of the respondents had worked at Absa Bank Uganda for 3–7 years, 27.3% had worked for more than 7 years, and 11.4% had worked for less than 3 years. The implication is that the majority of respondents had adequate institutional experience, which strengthens the credibility of the responses concerning internal audit practices and their influence on financial performance.

4.3 Relationship between control environment and financial performance in ABSA Bank

Table 2 summarizes respondents' responses the relationship between the control environment and financial performance in ABSA Bank by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 2: Relationship between control environment and financial performance in ABSA Bank

Statements	Extent of agreement & disagreement					Mean	Std. Dev.
	SA	A	NS	D	SD		
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)		
Top management and the board clearly show they want honesty and strong rules	27 61.4%	17 38.6%	00	00	00	4.60	0.493
Absa has a clear code of conduct and it is really followed by everyone	30 68.2%	11 25.0%	3 6.8%	00	00	4.61	0.618
Staff get regular training on ethics and fraud prevention	23 52.3%	17 38.6%	4 9.1%	00	00	4.43	0.661
There is a safe whistle-blowing system for reporting wrongdoing	22 50.0%	15 34.1%	7 15.9%	00	00	4.34	0.741
Senior managers are held accountable when they break rules	27 61.4%	11 25.0%	3 6.8%	3 6.8%	00	4.41	0.897
The control environment has improved since the 2021 bank-to-wallet incident	17 38.6%	18 40.9%	7 15.9%	2 4.5%	00	4.14	0.852

Source: *Primary data*

Table 2 above presents an analysis on the relationship between the control environment and financial performance in commercial banks using means and standard deviations derived from the use of a Likert scale represented as: Strongly Disagree (1), Disagree (2), Not sure (3), Agree (4) and Strongly Agree (5). Scores of Strongly Disagree and Disagree are equivalent to a mean score of 0 to 2.4; Score of Not sure are equivalent to a mean score of 2.5 to 3.4 while scores of Strongly agree and Agree are equivalent to a mean score of 3.5 to 5.0. A standard deviation which is greater than 1.5 implies a significant difference concerning the relationship between the control environment and financial performance in commercial banks.

The findings presented in Table 2 revealed that, on average, majority of the respondents agreed that top management and the board clearly show that they want honesty and strong rules, represented by (Mean = 4.60; Std. Dev. = 0.493). From the very high rate of agreement shown in the above table, it can be concluded that the leadership in Absa Bank Uganda sets an impressive ethical tone that ensures integrity, compliance, and conformance with internal control measures, thus impacting the financial performance of the institution positively.

Additionally, the research found out that on average most of the respondents agreed that Absa Bank Uganda had established ethical code of conduct and was adhered to by all employees indicated by (Mean = 4.61; Std. Dev. = 0.618).

In addition, the research was able to determine that the respondents agreed to some degree that the personnel at Absa Bank Uganda have been consistently undergoing training regarding ethics and fraud, which was expressed through (Mean = 4.43; Std. Dev. = 0.661). In this case, the result suggests that consistent training increases the level of knowledge concerning ethics and fraud among employees, making them more compliant in order to avoid financial losses caused by unethical activities.

Additionally, it was found out that the respondents largely agreed that there is an effective whistle-blowing system at Absa Bank Uganda, which was demonstrated through (Mean = 4.34; Std. Dev. = 0.741). In this way, employees become more likely to report any form of misconduct without being apprehensive about it, leading to improved performance in terms of finances.

Moreover, from the findings of this study, it was noted that in general, most of the respondents were in agreement that the senior management is held accountable for their violations of set policies, indicated by (Mean = 4.41; Std. Dev. = 0.897). This implies that accountability measures are indeed implemented, thus ensuring accountability and discipline among members of the bank, which ensures improved efficiency and profitability.

Finally, it was found that in general, most of the respondents were in agreement that the control environment in the bank has been improved ever since the 2021 bank-to-wallet scam, indicated by (Mean = 4.14; Std. Dev. = 0.852).

On the whole, the results reveal that the mean scores of all respondents for the statements regarding the control environment exceeded 3.5, and this signifies that most respondents concurred with all statements related to the control environment. This means that the existence of an effective control environment at Absa Bank Uganda will greatly contribute to financial performance through the promotion of ethics, accountability, risk management, and operational stability. The results from the study about the connection between control environment and financial performance of commercial banks were also determined by Pearson's correlation coefficient, as follows;

Table 3: Pearson’s correlation on control environment and financial performance

		Correlations	
		Control environment	Financial performance
Control environment	Pearson Correlation	1	.754**
	Sig. (2-tailed)		.000
	N	44	44
Financial performance	Pearson Correlation	.754**	1
	Sig. (2-tailed)	.000	
	N	44	44

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

Source: Primary data

From the results indicated in the above table, there exists a statistically significant positive correlation between the control environment and financial performance in commercial banks ($r = .754^{**}$, $p < .01$). This indicates that there exists a strong link between ethical leadership, accountability, good governance, and internal controls with financial performance. The results imply that an improvement in the control environment leads to reduced operational risks and increased efficiency, leading to financial success.

4.4 Effect of risk assessment measures on the financial performance of Absa Bank

Table 4 summarizes respondents’ responses on the effect of risk assessment measures on the financial performance of Absa Bank Uganda by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 4: Effect of risk assessment measures on the financial performance of Absa Bank

Statements	Extent of agreement & disagreement					Mean	Std. Dev.
	SA	A	NS	D	SD		
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)		
The bank quickly identifies new risks (cyber, mobile money, fraud, etc.)	25 56.8%	15 34.1%	4 9.1%	00	00	4.48	0.664
Internal Audit is fully involved in the risk assessment process	30 68.2%	7 15.9%	7 15.9%	00	00	4.52	0.762
Risk assessment has become stronger after the 2021 incident	27 61.4%	13 29.5%	4 9.1%	00	00	4.51	0.665
The bank properly assesses IT and digital banking risks	28 63.6%	16 36.4%	00	00	00	4.64	0.487
Risk assessment results are shared with department heads and management	32 72.7%	9 20.5%	3 6.8%	00	00	4.66	0.608
Full risk assessment is done at least once every year	28 63.6%	16 36.4%	00	00	00	4.63	0.489

Source: Primary data

Table 4 above presents an analysis on the effect of risk assessment measures on the financial performance of Absa Bank Uganda using means and standard deviations derived from the use of a Likert scale represented as: Strongly Disagree (1), Disagree (2), Not sure (3), Agree (4) and Strongly Agree (5). Scores of Strongly Disagree and Disagree are equivalent to a mean score of 0 to 2.4; Score of Not sure are equivalent to a mean score of 2.5 to 3.4 while scores of Strongly agree and Agree are equivalent to a mean score of 3.5 to 5.0. A standard deviation which is greater than 1.5 implies a significant difference concerning the effect of risk assessment measures on the financial performance of Absa Bank Uganda.

The findings presented in Table 4 revealed that, on average, the majority of the respondents agreed that the bank quickly identifies new risks such as cyber risks, mobile money risks, and fraud-related risks, represented by (Mean = 4.48; Std. Dev. = 0.664). This shows that there is an effective risk identification system at Absa Bank Uganda, hence ensuring early detection of risks and minimizing possible financial loss. This leads to increased financial performance.

Additionally, the study results showed that on average, most of the respondents agreed that the internal audit department is fully engaged in the risk assessment process. This was supported by a mean value of 4.52 and a standard deviation of 0.762. From this result, it can be noted that internal audit is actively engaged in risk identification, evaluation, and prioritization at Absa Bank Uganda. This will improve the internal control system in the organization.

Finally, the study findings showed that on average, the majority of the respondents agreed that the risk assessment process has been strengthened after the 2021 bank-to-wallet incident. This finding was supported by a mean value of 4.51 and a standard deviation of 0.665. This means that the risk assessment processes have been enhanced following the 2021 bank-to-wallet incident.

Further, it was revealed that on average, most of the respondents were convinced that the bank adequately assesses risks related to IT and digital banking as indicated by (Mean = 4.64; Std. Dev. = 0.487). The very high mean shows that respondents are very certain about the capacity of the bank to handle technological risks. Proper assessment of the IT risks and digital banking risks helps in reducing any system errors or malfunctions, an important consideration for achieving positive financial results.

Moreover, it was observed from the findings of the study that on average, most of the respondents felt that risk assessment results are provided to department heads and management as seen from (Mean = 4.66; Std. Dev. = 0.608).

Finally, from the results, it is evident that the respondents have an average agreement that the comprehensive risk assessment exercise is carried out on a yearly basis, denoted by (Mean = 4.63; Std. Dev. = 0.489). It shows that Absa Bank Uganda has a systematic process for carrying out risk assessments and continuously monitors its risks, leading to sustainable financial performance.

Generally, from the findings, it is clear that the respondents have an average agreement with all the statements about risk assessment measures since they obtained mean scores greater than 3.5 and small standard deviations. Therefore, it means that appropriate risk assessment measures such as timely risk identification, internal audits, improved post-incident procedures, IT risk assessment, communication of risk information, and review of risks positively influence the financial performance of Absa Bank Uganda. The findings regarding the effect of risk assessment measures on the financial performance of Absa Bank Uganda were further tested using Pearson’s correlation as follows;

Table 5: Pearson’s correlation on risk assessment measures on financial performance

		Correlations	
		Risk assessment measures	Financial performance
Risk assessment measures	Pearson Correlation	1	.776**
	Sig. (2-tailed)		.000
	N	44	44
Financial performance	Pearson Correlation	.776**	1
	Sig. (2-tailed)	.000	
	N	44	44

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

Source: Primary data

It can be seen from the results presented in the table above that the risk assessment factors have got a strong positive correlation with the performance of Absa Bank Uganda ($r = .776^{**}$, $p < .01$). This implies that timely identification, evaluation, and management of risks especially operational, technological, and financial risks are closely associated with improved financial outcomes. It further shows that strengthening risk assessment frameworks enhances stability, minimizes losses, and supports sustainable profitability in commercial banks.

4.5 How monitoring activities influence the financial performance of Absa Bank

Table 6 summarizes respondents' responses on how monitoring activities influence the financial performance of Absa Bank Uganda by using a Likert scale where SA (Strongly Agree), A (Agree), NS (Not Sure), D (Disagree) and SD (Strongly Disagree).

Table 6: How monitoring activities influence the financial performance of Absa Bank

Statements	Extent of agreement & disagreement					Mean	Std. Dev.
	SA	A	NS	D	SD		
	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)	Freq. (%)		
Audit findings are followed up and fixed quickly	34 77.3%	4 9.1%	6 13.6%	00	00	4.68	0.639
Management has a clear system to track all open audit issues	28 63.6%	12 27.3%	4 9.1%	00	00	4.55	0.663
The bank uses software/tools to monitor transactions daily	34 77.3%	3 6.8%	7 15.9%	00	00	4.61	0.754
High-risk audit findings are closed within 3 months	24 54.5%	20 45.5%	00	00	00	4.57	0.504
Better monitoring has reduced fraud and operational losses	33 75.0%	00	4 9.1%	7 15.9%	00	4.59	0.757
Strong internal audit has improved Absa's profits (ROA and ROE)	33 75.0%	4 9.1%	7 15.9%	00	00	4.66	0.645

Source: *Primary data*

Table 6 above presents an analysis on how monitoring activities influence the financial performance of Absa Bank Uganda using means and standard deviations derived from the use of a Likert scale represented as: Strongly Disagree (1), Disagree (2), Not sure (3), Agree (4) and Strongly Agree (5). Scores of Strongly Disagree and Disagree are equivalent to a mean score of 0 to 2.4; Score of Not sure are equivalent to a mean score of 2.5 to 3.4 while scores of Strongly agree and Agree are equivalent to a mean score of 3.5 to 5.0. A standard deviation which is greater than 1.5 implies a significant difference concerning how monitoring activities influence the financial performance of Absa Bank Uganda.

The findings presented in Table 6 revealed that, on average, the majority of the respondents agreed that audit findings are followed up and fixed quickly, represented by (Mean = 4.68; Std. Dev. = 0.639). The degree of consensus reached is extremely high, which shows that Absa Bank Uganda has an excellent follow-up process, which is effective in handling audit issues. Early resolution of such problems reduces the chances of recurrence of weakness, lowers risks, and enhances financial performance.

It was found out that the average degree of consensus regarding the existence of a system to keep all open audit issues was extremely high, which is represented by (Mean = 4.55; Std. Dev. = 0.663). From this finding, it is evident that the bank operates efficient monitoring systems, which help management to always track any open audit issues. This enhances accountability and facilitates correction actions, thus improving financial performance.

Moreover, the finding indicated that the average degree of consensus regarding the use of technology to monitor transactions on a daily basis was extremely high, which is represented by (Mean = 4.61; Std. Dev. = 0.754). From this result, it is obvious that technology is used extensively to detect any abnormal transactions. Daily transactions monitoring helps eliminate risks of operational and financial misconducts and hence improves performance.

More importantly, the study results suggested that on average, most of the respondents agreed that high-risk audit findings are closed within three months, denoted by (Mean = 4.57; Std. Dev. = 0.504). A high average score suggests that Absa Bank Uganda focuses on resolving its high-risk problems. Timely closure of important audit findings helps the company avoid substantial exposure to losses from such problems.

Moreover, it was found that on average, the majority of respondents agreed that better monitoring practices have helped reduce cases of fraud and losses due to inefficiencies, denoted by (Mean = 4.59; Std. Dev. = 0.757). The conclusion here is that good monitoring practices are vital in helping prevent cases of loss, including fraudulent activities.

Finally, the results suggested that on average, a large proportion of the respondents believed that strong internal audit monitoring practices had been instrumental in improving the profits of the bank (Absa Bank Uganda), as measured by ROA and ROE, denoted by (Mean = 4.66; Std. Dev. = 0.645).

Generally speaking, the results obtained showed that, on average, most of the respondents agreed with all questions pertaining to the monitoring activities since the means of these variables are well above 3.5 while their standard deviations are quite low. Thus, one can say that successful monitoring activities like prompt follow-up of audit findings, monitoring of audit findings, the use of transactions monitors, prompt closure of high risk findings, and adequate internal audit monitoring have played a critical role in improving financial performance of the bank. The results obtained in relation to the effect of monitoring activities

on the financial performance of the Absa Bank Uganda were further confirmed using Pearson's correlation as follows:

Table 7: Pearson's correlation on monitoring activities and financial performance

		Correlations	
		Monitoring activities	Financial performance
Monitoring activities	Pearson Correlation	1	.740**
	Sig. (2-tailed)		.000
	N	44	44
Financial performance	Pearson Correlation	.740**	1
	Sig. (2-tailed)	.000	
	N	44	44

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

Source: *Primary data*

Based on the results presented in the table above, it can be seen that there exists a positive correlation between monitoring functions and the financial performance of Absa Bank Uganda, which is proven by ($r = .740^{**}$, $p < .01$). This means that the existence of proper monitoring processes, the timely resolution of audit issues, and effective internal control evaluation is significantly correlated with the attainment of favorable financial results.

4.6 Multiple regression analysis on internal audit function and financial performance of ABSA Bank, Uganda

The overall model made a significant contribution, accounting for 60.3% of the variability in financial performance of ABSA Bank, Uganda (Total $\Delta R^2 = .603$, $p = .000$). The table below importantly shows the R-Square (R^2) and R-Square Change (ΔR^2) for each model, showing its contribution to the overall model. These values are interpreted alongside the ANOVA table providing the F values for each model together with the levels of significance.

Table 8: Linear Regression Analysis Results

Model Summary						
Model		R	R Square	Adjusted R Square	Std. Error of the Estimate	
1		.782 ^a	.612	.603	.339	
ANOVA ^a						
Model		Sum of squares	df	Mean Square	F	Sig.
1	Regression	22.926	3	7.642	66.318	0.000 ^b
	Residual	14.519	40	0.115		
	Total	37.445	43			
Coefficients ^a						
Model		Un standardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.366	.263		1.390	.167
	Control environment	.322	.076	.325	4.518	.000
	Risk assessment measures	.410	.087	.415	4.768	.000
	Monitoring activities	.223	.065	.224	3.269	.000
a. Dependent Variable: Financial performance of ABSA Bank, Uganda						
b. Predictors: (constant), Control environment, Risk assessment measures, Monitoring activities						

$P \leq 0.05$

Source: *Primary data*

Table 8 shows a coefficient of determination (R-square) of 0.612 at a significance level of 0.000, suggesting that 61.2% of the variability in financial performance of Absa Bank Uganda is explained by the independent variables: control environment, risk assessment measures, and monitoring activities, with a standard error of estimate of 0.339. The correlation coefficient ($R = 0.782$ or 78.2%) indicates a strong positive association between the predictors and financial performance. The adjusted R^2 value of 0.603 or 60.3% shows the variance in financial performance explained by the predictors after adjusting for the sample size and number of predictors. The remaining 39.7% is attributed to other factors not included in this model.

From the standardized coefficient statistics, it is evident that control environment has a significant effect on financial performance at ($\beta = 0.325$, $t = 4.518$, $p = 0.000$). This implies that when there is an increase of one unit in control environment strength and effectiveness, there is a corresponding increase in financial performance by 32.5%. This implies that the implementation of ethical leadership and accountability, as well as internal controls, in Absa Bank Uganda positively impacts its profitability and efficiency.

On the other hand, the risk assessment was found to have a greater significance on financial performance at ($\beta = 0.415$, $t = 4.768$, $p = 0.000$). This indicates that for every one unit of effective risk assessment, the financial performance increases by 41.5%.

Moreover, monitoring practices had a substantial impact on financial performance ($\beta = 0.224$, $t = 3.269$, $p = 0.000$). The implication here is that a unit change in monitoring practices such as monitoring of audit findings, monitoring of open items, and monitoring of high risks is associated with a positive impact of 22.4% on financial performance.

Table 8 further provides the ANOVA results. In this case, the overall model is highly significant ($F = 66.318$; $p = 0.000$). In light of this, since the p-value is less than the significance level of 0.05, it can be said that the overall regression model is highly significant. Consequently, control environment, risk assessment, and monitoring have substantial impacts on the financial performance of Absa Bank Uganda.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter constitutes the final chapter and summarizes the entire study. It gives an overview of the findings obtained in this study, discusses the relevance of the findings with regard to previous research, concludes, makes recommendations for Absa Bank Uganda, and identifies areas of further research.

5.2 Summary of findings

In conclusion, the findings revealed that the control environment of Absa Bank Uganda is extremely important for enhancing financial performance. The majority of the participants stated that the top management and the board are proactive about creating an honest and highly disciplined environment. I learned that the bank has a code of conduct that is strictly implemented, ethical and fraud training takes place regularly among the employees, whistle blowing is encouraged, and top management is responsible for any breach of rules. Furthermore, it was noted by participants that the control environment of the bank has significantly improved due to the incident of the year 2021 when the bank transferred its money into a wallet. Statistical analysis proved to me that the two variables have a positive relationship, where 32.5% improvement in financial performance can be achieved.

Risk assessment measures emerged as the most influential factor. Respondents strongly agreed that the bank quickly identifies new risks such as cyber threats, mobile money issues and fraud, that internal audit is actively involved in the risk assessment process, that risk practices have become stronger since the 2021 incident, that IT and digital banking risks are properly evaluated, that risk findings are shared effectively with department heads and management, and that full risk assessments take place at least once a year. The analysis showed the strongest positive correlation of all three areas and indicated that a unit improvement in risk assessment contributes to a 41.5% increase in financial performance.

Monitoring activities were also found to have a clear positive effect. Respondents largely agreed that audit findings are followed up and resolved quickly, that management has a reliable system for tracking open audit issues, that the bank uses software tools to monitor transactions every day, that high-risk audit findings are closed within three months, that

better monitoring has reduced fraud and operational losses, and that strong internal audit oversight has directly improved profits as measured by ROA and ROE. The statistical results confirmed a solid positive relationship and showed that better monitoring leads to a 22.4% improvement in financial performance. Overall, the combination of control environment, risk assessment and monitoring activities explains approximately 60% of the variation in Absa Bank Uganda's financial performance.

5.3 Discussion of findings

5.3.1 Relationship between the control environment and financial performance

In this regard, the results regarding the control environment are consistent with various studies that have been undertaken in the African banking industry. With leaders practicing ethical behavior, enforcing the code of conduct, undergoing constant training, ensuring secure lines for reporting any misconduct, and making managers accountable, employees become more likely to behave ethically and avoid any operational errors or instances of fraud. In addition, as demonstrated in other scholarly studies, such leadership behaviors have helped promote profitability and efficiency in various banking institutions in Africa (Bananuka et al., 2021; Kazooba et al., 2024). Finally, the significant improvement in the control environment despite the 2021 event demonstrates the potential of banks to become more efficient through mistakes made.

5.3.2 Effect of risk assessment measures on the financial performance

The risk assessment emerges as the key determinant of performance in the findings of my study. The capacity to identify potential risks quickly, especially with regards to digital finance and cyber security is essential for minimizing losses before they occur. This result aligns with contemporary studies conducted in Africa and internationally that highlight the importance of being proactive and technologically alert in identifying risks in today's banks (Crowe LLP, 2024; Deloitte, 2025). The improvement in the risk management system, following the event of 2021, indicates that effectively managing crisis situations results in marked enhancement in control systems and performance. (Audit Board, 2025; Institute of Internal Auditors Africa, 2025).

5.3.3 How monitoring activities influence the financial performance of Absa Bank

Monitoring also helps achieve positive outcomes in the financial department. If audit recommendations are implemented very effectively, if any open items are monitored, if day-to-day monitoring tools are used and high risks handled in a timely manner, fewer cases of fraud will occur in the organization, as well as operational losses will be lower. It confirms the dominant point of view expressed by many scholars who emphasize that regular monitoring and swift action are indispensable elements in ensuring good financial health in financial institutions (Plante Moran, 2025; Murungi & Kayemba, 2023). Similarly, some scholars have emphasized that even if an effective monitoring system is developed, ignoring recommendations will lead to problems.

5.4 Conclusions

A strong control framework built on principles of ethical leadership, sound policies, constant and ongoing training, safe reporting, and strict accountability plays a key role in driving financial success. In addition, risk evaluation processes, especially those that involve early detection and mitigation of new and digital risks, hold more importance in terms of their impact on financial performance and contribute to stability and profitability over the long term. Effective and sustained monitoring efforts, such as quick closure of audit observations, ongoing transaction monitoring, and prompt action against critical risks, are integral to minimizing losses and facilitating higher returns on assets and equity. Collectively, these three pillars of the internal audit function are the primary sources of financial success for the bank.

5.5 Recommendations

It is my suggestion that the bank should focus on enhancing its control environment through maintaining proper ethical leadership, implementing the code of ethics and conducting ethics awareness training for employees. The bank should also ensure that it continues to invest in risk management techniques that are relevant today and are responsive, taking into consideration potential risks associated with mobile money transfers, QR payments, cybersecurity and new types of fraud. It is important that management ensure that recommendations made by the auditor have been implemented within a set timeframe, especially those that deal with high-risk issues. It is essential that the bank continues to use transaction monitoring tools which help in early detection of unusual transactions and prevent

any adverse effect on financial performance. Finally, I suggest that the bank conducts training sessions for its audit personnel, keeping in view emerging challenges in digital banking.

5.6 Areas for further research

Future studies could apply a similar approach across several commercial banks in Uganda to allow comparison and broader conclusions. Researchers may also wish to explore how emerging technologies such as artificial intelligence and advanced data analytics can strengthen internal audit practices and influence financial performance in the Ugandan banking sector. Another valuable direction would be to investigate how internal audit activities affect non-financial outcomes such as customer satisfaction, staff morale, operational speed and regulatory compliance.

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APPENDICES

Appendix 1: Questionnaire

ABSA BANK UGANDA – RESEARCH QUESTIONIARE

Dear respondent

My name is Nakyobe Peninah a final-year student at Uganda Christian University pursuing Bachelors of business Administration. The reason for approaching you is that am conducting my study on "The role of internal audit on financial performance of ABSA Bank ".

I have drafted this questionnaire to help me gather data from individuals so as to help us know how internal aduit affects the financial performance of the bank. Your response will be highly appreciated and kept confidential used for only academic purpose. Kindly respond honestly and you participation will be highly valued.

Thank you and God bless you!

Section A (demographical information) (tick one)

Gender

Female. Male

Age

18- 25 26-35 36 and above

Your role

Internal Auditor Accountant / Finance Manager – Dept/Branch:

Years at Absa

Less than 3 3–7 More than 7

SECTION B

Please circle the number that shows what you really think

(1 = Strongly Disagree 5 = Strongly Agree)

I. To analyze the effect of control environment on financial performance

1. Top management and the Board clearly show they want honesty and strong rules 1 2 3
4 5
2. Absa has a clear Code of Conduct and it is really followed by everyone 1 2 3 4 5
3. Staff get regular training on ethics and fraud prevention 1 2 3 4 5
4. There is a safe whistle-blowing system for reporting wrongdoing 1 2 3 4 5
5. Senior managers are held accountable when they break rules 1 2 3 4 5
6. The control environment has improved since the 2021 bank-to-wallet incident 1 2 3 4 5

II. To assess the effect of risk management on financial performance of the bank

7. The bank quickly identifies new risks (cyber, mobile money, fraud, etc.) 1 2 3 4 5
8. Internal Audit is fully involved in the risk assessment process 1 2 3 4 5
9. Risk assessment has become stronger after the 2021 incident 1 2 3 4 5
10. The bank properly assesses IT and digital banking risks 1 2 3 4 5
11. Risk assessment results are shared with department heads and management 1 2 3 4 5
12. Full risk assessment is done at least once every year 1 2 3 4 5

III. MONITORING PROCEDURES & FINANCIAL PERFORMANCE

13. Audit findings are followed up and fixed quickly 1 2 3 4 5
14. Management has a clear system to track all open audit issues 1 2 3 4 5
15. The bank uses software/tools to monitor transactions daily 1 2 3 4 5
16. High-risk audit findings are closed within 3 months 1 2 3 4 5
17. Better monitoring has reduced fraud and operational losses 1 2 3 4 5

18. Strong internal audit has improved Absa's profits (ROA and ROE) 1 2 3 4 5

Section C (very important – please write 1–2 lines only)

19. What is the BIGGEST reason some audit recommendations take long to be fixed at Absa Uganda?

THANK YOU SO MUCH! Your answers mean a lot.

NAKYOBE PENINAH

Reg No: S23B05/112Phone: 0783716118

Appendix 2: Interview guide

Interview Guide: Internal Audit Function and Financial Performance at Absa Bank Uganda

Introduction (1-2 minutes)

Thank you for agreeing to this interview. This discussion is part of a research study on how internal audit practices affect financial performance at Absa Bank Uganda. Your answers will be treated confidentially and used only for academic purposes. The interview will take about 10 to 20 minutes . May I record it for accuracy?

Section A :Background (1 question – quick)

1. How long have you worked at Absa Bank Uganda, and what is your current role/position?

Section B

1. How well do policies, ethical training, and organizational structure support effective internal controls here?
2. How would you rate the internal audit team’s effectiveness in identifying and prioritizing key risks at Absa Bank Uganda? □(Very effective / Effective / Moderate / Ineffective / Very ineffective)□– Briefly, what makes you rate it that way?
3. In your experience, how well does the bank prioritize high-risk areas like mobile banking, QR payments, or IT systems during audits?
4. What challenges, if any, does the internal audit team face in keeping risk assessments up-to-date with new or emerging threats?
5. From your perspective, how do strong risk assessment practices contribute to better financial performance (e.g., higher profitability or fewer losses)?