

**INTERNAL CONTROLS AND FINANCIAL PERFORMANCE IN UGANDAN
UNIVERSITY A CASE STUDY OF MAKERERE UNIVERSITY, KAMPALA AND
UGANDA CHRISTIAN UNIVERSITY, MUKONO DISTRICT**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
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SCIENCE IN ACCOUNTING AND FINANCE OF UGANDA CHRISTIAN UNIVERSITY**

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**UGANDA CHRISTIAN
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DECLARATION

DECLARATION

I, **OKOTH JOSHUA** declare that this dissertation titled "*Internal Controls and Financial Performance in Uganda Universities: A Case Study of Uganda Christian University and Makerere University*" is my original work and has not been submitted to any other university for any academic qualification. Where the work of others has been used, it has been fully acknowledged.

Signature: 

Date: 4th March, 2026

APPROVAL

APPROVAL

This research dissertation has been submitted for examination with the approval of my supervisor.

Supervisor's Name: **DR. MUGISHA HENRY**

Signature: 

Date: 6/3/2026

DEDICATION

This research report is dedicated to my parents, family members, lecturers and friends whose encouragement, support and guidance contributed to the successful completion of this study.

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I am grateful to God for the wisdom, strength and guidance throughout the period of this study. I also extend my sincere gratitude to my supervisor for the invaluable guidance, constructive criticism and continuous support during the research process.

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LIST OF ACRONYMS AND ABBREVIATIONS

COSO – Committee of Sponsoring Organizations

UCU – Uganda Christian University

MAK – Makerere University

NCHE – National Council for Higher Education

PFM – Public Finance Management

ABSTRACT

The study examined the relationship between internal controls and financial performance in Ugandan universities focusing on Uganda Christian University (UCU) and Makerere University (MAK) as case studies. The specific objectives of the study were to assess the effect of the control environment, risk assessment, control activities and monitoring on the institutions' financial performance.

The study adopted a documentary review research design thus relying on secondary data extracted from the institution's financial statements, internal audit reports, Auditor General's reports, budgets, procurement reports and governance documents from the period 2019 to 2023. Data was therefore analysed using content analysis and descriptive techniques of data analysis.

The findings showed that Uganda Christian University exhibited relatively stronger internal control systems and better financial performance compared to Makerere University. Makerere university's weaknesses in governance oversight, risk assessment, control activities and monitoring negatively affected its financial performance.

The study therefore concluded that effective internal controls significantly boost financial performance in universities. It recommended strengthening governance oversight, improving risk assessment practices, boosting control activities and reinforcing monitoring mechanisms to improve financial accountability and sustainability in Ugandan universities.

Key Words: Internal Controls, Financial Performance, Universities, Uganda Christian University and Makerere University

OPERATIONAL DEFINITIONS OF KEY TERMS

Internal Controls: Policies, processes and procedures that are established in place to ensure efficient operations, reliable financial reporting and compliance with necessary regulations.

Financial Performance: The ability of an institution to obtain, manage and utilize financial resources efficiently and sustainably or reasonably.

Control Environment: The ethical values, governance structures and the leadership practices that influence internal controls of an institution.

Risk Assessment: The process of identifying, analysing and eliminating of the financial risks that may affect an institution.

Control Activities: Specific actions such as approvals, authorizations and segregation of duties that are designed in an institution to enforce management directives.

Monitoring: Ongoing evaluation of the effectiveness of the institution's internal controls through audits and reviews.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

The chapter gives a comprehensive introduction to the study of **internal controls and financial performance** in the institutions of higher education in Uganda specific to the **Uganda Christian University** and **Makerere University**. It provides therefore a background to the study, problem statement, purpose of the study, specific objectives of the study, research questions, the scope, justification of the study, significance of the study, the conceptual framework and operational definitions of the key terms used in the study. This chapter also gives therefore the basis on which this entire study is carried out thus explaining context the study, its relevance and the focus of the research.

1.2 Background of the Study

Internal controls play an essential part of any organizational governance and its financial management. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2013), internal controls consist of policies, procedures and processes that are designed to provide a reasonable assurance regarding the achievement of any organization objectives related to its operational efficiency, reliable financial reporting, safeguarding of its assets and compliance with applicable laws and relevant regulations. In both public and private institutions, effective internal control systems are fundamental for boosting the organization's accountability and enhancing its financial performance.

Globally, higher education institutions manage their considerable financial resources obtained from the tuition fees, government grants, donor funding, research income and internally generated revenues. The complication of these funding sources exposes universities to financial risks which include fraud, misallocation of these funds, weak budgetary control and inefficiencies in resource utilization (World Bank, 2018). As a result, a university that may fail to create a strong internal control mechanism often experiences a declining financial performance, frequent audit queries and overall reputational damage.

In developing countries preferably in the Sub-Saharan Africa universities often face additional challenges like limited funding, increasing enrolment pressure, rising operational costs and weak governance structures (UNESCO, 2021). The sector of higher education in Uganda constitutes both public and private universities operating under the supervision of the National Council for Higher Education (NCHE). These institutions therefore are required to maintain a sound internal control to influence financial sustainability and accountability.

Makerere University the oldest and largest Uganda's public university widely depends on government subventions or grants and its internally generated revenue. Over time reports from the Office of the Auditor General have highlighted weaknesses in internal controls at Makerere University such as non-compliance with procurement procedures, delayed accountability and weak monitoring mechanisms (Auditor General, 2023). Such weaknesses have raised peculiar issues about the university's financial performance and its efficient use of public funds.

Uganda Christian University the leading private university widely relies on tuition fees, donor support and its internally generated income. Where as the private universities often have a more flexible management structure, they are equally susceptible to financial mismanagement if their internal controls are weak. Studies show that private universities in Uganda face challenges related to cash flow management, internal audits and risk assessment which may negatively affect their financial performance (Kabuye et al., 2019).

Although several studies have examined internal controls in public sector organizations and private firms, there is limited consolidated literature with specific focus on universities in Uganda particularly through a comparative analysis between the public and private institutions. This study therefore intends to examine how internal controls influence financial performance of the Uganda Christian University and Makerere University with the library-based research approach.

1.3 Problem Statement

In spite of the big role Ugandan universities have played by in national development through teaching, research and community engagement, many of these higher education institutions in Uganda continue to face financial performance challenges. These include persistent budget deficits, delayed payment of staff salaries, accumulation of unpaid obligations, audit queries and inefficient utilization of financial resources (NCHE, 2022).

The Office of the Auditor General has consistently reported weaknesses in internal controls within public universities specifically Makerere University. These include poor segregation of duties, inadequate monitoring, weak risk assessment and non-compliance with financial regulations (Auditor General, 2023). Such weaknesses increase the risk of fraud, wastage and misappropriation of funds thus compromising with their financial performance.

Similarly, private universities such as Uganda Christian University face financial sustainability challenges arising from fluctuating student enrolment, heavy reliance on tuition fees and the increasing operational costs. Absence of strong internal control systems these institutions are vulnerable to risks such as revenue leakages, poor cost control and thus declining financial performance.

Although previous studies have examined internal control systems and financial performance in public institutions and business organizations in Uganda, there is limited library-based research focused specifically on universities preferably comparing public institutions to private institutions. This gap in literature prohibits evidence-based decision-making for university managers and policymakers. This study therefore intends to deal this space left behind by investigating the link between internal control systems and financial performance in Uganda Christian University and Makerere University.

1.4 Purpose of the Study

The study purpose of this study is to assess the relation between **internal control** and **financial performance** in Uganda's institutions of higher education with special reference to the **Uganda Christian University** and **Makerere University**.

1.5 Objectives of the Study

The study is conducted basing on the following objectives:

1. To evaluate the internal control environment in Uganda Christian University and Makerere University.

2. To examine effect of the control activities on financial performance in the Uganda Christian University and Makerere University.
3. To assess role of risk assessment in influencing financial performance in Uganda universities.
4. To evaluate contribution of the monitoring activities to the financial performance of Uganda Christian University and Makerere University.

1.6 Research Questions

The study intends to find answers the following study questions:

1. What is the nature of the the internal control environment in Uganda Christian University and Makerere University?
2. How do the control activities affect financial performance of these universities?
3. What role does the risk assessment play in influencing financial performance in universities?
4. How does the monitoring activities contribute to improve financial performance in Uganda Christian University and Makerere University?

1.7 Scope of the Study

1.7.1 Content Scope

This study focuses on internal controls as an independent variable specifically:

The Control environment

The Control activities

The Risk assessment

The Monitoring activities

Financial performance is therefore a dependent variable with dimensions in cost efficiency, liquidity, accountability and financial sustainability.

1.7.2 Geographical Scope

The study is limited to the Uganda Christian University, Mukono and Makerere University, Kampala in Uganda.

1.7.3 Time Scope

This study reviews literature published between **2015 and 2025** to ensure that recent developments in internal controls and financial performance are taken into consideration.

1.8 Justification of the Study

This study is justified by increasing need for accountability and financial sustainability in the institutions of higher education in Uganda. Universities manage weighty public and private funds and therefore weak internal controls can lead to misuse of these resources and thus poor financial performance. By examining existing literature on internal controls and financial performance this study provides an understanding that can guide university management in building strong governance structures.

Additionally, the study addresses a gap in the literature that already exists by focusing specifically on universities while employing a comparative approach between a public and a private institution. This therefore contributes to academic knowledge and provides a basis for future empirical research in higher education sector.

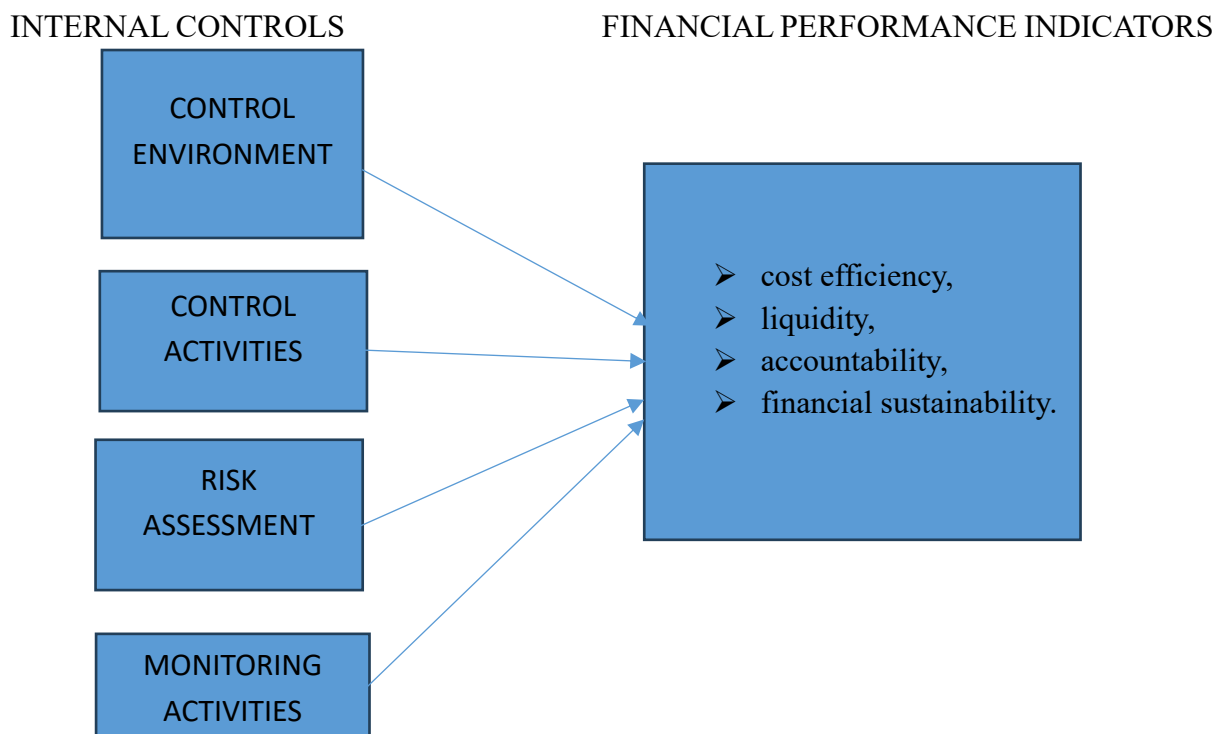
1.9 Significance of the Study

The expected findings of the study are intended to benefit many stakeholders. University management may use the findings to create strong internal controls and improve financial performance. Policymakers like Ministry of Education and Sports and the National Council for Higher Education may employ this study to enhance governance and regulatory frameworks in universities. Academically, this study will serve as a point of reference for students and

researchers interested in related studies in line with internal controls and financial management in higher education institutions.

1.10 Conceptual Framework

This conceptual framework demonstrates the relation between internal controls and financial performance. Internal control elements (control environment, control activities, risk assessment and monitoring activities) influence financial performance indicators such as cost efficiency, liquidity, accountability, and financial sustainability. Effective internal controls are expected to lead to enhanced financial performance in universities.



Sourced by: Researcher, 2026

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter examines existing literature that relates to **internal controls and financial performance** with special focus on higher education institutions. The chapter is designed in three main sections; **theoretical review**, **conceptual review** and **empirical review**. Therefore, the purpose of this review is to create a strong academic foundation for the study, identify the key variables and their relationships and also identify the gaps in the literature already existing to justify the current study particularly on **Uganda Christian University** and **Makerere University**.

2.2 Theoretical Review

Theoretical view intends to provide a structure for understanding how the internal controls affect financial performance in organizations with universities inclusive.

2.2.1 Agency Theory

Agency theory which was developed by Jensen and Meckling (1976) explains the relationship between principals who are owners or stakeholders and agents who are managers. In universities, stakeholders like the government, donors, parents and governing councils give authority to management to control financial resources. However, conflicts of interest can arise when managers intend to pursue their personal goals at the cost of the institution's objectives.

Internal controls here act as mechanisms put in place to reduce the agency problems by monitoring managerial behaviour, enforcing accountability and increasing transparency in the financial operations. Weak internal controls increase the risk of fraud, misuse of funds and inefficiency thus harming financial performance (Kabuye et al., 2019). In the Ugandan universities, agency problems arise due to complex governance structures and limited oversight thus making strong internal control systems vital.

2.2.2 Stewardship Theory

Stewardship theory presumes that managers should be trustworthy and should act in the best interest of the organization. Therefore, under theory of stewardship internal controls are viewed not as corrective mechanisms but as encouraging systems that guide management toward achieving organizational goals (Davis, Schoorman, & Donaldson, 1997).

In the context of universities, stewardship theory highlights ethical leadership, strong institutional culture and commitment to accountability. Therefore, effective internal controls magnify financial discipline, assist efficient use of resources and thus increase financial performance. This theory is in particular relevant to private universities such as Uganda Christian University where value-based governance and ethical standards play a remarkable role.

2.2.3 COSO Internal Control structure (framework)

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) begun a generally accepted framework for internal control systems. According to COSO (2013), internal control comprises five components that is the control environment, risk assessment, control activities, information and communication and monitoring.

This study centres on the four elements that is the control environment, risk assessment, control activities and monitoring with regard to their direct link with the financial management and performance. The COSO framework submits that effective internal controls promote dependable financial reporting, safeguard of assets and enhance operational efficiency which jointly promote financial performance.

2.3 Conceptual Review

2.3.1 Internal Controls

Internal controls are the policies, procedures and practices that are put in place by organization management to enhance efficient operations, reliable financial reporting and compliance with

relevant laws and regulations (COSO, 2013). In the context of universities, internal controls direct budgeting, procurement, payroll management, revenue collection and financial reporting.

The major components of internal control system reviewed in the study are;

Control Environment: Attitude of the management, organization ethical values, governance structure and dedication towards competence.

Risk Assessment: Recognition or identification and analysis of organization's financial and operational risks.

Control Activities: Policies, procedures and processes which include authorization, approvals, reconciliations and segregation of duties.

Monitoring: Regular review of internal controls through audits and supervisory activities.

2.3.2 Financial Performance

Financial performance is the ability of an institution to effectively generate, manage and utilize financial resources to achieve its objectives (Deloof, 2018). In the context of universities, financial performance is not measured entirely by profit but also by indicators like;

Budget efficiency

Liquidity and solvency

Accountability and transparency

Financial sustainability

Strong financial performance therefore enhances universities to encounter their operational costs, invest in infrastructure, pay staff timely and aid academic programs.

2.4 Empirical Review

The empirical review critically establishes previous studies that have assessed the relation between internal controls and financial performance. The review is organized according to the

key elements of internal controls taken on in the study that is control environment, control activities, risk assessment and monitoring activities. Significance is placed on studies directed in developing countries and higher education institutions to understand the current study.

2.4.1 Control Environment and Financial Performance

The control environment constitutes the basis of an organization's internal control system as it indicates the ethical values, integrity, management philosophy, organizational structure and governance mechanisms that influence financial decision-making (COSO, 2013). A strong control environment promotes accountability, transparency and financial management discipline which are important for improving financial performance.

Empirical evidence regularly illustrates a constructive link between the control environment and financial performance. Nkundabanyanga et al. (2017), in a study of Ugandan public sector entities found that organizations with strong ethical leadership, clear reporting lines and active governing boards established higher levels of financial accountability and reduced cases of misappropriation of funds. Their findings suggest that leadership commitment to integrity importantly promote responsive financial management.

Comparably, Kabuye et al. (2019) also assessed internal control systems and financial performance in Ugandan institutions and showed that a well-structured control environment remarkably enhanced budget discipline, asset protection and financial reporting quality. Institutions with weak governance structures therefore were more likely to experience budget overruns, audit queries and inefficiencies in their operations.

In Uganda's higher education sector, Auditor General reports in Uganda frequently show that public universities including Makerere University face challenges linked to weak governance, poor organizational leadership and inadequate strict implementation of ethical standards resulting in regular financial irregularities (Auditor General, 2023). Contrary, private universities like Uganda Christian University tend to show relatively stronger ethical cultures and governance frameworks which promote better financial discipline.

These empirical findings prove that enhancing the control environment through ethical leadership, effective governance structures and clear accountability mechanisms can remarkably promote financial performance in universities.

2.4.2 Control Activities and Financial Performance

Control activities mean specific policies, processes and procedures put in place aimed to make sure that management directives are implemented effectively. These activities are; authorization procedures, segregation of duties, reconciliations, approvals and physical controls over assets (COSO, 2013).

Evidence-based research has proved that effective control activities have a constructive impact on financial performance. Lazaridis and Tryfonidis (2016) reveals that organizations with strong transaction control mechanisms have reduced financial inefficiencies, enhanced cash management and improved profitability. Their study spotlights that proper authorization and segregation of duties reduce fraud and operational errors.

In a study carried out in Uganda, Kasozi (2020) found out that weak procurement and payment controls in public institutions led to inflated contract costs, delayed projects and poor budget absorption. This is in particular significant to public universities with procurement-related weaknesses which in most cases has led to financial losses and audit queries.

In higher education institutions, control activities contribute to a significant role of managing tuition revenue, government subventions, donor funds and payroll expenses. Evidence-based research reveals that universities with strong internal checks and balances meet reduced revenue leakages, enhanced expenditure control and increased financial sustainability (Kabuye et al., 2019).

Consequently, successful execution of control activities is a driving force of financial performance in universities in particular in resource-constrained environments like Uganda.

2.4.3 Risk Assessment and Financial Performance

Risk assessment means the ability of an organization to identify, analyse and manage the risks that may constrain the attainment of the its financial objectives. Universities encounter a number of financial risks which include fluctuating student enrolment, delayed government funding, fraud, inflationary pressures and spiking operational costs.

Mwangi and Kimani (2017) reveal that organizations that thoroughly examine and control financial risks indicate a more stable financial performance and an increase in the long-term sustainability of an organization. Their research show that proactive risk identification enhances effective planning and efficient allocation of resources of an organization.

In the context of higher education, NCHE (2022) show that several Ugandan universities do not have formal risk management frameworks which has made them prone to financial shocks and sustainability challenges. The report pin pointed that lack of sufficient risk assessment practices leads to poor financial planning, over-reliance on tuition revenue and enrolment fluctuation exposure.

Experimental research signifies further that institutions that blend risk assessment in the budgeting and strategic planning are better positioned to maintain liquidity, control costs and achieve financial stability (Deloof, 2018). This indicates the relevance of effective risk assessment practices in promoting financial performance in Ugandan universities.

2.4.4 Monitoring and Financial Performance

Monitoring activities mean activities related to the ongoing and periodic assessment of the success of internal controls to make sure that they continuously function as intended. Monitoring activities include internal audits, management reviews, supervisory checks and external audits (COSO, 2013).

Evidence-based studies strongly supports the role of monitoring in enhancing financial performance. Deloof (2018) reveal that continuous monitoring ensures financial efficiency, accountability and compliance with financial regulations. Organizations with strong internal audit functions tend to experience fewer financial irregularities and increased financial outcomes.

In the context of Uganda, Auditor General consistently show that institutions with weak internal audit departments undergo recurring financial misstatements, unsupported expenditures and non-compliance with financial regulations (Auditor General, 2023). In contrast, institutions that have an independent and a well-resourced internal audit unit signify an enhanced financial control and minimized audit queries.

Effective monitoring in universities therefore ensures transparency, enhances corrective action and ensures proper use of financial resources thus ensuring institutional overall financial performance.

2.5 Summary of the Literature Review/ Research Gap

The literature reviewed show a strong theoretical and an evidence-based review that internal controls are significant determinants of financial performance. Theoretical outlook like the Agency Theory highlights the role internal controls play in minimizing conflicts of interest between management and stakeholders through enhancing accountability and transparency. Additionally, Stewardship Theory highlights the significance of ethical leadership and organizational culture in influencing financial outcomes.

Evidence-based review consistently reveals that the key variables of internal controls that is the control environment, control activities, risk assessment and monitoring indicate a strong relationship with financial performance. A strong control environment fosters ethical conduct and sound governance, effective control activities reduce fraud and inefficiencies, proper risk assessment ensures financial stability and continuous monitoring enhances a sustained effectiveness of controls.

Although there is rich body of literature on internal controls and financial performance, several critical gaps still prevail. Firstly, most empirical studies have a focus on commercial enterprises or public sector organizations with little emphasis on higher education institutions. Universities in this point operate under unique governance, funding and accountability structures that differ comprehensively from the profit-oriented organizations which makes it unrealistic to generalize findings from other sectors.

Moreover, few studies in Uganda embrace a comparative approach between public and private universities. This undermines the understanding of how these differences in governance structures, funding sources and institutional cultures influence the success of internal controls and financial performance.

Lastly, there is a shallow library-evidence-based with specific reference on Ugandan universities, Uganda Christian University and Makerere University in particular. Previous studies often assess internal controls in isolation without any comprehensive relationship between all the major components of internal control systems to financial performance within the higher education framework.

This study therefore addresses these gaps providing an evidence-based review and integrating literature on internal controls and financial performance with specific reference to the Uganda Christian University and Makerere university. This therefore contributes to existing knowledge and provides relevant knowledge to university management, policymakers and future researchers.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The chapter intends to present the research design that will be accepted for the proposed study on **internal controls and financial performance** in institution of higher education in Uganda with specific reference to the **Uganda Christian University** and **Makerere University**. It describes the research design, sources of data, methods of data collection, data analysis techniques, validity and reliability of the research findings, ethical considerations and limitations of the study.

3.2 Research Design

The study will embrace **library-based research design**. Library-based research design will involve the structured review and analysis of existing literature, documents and published materials related to internal control systems and financial performance. The design is suitable because the study will seek to integrate existing knowledge other than collect primary data from respondents.

This design will lead this research into reviewing a wide range of academic and institutional sources like books, peer-reviewed journals, audit reports, policy documents and university financial reports. This approach will therefore provide a broader understanding of internal controls and their influence on financial performance in universities.

3.3 Sources of Data

This study will depend entirely on **secondary data**. It will be suitable because the data is readily available, cost-effective and provides reliable information in line with the study objectives.

3.3.1 Secondary Data Sources

Secondary data will be obtained from the following sources;

Peer-reviewed academic journals in regards to internal controls, governance and financial performance

Textbooks on accounting, auditing and financial management

Office of the Auditor General of Uganda's reports

Uganda Christian University and Makerere University's Annual reports and financial statements

National Council for Higher Education (NCHE) publication

International organizations' reports like the World Bank and UNESCO

These sources are chosen because of they are credible and relevant to higher education financial management.

3.4 Data Collection Methods

Documentary review will be adopted as the primary data collection method since the study will be library-based. Documentary review will involve identifying, reviewing and extracting relevant and required information from published documents in line with internal controls and financial performance.

The researcher will structurally review selected documents and extract data related to;

Universities' Internal controls

Financial performance indicators in institutions of higher education

Relationships between internal control systems and financial performance

3.5 Data Analysis Techniques

This study will adopt **qualitative content analysis** and **thematic analysis** to analyse the data collected.

Content analysis will be employed to assess documented evidence on internal controls and financial performance while thematic analysis will involve identifying recurring themes that is control environment, control activities, risk assessment, monitoring and financial sustainability.

The analysis process will involve;

Identification of relevant documents

Careful reading and content familiarization

Coding of key concepts and themes

Categorization of findings based on study objectives

Interpretation and unification of results

3.6 Validity of the Study

Validity means the extent to which this study will accurately assess internal controls and financial performance. Content validity will be enhanced by reviewing literature from credible and authoritative sources like peer-reviewed journals, official government reports and recognized international organizations.

Secondly, validity will be ensured by harmonizing the study objectives, research questions and data analysis techniques with the already established theoretical frameworks like the Agency Theory and the COSO Internal Control Framework.

3.7 Reliability of the Study

Reliability will refer to the consistency and dependability of the findings of the study. Reliability will therefore be enhanced by reviewing multiple sources while addressing similar themes and comparing findings from different studies.

The use of standardized academic databases and official publications will further make sure there is trustworthiness of the information used in this study.

3.8 Ethical Considerations

Ethical considerations will be ensured in the study. All sources of information will be properly accredited through correct citation and referencing in accordance with APA guidelines (7th edition).

The study will use data that is publicly available and will not consider human participants to minimize ethical risks. The research will be conducted barely for purposes of academia.

3.9 Limitations of the Study

This study may be narrowed by duly relying on secondary data which may not reflect current operational practices within the universities under study. In addition, variations in the context and scope of the literature reviewed may directly affect comparison of the findings.

However, these limitations will be mitigated by focusing on a wide range of recent and relevant sources of data and by reviewing well-documented and peer-reviewed studies.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF THE FINDINGS FROM DOCUMENTARY REVIEW

4.1 Introduction

This chapter intends to present, analyse and interpret findings got from the documentary review for the study on internal control systems and financial performance in the Uganda Christian University and Makerere University. This review took a focus on institutional and regulatory documents which were but not limited to financial statements, audit reports, budgets, internal audit reports and policy documents. The analysis was directed by the documentary review guide in Appendix I and was designed according to the study variables that is, the control environment, risk assessment, control activities, monitoring activities and financial performance.

4.2 Reviewed documents

The review covered both internal and external documents from 2019 to 2023. The documents reviewed were; the annual financial statements, Auditor General's reports, internal audit reports, approved institution budgets, budget performance reports, procurement records and governance policy documents. The period that was considered ensured that the researcher was able to examine trends and stability in internal control practices and financial performance over the years.

The documents that were reviewed were examined for validity by verifying their sources from official university offices and government institutions which included the Office of the Auditor General and the National Council for Higher Education.

Table 4.1: Reviewed documents for the study (2019 to 2023)

Document type	Source of the document	Period considered	Purpose of the document
Institutions' financial statements	Uganda Christian University, Makerere University	2019-2023	Assessment of liquidity, solvency and financial sustainability
Reports from the Auditor General	Office of Auditor General	2019-2023	Assessment of institutions' accountability and compliance
Approved institutions budgets	Uganda Christian University, Makerere University	2019-2023	Assessment of institutions budget performance
Reports from the internal audit	Uganda Christian University, Makerere University	2019-2023	Evaluation of the effectiveness of the monitoring activities
Reports of procurement	Uganda Christian University, Makerere University	2019-2023	Evaluation of the control activities
Governance and financial policies	Uganda Christian University, Makerere University	Ongoing	Assessment of the control environment

Source: Researcher, 2026

Table 4.1 shows the study relied on convincing and definitive documents covering a five-year period which enabled a broad assessment of internal controls and financial performance trends.

4.3 Review findings on the internal controls

4.3.1 Control Environment

The documentary review revealed that both Uganda Christian University and Makerere university have formal governance structures, financial policies and ethical guidelines that define responsibilities and authority in financial management.

At Uganda Christian University reviewed documents show the existence of clearly documented financial policies, codes of conduct and well-defined reporting structures. Council and

management minutes exhibits active oversight of financial matters with regular discussions on budget performance and audit issues. The presence of an established internal audit unit reporting directly to top management proved a strong commitment to accountability and ethical leadership.

Conversely, Makerere University also has documented financial regulations and governance frameworks, Auditor General reports indicated continuing weaknesses in enforcement of proposed policies. Several audit reports spotlighted issues related to weak supervision, delayed implementation of council resolutions and non-compliance with financial procedures. These findings suggest that although governance structures exist at Makerere University weaknesses in the control environment have negatively affected their financial discipline.

Overall, the documentary evidence suggests that a stronger control environment at Uganda Christian University contributes positively to financial accountability compared to Makerere university whose governance challenges still persist.

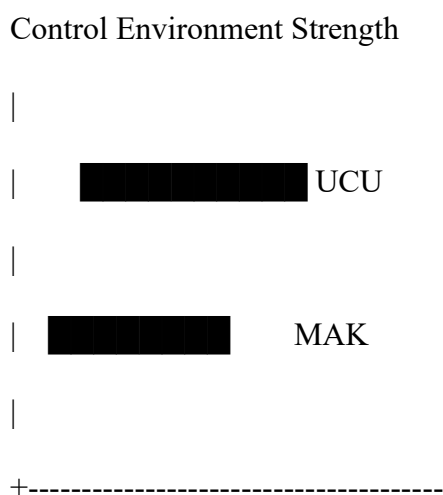
Table 4.2: Review evidence on control environment

Indicator	Uganda Christian university	Makerere university
Financial policies documented	Available and enforced	Available but weakly enforced
Oversight on governance	Active council is involved	Irregular oversight
Ethical guidelines	Clearly documented	Documented but inconsistently applied
Independence of internal audit	Strong	Moderately weak

Source: Researcher, 2026

The table 4.2 indicates that Uganda Christain University has a stronger control environment compared to Makerere university which is explained by the observed differences in financial accountability.

Figure 4.1: Comparing the institutions' control environment strength



Source: Researcher, 2026

Figure 4.1 illustrates that Uganda Christian University exhibits a stronger control environment than Makerere university largely due to the effective governance and ethical enforcement.

4.3.2 Risk Assessment

Findings from the documentary review showed a notable difference between these two universities in relation to their risk assessment practices.

At Uganda Christian University reviewed documents showed evidence of financial planning and risk considerations during the budgeting processes. Budget reports and strategic plans highlighted that management considered risks such as enrolment fluctuations, delayed tuition payments and operational costs when allocating resources though the absence of a comprehensive stand-alone risk management framework was seen.

For Makerere University, the documentary review indicated limited evidence of structured financial risk assessment. Auditor General reports frequently cited challenges such as over-expenditure, delayed government funding and accumulation of arrears suggesting a weak anticipation and mitigation of financial risks. Risk considerations were therefore largely reactive rather than proactive.

The findings still showed that although both universities acknowledge financial risks, risk assessment practices remain underdeveloped particularly at Makerere university. Weak risk assessment practices have constrained effective financial planning and sustainability in these institutions.

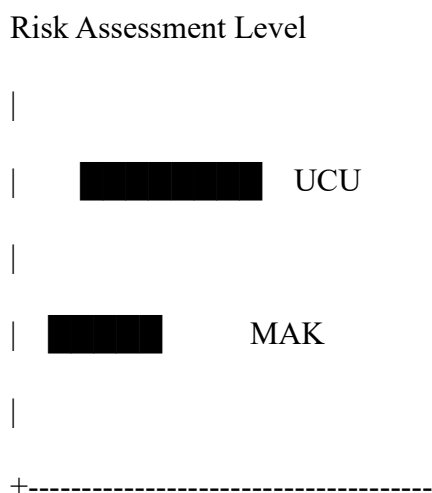
Table 4.3: Evidence on the risk Assessment practices

Risk Assessment Indicator	Uganda Christian University	Makerere University
Formal policies on risk management	Partially available	Available but not clearly documented
Plans of financial risk mitigation	Moderate	Weak
Consideration of risk in the budgeting process	Moderate	Low
Proactive risk planning evidence	Present	Minimal

Source: Researcher, 2026

Both universities show weaknesses in risk assessment however Uganda Christian University demonstrates relatively better practices than Makerere university.

Figure 4.2: Comparing the institutions’ risk assessment practices



Source: Researcher, 2026

The figure 4.2 confirms that risk assessment practices are still in early stages of development in both institutions with Makerere university lagging further behind.

4.3.3 Control Activities

The documentary review showed that both universities have established control activities that is authorization procedures, segregation of duties and procurement guidelines.

At Uganda Christian University procurement reports and internal audit findings illustrated compliance to approval procedures and segregation of duties in financial transactions. Budget performance reports revealed a relatively controlled expenditure pattern and a minimal unexplained variance. This suggests that control activities at Uganda Christian University are effectively implemented and contribute to prudent financial management.

In contrast, Makerere University audit reports demonstrated recurring weaknesses in control activities particularly in procurement and expenditure authorization. Auditor General reports spotted cases of unsupported expenditures, delayed procurements and non-compliance with procurement regulations. These weaknesses have resulted in cost overruns and financial inefficiencies in these institutions.

The documentary evidence proves that effective control activities significantly enhance financial performance whereas weak control activities undermine financial efficiency.

Table 4.4: Evidence on Control Activities

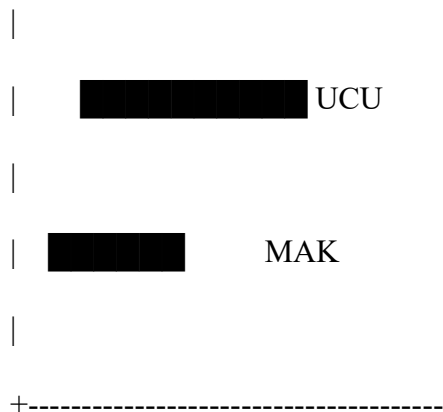
Control activity	Uganda Christian University	Makerere University
Procedures for authorization	Strong	Moderate
Compliance on procurement	High	Moderate
Segregation of duties	Adequate	Moderate
Control on budget expenditure	Effective	Ineffective

Source: Researcher, 2026

Effective control activities at Uganda Christian University have reduced financial inefficiencies however weak controls at Makerere university have resulted in repeated audit concerns.

Figure 4.3: Comparing the institutions' effectiveness of control activities

Control Activities Effectiveness



Source: Researcher, 2026

4.3.4 Monitoring activities

Monitoring was examined through the availability and effectiveness of internal audit functions, management reviews and external the audit follow-ups.

At Uganda Christian University internal audit reports showed regular audit activities and follow-up on audit recommendations. Council minutes illustrated management discussions on audit findings and corrective actions taken. This therefore reflects an effective monitoring system that strengthens internal controls in the institution.

On contrary, Makerere University revealed challenges in monitoring. Auditor General reports spotlighted continuing audit queries over successive years indicating delayed or insufficient implementation of audit recommendations. Internal audit capacity constraints and delayed management responses were also observed.

These findings therefore suggest that effective monitoring at Uganda Christian University improve financial accountability contrary to weak monitoring at Makerere university which contributes to continuous financial irregularities.

Table 4.5: Monitoring and Audit follow-up

Monitoring activity	Uganda Christian university	Makerere university
Frequency of the internal audits	Regular	Not regular
Implementation of the recommendations of the audit	High	Low
Recurrence of the audit queries	Low	High
Management response towards audits	Timely	Delayed

Source: Researcher, 2026

Uganda Christian University's strong monitoring mechanisms strengthen accountability contrary to weak follow-up at Makerere university which contributes to reoccurring financial irregularities.

4.4 Review findings on the institutions' financial performance

4.4.1 Budget Performance

Documentary evidence disclosed that Uganda Christian University generally showed an effective budget management with budget absorption rates closely streamlined to accepted budgets. Budget variance reports revealed controlled expenditure and timely adjustments.

Makerere University on contrary exhibited notable budget variances. Auditor General reports and budget performance documents showed cases of over-expenditure and reallocation of funds without prior approval indicating weaknesses in the institution's financial discipline.

Table 4.6: Budget Performance Trends

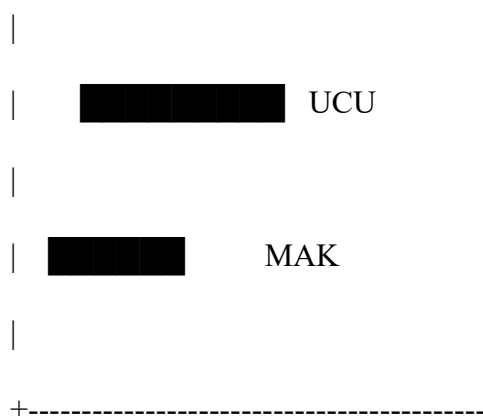
Institution name	Absorption of the budget	Level of variance
Uganda Christian University	High	Low
Makerere University	Moderate	High

Source: Researcher, 2026

Uganda Christian University illustrates a better budget discipline compared to Makerere university which experiences frequent budget overruns.

Figure 4.4: Comparing the institutions' budget performance

Budget Performance



Source: Researcher, 2026

4.4.2 Liquidity and Solvency

Financial statements reviewed indicated that Uganda Christian University maintained a relatively stable cash flow supported by diversified revenue sources for example tuition fees, donor funding and institution's projects.

Conversely, Makerere University experienced liquidity challenges as a result of delayed government subventions and high operational costs. Accumulation of arrears and delayed staff payments were observed in several financial reports of the institution.

Table 4.7: Liquidity and Solvency Indicators

Indicator	Uganda Christian university	Makerere university
Cash flow stability	Yes	No
Delay of obligations	Minimal	Frequent
Accumulation of the arrears	Low	High

Source: Researcher, 2026

The table indicates stronger liquidity management at Uganda Christian University compared to that at Makerere university.

4.4.3 Accountability and Transparency

Audit opinions were used as key indicators of institutional accountability. Uganda Christian University was given generally more favourable audit opinions revealing a reliable financial reporting and compliance report with as per the required guidelines.

Makerere University to contrary faced qualified audit opinions in a number of years due to unsupported expenditures and non-compliance with the required financial regulations. This indicates lower levels of financial transparency in the institution.

Table 4.8: Accountability and Audit Opinions

Institution name	Trend of the audit opinion
Uganda Christian university	Unqualified or improved
Makerere university	Qualified or recurrent issues

Source: Researcher, 2026

More favourable audit opinions at UCU indicate higher accountability and transparency.

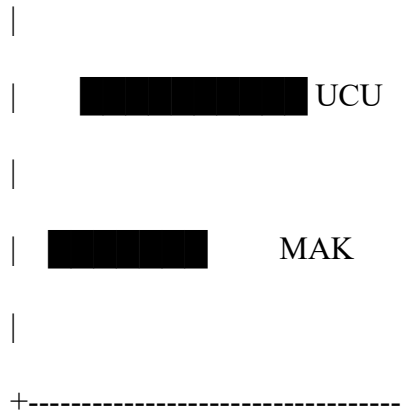
4.4.4 Financial Sustainability

The documentary review revealed that Uganda Christian University indicated a stronger financial sustainability through prudent cost management and their diversified revenue sources.

Makerere university's heavy dependence on government funding and tuition revenue revealed it to financial vulnerability of the institution.

Figure 4.5: Comparing the institutions' overall Financial Performance

Overall Financial Performance



Source: Researcher, 2026

4.5 Discussion of Findings

The documentary review findings streamline with the existing empirical literature which highlights that strong internal controls boost financial performance. The findings validate that a strong control environment, effective control activities, proper monitoring and a proactive risk assessment influence notable financial accountability, liquidity and sustainability.

Differences discovered between the Uganda Christian University and Makerere university highlight significance of governance structures and culture of the institution on the effectiveness of internal controls of these institutions.

4.6 Chapter Summary

This chapter revealed and examined findings of the documentary review on internal control systems and financial performance in the Uganda Christian University and Makerere University as well. The findings illustrated that Uganda Christian University possesses relatively stronger internal controls and a better of financial performance unlike Makerere

University. Weaknesses in control environment, risk assessment, control activities and monitoring at Makerere University have constrained its financial performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter intends to present the summary of the study, conclusions drawn from the findings and the recommendations relying on the findings from the documentary review on internal control systems and financial performance in the Uganda Christian University and Makerere University. The chapter also suggests areas that need further research.

5.2 Summary of the Study

This study was intended to assess the relationship between internal controls and financial performance in the Ugandan universities with the Uganda Christian University and Makerere university used as case studies. The objectives of the study were to examine effect of the control environment, risk assessment, control activities and monitoring on financial performance in higher education institutions.

The study therefore applied a documentary review method of data collection obtaining data from institutional financial statements, internal audit reports, Auditor General's reports, budgets, procurement reports and governance documents between the period of 2019 and 2023. Data was examined through content analysis and descriptive techniques.

The findings showed observable differences in the strengths of internal controls and financial performance between the Uganda Christian university and Makerere University. The Uganda Christian University generally illustrated stronger internal controls and a better financial performance compared to Makerere University.

5.3 Conclusions of the study

Drawing from the study findings, these conclusions were drawn;

5.3.1 Control environment and financial performance

The study found out that a strong control environment boosted a significant financial performance. The Uganda Christian University's effective governance structures, ethical leadership and accountability mechanisms led to improved financial discipline and better audit outcomes. In contrast, weaknesses in governance oversight and policy enforcement at Makerere university contributed negatively to its financial accountability.

5.3.2 Risk assessment and financial performance

The study found out that insufficient risk assessment practices undermine effective financial planning and sustainability. Both Uganda Christian University and Makerere University lacked sophisticated risk management frameworks although the weakness was more pronounced at Makerere University. Weak risk control mechanisms led to budget overruns, liquidity challenges and overly financial instability.

5.3.3 Control activities and financial performance

The study found out that effective control activities like authorization procedures, segregation of duties, and procurement controls notably enhance financial performance. Uganda Christian University's constructive control activities reduced financial inefficiencies whilst weaknesses pronounced at Makerere University contributed to cost overruns, unsupported expenditures and recurring audit issues.

5.3.4 Monitoring activities and financial performance

The study found out that practical monitoring activities enhance accountability and financial performance. Uganda Christian University's planned internal audits and follow-up on audit recommendations ensured compliance and transparency. Contrary to weak monitoring at Makerere University contributed to recurring audit queries and financial irregularities.

5.4 Recommendations of the study

Conclusions of the study led to the following recommendations;

5.4.1 Strengthening the Control Environment

University management have to invest in governance oversight by enhancing strict enforcement of financial policies and ethical standards. Governing councils should therefore monitor financial performance and make sure accountability at all management levels is observed.

5.4.2 Enhancing Risk Assessment Practices

Universities should develop and implement complete risk management frameworks. Financial risks should be properly identified, assessed and aligned budgeting and strategic planning processes to ensure financial sustainability.

5.4.3 Improving Control Activities

Management has to put in place strong control activities by ensuring segregation of duties, improving authorization procedures and ensuring compliance with procurement regulations. Planned staff training on financial procedures has to be conducted to promote compliance.

5.4.4 Strengthening Monitoring Mechanisms

Universities should put strong internal audit units to ensure independence, adequate staffing and timely implementation of audit recommendations. Management has to prioritize audit findings and take corrective actions in time.

5.5 Policy implications of the study

The findings of the study have got significant policy implications for university governance and financial management. Policymakers like the Ministry of Education and Sports and the National Council for Higher Education should therefore install strong regulatory oversight and ensure clear guidelines on internal controls and financial accountability are in universities.

5.6 Contribution of the study

The study provides to the existing literature documentary-based evidence on the relation between internal control systems and financial performance in Ugandan universities. It also provides a comparative argument between public and private universities which has been limited in previous studies.

5.7 Limitations of the study

The study relied wholly on documentary data which limited access to different ideas and experiences of staff who take part in financial management. Secondly, some documents were not accessible or incomplete in some cases.

5.8 Areas for Further Research

Future studies should;

Employ mixed methods integrating documentary review, surveys, and interviews

Expand the study to take into consideration more universities

Examine the effect of digital financial systems on internal controls of organizations

5.9 Chapter summary

This chapter intends to present the summary, conclusions and recommendations of the study. The findings revealed that strong internal control systems notably have a strong measurable impact on financial performance in universities. Therefore, strengthening internal controls is important for financial accountability and sustainability in Ugandan universities.

APPENDIX I: DOCUMENTARY REVIEW GUIDE

This documentary review guide will be employed to properly obtain relevant information from documents reviewed for the study.

Section A: General Information

Institution Name (Uganda Christian University / Makerere University)

Document type reviewed

Period to be covered by the document

Source and validity of the document

Section B: Control Environment

Document financial and ethical policies existing

Governance oversight in financial management in place

Clear organizational structure and lines of reporting

Section C: Risk Assessment

Formal risk management policies present

Financial risk identification and mitigation mechanism in place

Risk assessment integrated into budgeting and planning

Section D: Control Activities

Authorization and approval procedures for financial transactions

Segregation of financial duties

Compliance with procurement and disposal regulations

Section E: Monitoring

Internal audit reports available

Frequency of internal and external audits

Evidence of implementation of audit recommendations

Section F: Financial Performance

Budget absorption and variance trends

Audit opinions issued

Liquidity and solvency indicators

Evidence of financial sustainability

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