

**MAKERERE**



**UNIVERSITY**

**EVALUATION OF INTERNAL CONTROL SYSTEMS IN NON-GOVERNMENTAL  
ORGANIZATIONS (NGOs) IN UGANDA**

**CASE STUDY: UGANDA RED CROSS SOCIETY**

**BY**

**ALEX TUMWEBAZE**

**REG NO: 2007/HD06/10548U**

**A RESEARCH PROJECT REPORT SUBMITTED TO MAKERERE UNIVERSITY IN  
PARTIAL FULFILLMENT OF AWARD OF A MASTER OF BUSINESS  
ADMINISTRATION DEGREE.**

**February 2018**

## ABSTRACT

The intention of the study was to evaluate the internal control systems implemented by Uganda Red Cross Society. The study is motivated by the fact that internal control systems are the significant determinant of organisation performance which is widely accepted and documented by the scholars and policy makers. The study was guided by the three study objectives which were; to examine the efficacy of the internal controls in Uganda Red Cross Society, to examine the challenges of implementing internal control systems in Uganda Red Cross Society and to design strategies of improving on internal controls of Uganda Red Cross Society. The study used a descriptive cross-sectional research design with quantitative approach which was non-experimental in nature. Primary data was collected using self-administered questionnaires as a quantitative method and was analyzed using SPSS version 20 to generate descriptive specifically frequency distribution, mean, standard deviation.

Finding of the study indicated that majority of the respondents agreed to efficient utilization of financial resources, use of organizational policies and procedures to protect against misuse of resources, periodical test for compliance with code of conduct or policies were the dominant determinant of efficacy on the internal controls. Challenges of implementing internal controls were insufficient segregation of duties, fraud & misuse of resource, conducting transactions without authorization, lack of proper classification and management to implement internal controls. Strategies were to ensure authorization of transactions, emphasis on segregation of duties, objectivity in implementing internal controls, proper records, and adherence to corporate governance principles, demands and adoption of computerized accounting information system.

The study recommends periodical test for compliance with code of conduct or policies to induce effectiveness of internal controls in NGO's. The biggest challenges were insufficient segregation of duties, conducting transactions without authorization, fraud and lack of management will to implement internal controls. However, strategies to improve on internal control were ensuring authorization of duties, proper record keeping of transactions, independent checks, emphasis on segregation of duties, proper accountability, adherence to corporate governance principles and adoption of computerized accounting information system.