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Effectiveness of Corporate Governance Systems in Risk Management in Public Limited Companies in Uganda

The purpose of the study was to establish whether there is effectiveness of corporate governance systems in the management of risks in listed companies in Uganda. The study sought to assess the role of the Board of Directors and Audit Committee in the management of risks in listed public companies in Uganda, and to determine the relationship between corporate governance systems and the level of risks in public listed companies in Uganda. The study involved basically reviewing the role of Board of Directors and Audit Committees in risk management. It focused on systems like review of management performance, internal controls, integrity of financial statements, fraud prevention, monitoring of audit performance and the value of good corporate governance in the growth of companies and the country at large. The study employed a cross sectional survey research design to guide the study in an effort to collect evidence for answering the research questions from a cross section of respondents of different listed companies. Both the quantitative and qualitative research designs were used to guide the study. Questionnaire and personal interview methods were used in data collection. The sampling frame included risk officers, accountants, staff of audit department, and finance officers basing on purposive sampling. Pearson bi-variate and partial correlation were used for testing the three hypothesis postulated at 0.01 level of significance. The findings were: there was a significant relationship between the role of board of directors and level of risks (between A1 & G1, p= 0<0.01), this indicates that the board plays a very instrumental role in management of companies and the level of risks. Likewise, audit committees are important in good governance (C1, p = -0.11378<0.01; D2, p= -0.1569<0.01) and when these two systems work interdependently with an enterprise risk management system, effective corporate governance is attained and consequently enhanced risk management is realised. This shows that, there is a significant relationship between corporate governance systems and the level of risk in companies. It was concluded that good corporate governance systems are treated with great importance in risk management by companies, however, a lot still needs to be done since some of the respondents showed ignorance and negativity in the existence or functioning of these systems. The collapse of these companies could be as a result of collusion by managers and other stake holders to achieve their selfish ends at the expense of the shareholders who do not have time or interest to manage their companies. Based on these findings, it was recommended that, enhancing effective corporate governance systems needs an integrated approach. This approach should cover all levels and activities of the corporation. The chief executive officers and chief finance officers of companies should be required to certify that their financial reports accurately depict the company’s financial status. False statements should be treated as a criminal act. This law should as well target board members and the auditing profession, especially firms that oversee the accounting and financial reporting of companies.

Key words: Effectiveness, Risk, Company, Public, Corporate, Governance