

**INTERNAL CONTROLS AND FINANCIAL PERFORMANCE OF  
LOCAL GOVERNMENT**

**CASE STUDY OF MPIGI DISTRICT LOCAL GOVERNMENT**

**BY**

**KASUJJA PATRICK**

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## **DECLARATION**

I hereby declare that this proposal is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due, acknowledgement has been made in the text and reference list.

**NAME: KASUJJA PATRICK**

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## **APPROVAL**

This is to certify that this work entitled “internal controls on the financial performance of local government using a case study of Mpigi District Local Government” was under my supervision and it is now ready for submission to the examination council.

**NAME:**

Signature \_\_\_\_\_

Date \_\_\_\_\_

## **DEDICATION**

I dedicate my dissertation work to my family and friends. A special feeling of gratitude to my loving mother, your words of encouragement and push for tenacity ring in my ears.

My parents, thank you for giving me a chance to prove and improve myself through all my walks of life please do not ever change, I love you.

## **ACKNOWLEDGEMENTS**

First, I would like to thanks the Almighty God who enabled me to complete this long process with a successful end, and am sending a warm thanks to my advisor for his direction, assistance, and guidance. In particular for his recommendations and suggestions that has been valuable for the completion of this Research.

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## ABBREVIATIONS

APC	-	Auditing Practices Committee,
<i>COSO</i>	-	<i>Committee of Sponsoring Organizations</i>
CSI	–	Civil Service Institute
ISA	-	International Standard of Auditing
ISSAI	-	International Standards of Supreme Audit Institutions
PMFP	-	Proposed Municipal Finance Policy
PIFC	-	Public Internal financial Control
SPSS	-	Statistical Package for Social Sciences
SWOT	-	Strength, weakness, opportunity and threat
USA	-	United States of America
AICPA	-	American Institute of Certificated public Accountants
LG	-	Local Government

# **CHAPTER ONE**

## **1.0 Introduction**

This chapter presents the background of the study, statement of the problem, study objectives, specific objective of the study, research questions, scope-geographical, time, and content, significance of the study, and definition of key terms such as variables.

## **1.1 Background of the study**

Internal control as an individual enterprise system is not as broad as other management spheres in science directions. The definition of internal control was presented for the first time in 1949 by the American Institute of Certificated public Accountants (AICPA). It defined internal control as a plan and other coordinated means and ways by the enterprise to keep safe its assets, check the covertness and reliability of data, to increase its effectiveness and to ensure the settled management politics. However, the presented definition of control concept has been constantly improved, and nowadays there is quite an extensive set of conceptions that indicates the system of internal control as one of the means of leadership to ensure safety of enterprise assets and its regular development. In 1992, its analysis distinguished the concepts of risk and internal control. Now, the concept of internal control involves not only accounting mistakes and implementing means of their prevention, but also a modern attitude that might identify the spheres of control management and processes, and also a motivated development of their detailed analysis (COSO 1992).

At the organizational level, internal control objectives relate to the reliability of reporting, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, internal control refers to the actions taken to achieve a specific objective (e.g, how to ensure the organization's payments to third parties are for valid services rendered.) Internal control procedures (Anderson, 2008).

According to sawyer's (2012). Internal control is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to an organization.

According to A.H Milichamp (2002), Internal Control System is defined as the whole system of control, and otherwise, established by the management in order to carry on the business of safeguarding the assets and secure as far as possible the completeness and accuracy of the record. They are a set of policies and procedures adopted by an entity in ensuring that an organization's transactions are processed in the appropriate manner to avoid waste, theft and misuse of organization resources. Internal Controls are processes designed and affected by those charged with governance, (Ssuuna 2009).

The internal control system is intertwined with an entity's activities and is most effective when it is built into the entity's infrastructure and is an integral part of the essence of the organization.

Internal control should be built in rather than built on. By building in internal control, it becomes part of an integrated with the basic management processes of planning; executing and monitoring. Built in internal control also has important implications for cost containment. Adding new control procedures that are separate from existing procedures adds costs. By focusing on existing operations and their contribution to effective internal control, and by integrating controls into basic operating activities, an organization often can avoid unnecessary procedures and costs (COSO 2009).

The local government management practices were a very old fashioned manual system and often an erroneous one. The situation of a district often depends on its status and grade. Staff and junior managers of Mpigi local government may be involved in evaluating the controls within their own organizational unit using a control self-assessment (COSO 2009).

## **1.2 Statement of the problem**

Every organization needs strong internal control mechanisms such as authorization of access to assets and accounting records, regular independent verifications, a system of internal checks (segregation of duties), suitable documents to capture transactions, proper procedures for processing transactions, employment of honest and capable employees.

Despite the fact that such control measures have been put in place by management, finances have continued being mismanaged in Mpigi Local Government.

To a greater extent the absence of adequate internal control measures exposes the management of an organisation to certain threats such as:

- Stealing and miss-management of organizational vital documents which may be done by an employee to take undue advantage
- Loss of the organizations assets.

This therefore, prompted the researcher to carry out a study on the effect of internal controls on the performance in local government using Mpigi district local government as the case study.

### **1.3 Objectives of the study**

#### **1.3.1 General objective**

The main objective is to assess the effect of internal controls on financial performance in District Local Government.

#### **1.3.2 Specific objectives**

- To establish the available internal controls in Local Government
- To find out the factor that determines the quality of financial performance in Local Government
- To find out the relationship between internal control and financial performance of Local Government.

### **1.4 Research questions**

- What are the available internal controls in Local Government?
- What are the factors that determine the quality of financial performance in Local Government?
- What are the relationships between internal control and financial performance of Local Government?

### **1.5 Scope of the study**

#### **1.5.1 Geographical scope**

This research study will be carried out at Mpigi district Local Government headquarters located in Mpigi town off the main road, Masaka road 40km from Kampala city center.

### **1.5.2 Conceptual scope**

The purpose of this research will be to evaluate the effect of internal control on financial performance in Local Government. Specifically, the study will focus on the internal control and the financial performance. This study will consider the management and staff of Local Government,

### **1.5.3 Time scope of the study**

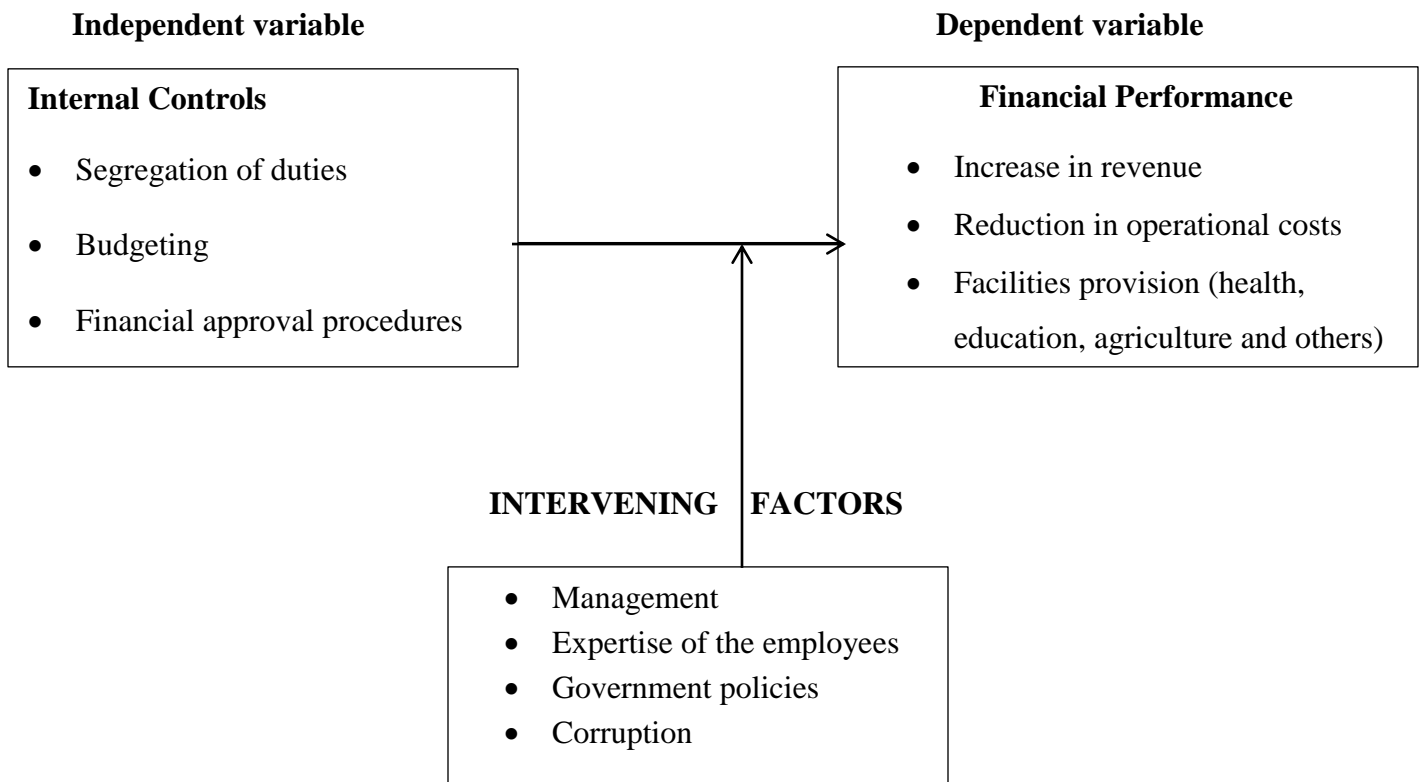
The study will use data within the period of two years that is 2016 and 2017 because this is the time when a Local Government experienced the problem of poor financial performance.

### **1.6 Significance of the study**

- i. The findings and the recommendations of this study will be useful to other companies and decision makers at managerial level in different local governments.
- ii. The research will be of great importance to various groups of people like to the current researcher, policy makers, and future researchers.
- iii. The researcher has hope that this study will yield data and information that may be useful for understanding the contribution of ministry of finance to financial performance in local government.

### **1.7 Conceptual frame work**

The kind of relationships that exists between the variables in a study is normally depicted through a conceptual framework (Kothari, 2004). The conceptual framework below shows the hypothetical relationships between the independent variables and the dependent variable.



Internal controls are seen in different measures that are designed by the management to limit unnecessary access to everything in an organisation without consent permission. This is done by ensuring that the body/sector has an internal auditor who makes sure that internal control system of the body is strong and followed by carrying out evaluation and follow up on different transactions made by employees. In strengthening internal control systems, this reduces unnecessary wastage of resources which includes financial resources; this in turn increases performance. However there are other factors that affect the financial performance of local government such as the expertise of the employees, government policies, management, corruption etc.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction.**

This chapter contains a review of the existing theoretical literature on the research variables that is to say the relationship of internal control in the public sector performance the review will be based on the study objectives.

#### **2.1 Internal controls.**

Internal control, as defined in accounting and auditing, is a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable reporting, and compliance with laws, regulations and policies. A broad concept, internal control involves everything that controls risks to an organization (*Sawyer's 2012*).

According to Milichamp (2002), Internal Control System is defined as the whole system of control, and otherwise, established by the management in order to carry on the business of safeguarding the assets and secure as far as possible the completeness and accuracy of the record.

Crowhust (1982), remarks that individual components of an internal control system are known as „controls“ or „internal controls“. This definition is all embracing; it includes internal checks, internal audit, and all the other controls established by management. From the above, internal controls can be defined as a set or course of action and procedures set by management of a business to protect its assets from theft, ensure optimum but authorized use of company resources, and evaluate the performance of personnel and organization as a whole so as to ensure achievement of goals.

#### **2.2 Available Internal Controls**

According to Howard (1984), increasing attention has been paid to the methods of internal control in recent years. He argues further that not only the complexity of modern business techniques but also the increased size of business units have encouraged the adoption of methods

which, whilst increasing the efficiency of the business, also act as safeguards against error or fraud. The objectives that internal controls must meet to prevent errors and to be efficient so as to provide reasonable assurance are that:

- Recorded transactions are valid. The system should not permit the inclusion of fictitious or non-existent transactions in accounting records.
- The transactions are properly authorized. The system should ensure that transactions are properly authorized.
- Transactions are recorded. The procedures must provide controls to prevent omissions of transactions from the records.
- Transactions are properly valued. An adequate system must include procedures to avoid errors in calculating and recording transactions at various stages in the recording process.
- Transactions are properly classified. Proper account classification according to appropriate categories or divisions must be ensured by the system.
- Transactions are recorded at the proper time. The recording of transactions either before or after the time they took place increases the likelihood of failing to record transactions or recording them at the wrong amount. Therefore, an effective control system should ensure timely recording of transactions.

### **Financial performance**

Hitt, *et al* (1996) believes that many organizations' low performance is the result of poorly performing assets (government). Low performance from poorly performing assets is often related to strategic errors made in the acquisition process in earlier years. For example, some organizations acquire with unrealistic expectations of achieving synergy between the acquired assets and their current sets of assets. A common reason for such errors is managerial hubris (Roll, 1986) or overvaluation of managerial capability in the acquisition process.

According to Likert (2003) there are two main ways to improve performance: improving the measured attribute by using the performance platform more effectively, or by improving the measured attribute by modifying the performance platform, which in turn allows a given level of

use to be more effective in producing the desired output. Performance can be measured by obtaining the magnitude of a quantity, such as length or mass, relative to a unit of measurement, such as a meter or a kilogram. According to Stoner (2003), performance refers to the ability to operate efficiently, profitability, survive grow and react to the environmental opportunities and threats.

### **2.3 Financial Performance of Local Governments**

Depending on the type of organization, performance may be treated as an end result of an activity or a process. Organization performance addresses what type of human capital is required to achieve Local Government's goals through to structure the local government.

Cain (2004) stated that performance measurement is the mechanism by which firms inform themselves of their true performance and located unnecessary costs through the supply chain. These can then be converted into substantially higher profits in carefully targeted programs. According to Symcon, (2000), measurement of performance is an integral part of evaluation and control. Past performance can be benchmark for continued achievement or the catalyst for change. Without objectives performance measures, it is extremely difficult to make successful operational and strategic decisions.

In contrast with symcom and marchant, (De marco and Lister 2000) argues that measuring and managing performance in organizations is a potentially dangerous business that when you measure any indicator of performance, you incur a risk of worsening that performance. Stein, (1986), asserts that an audit is a professional service to a client. An auditor may become liable for damages for negligence to the client or to a third party that relies on the audited accounts.

According to the recurrent and expenditure budget for the financial year 2007/2008, Nakeseke district budgeted to offer a number of services were provision of health care, education, construction of health facilities, maintenance of feeder roads, construction of schools and community based services.

## **2.4 Factors Influencing Financial Performance of organisations**

### **Liquidity**

The ability of the company to convert assets into cash is equivalent to its ability to manage the working capital which has to be kept to normal levels to avoid the company in becoming insolvent. The liquid assets are useful for the company in times when external streams of finance to the company are not accessible, or the cost of using external finance is more than resorting to liquid assets to finance its operational expenses and investments. Liargovas and Skandalis (2008) are in support of holding higher liquidity as it served a contingency plan in dealing with the future uncertainties and kept as reserves that can be used in times of low earnings to settle short-term obligations for the company.

### **Leverage**

Leverage is an important ratio measured by total liabilities to total assets, which the company makes use of debt in financing assets for the business pursuit of achieving favorable financial performance. Equity holders treat leverage as an alternative for claiming residual to boost their financial performance (Rajan and Zingales, 1995).

The study by Aquino (2010) covered firms that are listed and unlisted on the stock exchange in the Philippines and concluded by showing a positive relationship between the company's high debt ratio and its growth rate and profitability.

Research conducted by Joshua (2005) on financial leverage revealed a positive return on equity through utilization of the ratio of total debt to total assets. An empirical study on the impact of financial leverage on the company's investment decisions done by Aivaziana et al (2005), found a negative correlation, in which Ahna et al (2006) add that the negative correlations between financial leverage and investment decisions are much strategic considering that they occur in less important sectors of the economy than when they occur in core strategic sectors.

According to Youmatelo (2012), investment decisions have been found by scholars to be affected negatively by the patterns of financial leverage, and there is the indication of motivated to not invest in capital assets when the total debts to total assets are higher in companies. The following proposition can be derived:

## **Asset utilization**

Asset utilization as an organizational factor to determine the financial performance of the company is based on the clarification of assets that are crucial to the production or service processes necessary to drive the financial performance (Belanova, 2016). The consideration of asset utilization is significant towards identifying and measuring the capability and different functions of these assets owned by the company in ensuring the attainment of financial returns (Ellis, 1998). When assets are not effectively and efficiently utilized it leads to poor financial performance such as losses in the accumulation of revenue from investments.

According to Fleming, Heaney and Mc Cosker (2005) posited that agency costs are highly to increase when assets are inefficiently and ineffectively utilized which is an indication of management not promoting the interests of the business owners.

A study done by Okwo (2012) on fixed assets investment and its relation to the profitability of the company indicates a positive relationship between the two variables. While Xu and Xu (2013), based their research on testing the significance of achieving business performance from the optimal allocation of the assets structure and the statistical testing showed a significant correlation. Moreover, studies conducted by other various researchers have confirmed and affirmed the significant effect of efficient and effective utilization of assets on the financial performance of a company (e.g. Wu et al., 2010; Jose et al., 2010; and Seema et al., 2011). Based on the review above, the following can be tested:

## **Firm Size**

The literature in the field proposes different results regarding the influence of so-called “size effect.” The research conducted by Pervan (2012) found the negative relationship between the size of the firm and financial profitability. It is stated that due to the presence of high market power, firms can charge higher prices for their products and services in the market. Moreover, high profitability of the firm can be the result of the economies of scale of good negotiating power of the firm with the suppliers. Moreover, Numerous scholars studied the link between the size of the firm and the financial returns arising from it, e.g. an empirical study conducted by Vijayakumar and Tamizhselvan (2010) significantly proved that there is a positive link between the size of the firm and financial performance. The study focused on the profitability aspect of

the financial performance and found that big business firms have resources and capability to make a profit for the long term compared to the capabilities of small firms that are more of short to medium term in effectuating profitability. The quantitative results and analysis study conducted on 3035 Greek manufacturing business firms by Papadognas (2007) revealed that the size classes of business firms were positively and somewhat proportionally linked to the firms' profitability. Lee (2009) also examined the sources of firms' profitability and the analysis revealed that one of the strategic sources of profitability was the size of the business firm, which positively influenced and plays an important role in opening streams of cash inflows and performance in general.

### **Market share position**

The resource-based view (RBV) posits that differences in performance of firms are owing to the resource ownership. The resource-based view of the firm is not considered only as the pure theoretical structure, but also significant in formulating the long-term strategy of the firm. The main focus of the resource based view focuses on using and relying on efficient usage of the resources to establish the competitive advantage of the company (Isanzu, 2015).

However, such resources should be valuable, rare, and not easy to imitate, and substitute. To validate the above view the following scholars have studied and tested it in various industries and found such link is positive. For example, Anderson (1988) validated in his study that the efficiency of the business firm in overall, be it gaining a large market share was highly dependent on its resources. Business firms gain market share position higher than their rivalries when their resource or products are superior to that of competitors in the hearts and minds of customers. Superior products of an organization significantly impact competitive advantage in a positive manner, which translates into financial performance.

A study conducted by Mc Taggart, Kontes and Mankins (1994) reveals that the favorable financial returns in various forms amount into an organizational value which depends on two factors, that is market share positioning and having the competitive advantage over its rivalries to gain higher returns along with economies of scale. The above argument is in line with that of Porter (1998) in competitive advantage, in which he argues that having the cost advantage and product differentiation build an organization's market share position that consequently leads to

sustained financial performance. In support of this view, Grundy (2002) posits that financial performance can be sustained and improved by increasing the market share position, whereby an organization's objective is to be the leader in the market which should be characterized by the potential of increasing shareholder value in the process.

## **2.5 Relationship between Internal controls and financial performance**

Goodwin (2003) goes ahead to state that financial performance comprises of the actual output or results of an organization as measured against its intended outputs or objectives.

Touche (2004) notes that the traditional role of internal control is to keep the organization focused to the desired goal, bring value, and improve operations. In this current era of the Sarbanes-Oxley Act of 2002 (USA), it has the objective of assurance on control and 24 compliance.

Some of the peak performance indicators are: reports issued on time, staff training and certifications, internal audit turnover, internal audit transfers, internal audit employees survey measuring professional staff satisfaction, internal audit staff utilization, and hours of training. They conclude that adaptability and flexibility will stand out as key characteristics of successful internal control functions.

Mc Namee and selim (2000) stated that managers are operating in an increasingly complex of corporate governance. The emergence of risk management as a key organizational process gives the internal auditing profession a unique opportunity to shift its focus from control of functional area to risk. The new paradigm recognizes that risk is the driver of organizational activity and corporate governance is the organization's strategic responses to risk.

According to Hespeneide (2003), demonstrating an understanding of the importance of strong corporate governance is a great opportunity for a company to win in the market place to owners, that the company is managing their risks and thus a sound investment.

Roth (2004) observed that good internal controls provide reliable financial reporting for management decisions and the accomplishment of goals and objectives, poor or excessive internal controls reduce productivity increase the complexity of processing transaction, increase in the time required to process transactions and add no value to the activity.

Humphrey (2006) asserts that in the process and audit interviews, interactions with internal auditors, and review of audit reports, employees get a greater understanding of the functions they perform and why the functions are important. By understanding each task's significance, employee can have beyond perfunctory activity to performance excellence.

In line with Humphrey 2006, Reanger (2006) says, in addition to identifying weak or overlooked controls, internal audit lead to process improvement discoveries or efficiency break through and that such exchanges with internal auditors can provide employees with new perspectives on their positions, triggering ideas for process improvements or new business possibilities Gramling (2004) argues that internal audit's value has been easy to demonstrate over the past few years as many departments played a significant role in helping their organizations meet increased compliance requirement.

Accordingly, Maletta (2004) adds that audit committees and management teams are now looking for improvement opportunities within the audit department, and internal audit leaders are searching for new ways to manage ongoing performance. This can be achieved by designing an effective performance measurement framework, implementing quality assurance programs and embedding improvement initiative in department workflow.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the methodology that will be used in the study; it gives a description of the study area and the methods that will be used to collect data from the field. It also gives a description of research design, study population, sampling design and sampling methods, sample size, data source, and data collection instruments and data collection methods, data processing, presentation and data analysis.

#### **3.1 Research Design**

Case-study research design will be used. A case study is an inquiry into an event by either an individual or an organization. It is produced through systematic research, analysis and reporting, the methods will be both quantitative and qualitative in nature.

#### **3.2 Sampling design and techniques**

The study will use random and purposive sampling method. A random technique will be used because of its advantages like minimization of biases results. Purposive sampling will be used in order to help locate the respondents with the relevant information that the researcher needed in the study.

#### **3.3 Research population**

The study will be conducted on a team of 55 personnel in the study area of Mpigi District Local government staff. These will be from different departments of the district such as accounts and finance departments, auditing departments, among others. And a sample of (48) which purposively will be selected from (55) team of respondents. Various features of this sample will be estimated to achieve good representation of the population under the study.

### 3.4 Sample size

The study will use a total sample of 48 respondents. Drawn from the use of Slovene's Formula representing a population of 55 of Mpigi district Local Government and categorized as follows;

**Table 3.1: Study Sample Structure**

<b>Population category</b>	<b>Target population</b>	<b>Sample Size</b>
Accountants	10	8
Administrators	15	12
Councilors	10	8
Other staffs	20	15
<b>Total</b>	<b>55</b>	<b>48</b>

### 3.5 Sources of data

The research data will be obtained from two sources namely; primary and secondary data.

#### 3.5.1 Primary source

Primary data will be obtained through personal interviews with respondents, observations and self-administered questionnaires.

#### 3.5 .2 Secondary source

Secondary data will be obtained through the council brochures, statistical report and bulletins, annuals reports on general observation, textbooks, and other student's research work. This will be used because it gives first-hand information, and data collected is reliable to make conclusions.

### 3. 6 Data collection instruments

#### 3.6 .1 Questionnaires

A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents.This technique will help to collect primary data through a number of questions, which give to a cross section of respondents. The

questions will be open ended and closed ended questions with the questionnaire mainly based on predetermined and standardized questions. They will focus on the effects of internal control system and financial performance. Questionnaires will be used by the researcher because they are cheap to distribute and process and they are more flexible and help to save time.

### **3.6.2. Interview guide**

This method will be employed to find information necessary information from the group more quickly just to allow individual self-expression. The expert such as seniors staffs of the finance and internal audit department will be researched for interview.

## **3.7 Data Processing, Presentation and Analysis**

### **3.7.1 Data Processing.**

Data processing will include coding and editing all the responses collected from the field which will be edited with the view of checking for completeness and accuracy to ensure that data is accurate and consistent. It will also help to remove unwanted responses which would be considered insignificant. Coding will be done after editing which will be done manually and by the use of computer through word processing and Excel.

### **3.7.2 Data presentation and Analysis.**

The data will be presented in tabular form, with frequencies and percentages for classifications of responses, easier analysis and visual impression. The researcher will use Statistical Package for Social Sciences (SPSS) to analyze after collecting Data from the study area, the variables under study and the result will be presented in tables for easy interpretation. Data will be manually entered in a Statistical Package for Scientific Software (SPSS) and Excel. Analysis will be carried out by use of frequencies and percentage.

## **3.8 Limitations to the study**

Inadequate funds might be one of the limitations during this research. Funds will be needed for transport; printing, consultation and buying scholastic materials among others may inadequate. However this will be overcome through borrowing, begging.

Some respondents might not be willing to cooperate in this research and this might delay the data collection process but this will be overcome through cooperating with them.

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Uzun, Ali Kamil; Internal Control System, <http://www.denetimnet.net>

## QUESTIONNAIRE

I am a student of Team University pursuing a diploma. This questionnaire has been designed strictly for academic purposes about research on the topic ***“Internal control and financial performance in local government case study; Mpigi District Local Government”*** Please kindly fill in the gaps and where necessary tick the best option in the boxes provided. Your opinions are very important in the study of information provided will be treated confidentially principal

### SECTION A:

(N.B Answer by Ticking where applicable)

#### **A: Demographic characteristics of respondents. (Tick where appropriate)**

1. Gender	Male	
	Female	
2. Age	20- 29	
	30- 39	
	40- 49	
	50-59	
	above 65	
3. Marital Status	Single	
	Married	
	Divorced	
4. Education Level	Certificate	
	Diploma	
	University degree	
	Master's degree	
5. How long have you been employed here?	1-3years	
	3-4years	
	4-5years	
	Above 5years	
	Others (specify)	

## **SECTION B**

6. In this section the researcher seeks to establish the internal controls and affect in Mpigi district local government. Please Tick the appropriate alternative.

Key; Where SA-strongly agree, A- agree, NS-not sure, SD-strongly disagree D-disagree

<b>AVAILABLE INTERNAL CONTROL IN L. G</b>	<b>SA</b>	<b>A</b>	<b>NS</b>	<b>SD</b>	<b>D</b>
1. The institution has an internal audit department					
2. The internal auditor performs their duties with a greater degree of autonomy and independence from management.					
3. Internal auditor report address weakness in our internal control system					
4. It is impossible for on staff to have access to all information without the consent of senior staff.					
5. The petty cashier is different from the main cashier					

7. In this section the researcher seeks to establish the effectiveness of internal controls and affect the performance in Mpigi district local government. Please Tick the appropriate alternative

Key; Where SA-strongly agree, A- agree, NS-not sure, SD-strongly disagree D-disagree

<b>Effectiveness of internal controls on the Performance</b>	<b>SA</b>	<b>A</b>	<b>NS</b>	<b>SD</b>	<b>D</b>
1. There is evaluation and discussion of the performance annually by management					
2. The organization is now in a better position to serve clients more efficiently and effectively					
3. There are adequate policies to ensure effective collection and follow ups of due accounts					
4. Cost of service has been reducing dramatically for the past two years.					
5. The organization is able to build customer satisfaction through his service.					

**SECTION C: The Relationship between internal controls on the performance of Mpigi district local government.**

8. Do you understand the term internal control system?

(a) Yes ☐

(b) No ☐

9. If Yes to Question 8, Does the Mpigi district local government employ internal control systems in managing its activities?

(a) Yes ☐

(b) No ☐

10. Do you believe that there is a relationship between internal control systems on the performance of the local government?

(a) Yes ☐

(b) No ☐

11. If yes, what type of relationship do you think internal control have on the performance of the local government?

(a) Positive ☐

(b) Negative ☐

12 What type of internal control function influence the performance of the local government?

(a) Positive ☐

(b) Negative ☐

13. Is there mechanism for detection of fraud and error in the accounting system?

YES ☐

NO ☐

NOT SURE ☐

14. If no, how do you ensure that cash is effectively and efficiently managed to avoid fraud?

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**Thank very much for your cooperation may, God bless you**

## APPENDIX-II

### INTERVIEW GUIDE

I am a student of Team University pursuing a bachelor's degree. This questionnaire has been designed strictly for academic purposes about research on the topic "*internal control and performance in local government case study; Mpigi District Local Government*" Please kindly fill in the gaps and where necessary tick the best option in the boxes provided. Your opinions are very important in the study of information provided will be treated confidentially principal.

### QUESTIONS

1. What are the some of the internal controls employed by Mpigi district local government?
2. What type of internal control function influence the performance of the local government?
3. Is there mechanism for detection of fraud and error in the accounting system?
4. How do you ensure that cash is effectively and efficiently managed to avoid fraud?
5. Do you understand the term internal control system?
6. If Yes to Question 5, does the Mpigi district local government employ internal control systems in managing its activities?
7. Do you believe that there is a relationship between internal control systems on the performance of the local government?