



**THE EFFECT OF INTERNAL CONTROL SYSTEMS ON FINANCIAL  
PERFORMANCE OF PALLISA DISTRICT LOCAL GOVERNMENT**

**BY**

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THE REQUIREMENTS FOR THE AWARD OF A DIPLOMA OF  
BUSINESS ADMINISTRATION OF BUSITEMA UNIVERSITY  
FACULTY OF MANAGEMENT SCIENCES**

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## DECLARATION

### DECLARATION

I, Naulya Sharon do confirm that this research proposal is my own work which has never been submitted for examination in this university for academic qualification.

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## APPROVAL

### APPROVAL

This proposal is submitted as a partial fulfillment for the award of a Diploma of Business Administration of Busitema University with approval of the undersigned academic supervisor.

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## **DEDICATION**

I have pleasure to dedicate this work to the beloved family Madam Bulage Ketula, Mr. and Mrs. Kadukulu Samuel, all the relatives, my beloved brothers and sisters for the financial and loyalty inspired me with success and physical support during the entire Academic life and I pray that may the Lord bless the work of their hands.

I thank God who has endeavored to keep me alive throughout my lifetime not forgetting all my lecturers and the administrators of the university and the students' bodies and my course mates and finally to my beloved Lecturer Mr. Ismael Okiror whose inspiration mentored me academically.

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## LIST OF ACRONYMS

ICS.....	Internal Control Systems
FP.....	Financial Performance
IV.....	Independent Variable
DV.....	Dependent Variable
SPSS.....	Statistical Package for the Social Science
PDLG.....	Pallisa District Local Government
FA.....	Fraud Assessment
RI.....	Risk Assessment
EV.....	Ethical Values
RI.....	Risk Identification
IC.....	Internal Communication
EC.....	External Communication.

## **ABSTRACT**

This study intends to examine the Internal Control System (ICS) that affect financial performance (FP) in Uganda: a case study of Pallisa District Local Government. A cross-sectional research design and a quantitative approach shall be used because it allows researcher to compare many different variables at the same time while the quantitative research design will be used so that data can be quantified and subjected to statistical treatment for analysis. The study considered a population target of 55 employees in the district local government and a sample size of 48 shall be drawn using Krejcie and Morgan sample size determination table to represent the unit of inquiry for the study, where simple random sampling techniques will be used to select administrative staff, accountants, commercial officers and community development officers.

## **CHAPTER ONE: Introduction**

### **1.0 Introduction.**

This chapter comprises of the following areas, the background of the study, problem statement, purpose of the study, objectives of the study, scope of the study, significance of the study, conceptual framework and definition of key terms

### **1.1 Background of the study.**

Financial performance is of concern to all stakeholders in the local governments. According to (Fatihudin et al., 2018) is a measure of how well a firm can use its assets from its primary mode of business and generate revenues. In addition, he further says financial performance helps to tell investors about the general wellbeing of a firm; it requires public agencies to make financial reports to describe the organizational financial performance to outsiders' (Puspitasari et al., 2022). According to (Gumisiriza & Mukasa, 2022), the republic has put up some interventions to enhance financial performance such as accountability, budget auditing, budget transparency and information access. Despite of the above interventions, there is still a persistence of declining financial performance in District Local Governments. In regards to the financial information presented in Financial Reports therefore if the government does not implement the above strategies, it may fail to accomplish its objectives.

Globally in Asia according to the Ministry of Finance Annual Report of Sri Lanka of (Revenue et al., n.d.) The tax revenue dropped by 29.9 percent to Rs. 1,216.5 billion from the estimate of Rs. 1,358.0 billion. The decline in tax revenue collection stems from a multitude of reasons which has to be examined against the background of a slow growth economy which was further aggravated due to COVID-19, generating low volume of economic activities. This also resulted in import restrictions being imposed that had a significant impact on import-based taxes specially the Excise duty on Motor vehicles and the removal of the applicability of taxes such as NBT during the year 2020 hence an indicator of declining financial performance.

In the sub Saharan region of Africa in Nigeria the Annual Audit Report of Borne state (Helwig et al., n.d.), the actual Collection for Internally Generated Revenue (IGR) was fourteen billion eight hundred and seventy seven million three hundred and ninety nine thousand two hundred and fifty one naira (N14,877,399,251) only representing 80.83% while 19.17% of the budgeted actual Internally Generated Revenue representing eighteen billion four hundred and six million six

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