
**INTERNAL CONTROL SYSTEMS AND FINANCIAL PERFORMANCE OF PALLISA
DISTRICT LOCAL GOVERNMENT**

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**A RESEARCH REPORT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF A BACHELORS DEGREE
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DECLARATION

I **KAWALA ASHANAT** do declare that this is my personal original piece of work as a result of my own effort after the approval of the research topic; ‘Internal Control System and Financial Performance,’ case study: Pallisa District Local Government and has never been submitted before to any institution, or University for the award of a Bachelor in Business Administration Accounting and Finance option.

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APPROVAL

This is to certify that the research dissertation done by **KAWALA ASHANAT** on the topic; **‘Internal Control Systems and Financial Performance,’** case study, Pallisa District Local government has been produced under my supervision and it is now ready for submission to Busitema University Faculty of Management Sciences

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DEDICATION

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LIST OF ACRONYMS

C	Commitment
COSO	Committee of Sponsoring Organizations
DV	Dependent Variable
EC	External Communication
EV	Ethical values
FA	Fraud Assessment
FP	Financial Performance
HR	Human Resource
I	Integrity
IC	Internal Communication
ICS	Internal Control System
IV	Independent Variable
LG	Local Government
PDLG	Pallisa District Local Government
SOSO	Specification of Suitable Objectives

ABSTRACT

This study aimed at determining the effect of Internal Control System on Financial performance of Pallisa District Local Government with the study objectives; (i) to determine the effect of control environment on financial performance; (ii) to determine the effect of risk assessment on financial performance; and (iii) to determine the effect of information and communication on financial performance of PDLG. The study applied a cross sectional research design and quantitative approach. Data was collected from a target population of 55 with accessible unit of inquiry being 48 respondents consisting of employees from finance department, administration, and planning and audit department. Data was collected using close ended questionnaires and analyzed using statistical package for social sciences from which frequency tables, descriptive statistics, reliability, validity, correlation and regression results were obtained. The study findings showed that control environment, risk assessment and, information and communication have a positive and significant effect on financial performance. The study therefore, recommends improvement and diligent implementation of control environment, risk assessment and, information and communication to ensure proper financial performance.

CHAPTER ONE: INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, problem statement, purpose of the study, objectives, research questions, scope of the study, conceptual framework, significance of the study, and definitions of key terms.

1.1 Background of study

Financial performance refers to a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Kenton 2021). Financial performance is the ability to operate efficiently, profitably, grow and react to the environmental opportunities and threats (Sebbowa 2009). Globally, financial performance has been deteriorating as evidenced;

In France where the French public finances have always been in deficit since the first oil shock in 1975 and as a result France entered the global financial crisis in 2017/2018 with effective deficit of 3.2% due to poor expenditure performance and 7.2% which was as a result of poor revenue collection hence poor financial performance (Delphine & Dirk, 2009). Nevertheless, the annual report of financial audit of local government in Austria shows the weakness in organization performance in that 704 control weaknesses due to low expenditure performance were identified in 2019-20 thus poor financial performance.

Similarly, the annual audit report of 2015 in Ghana reflects that out of Ghana currency 9,617,316.57 revenue generated, only 19.09%, was internally generated revenue of Assembly leading to a shortfall of 80.1% of the estimated revenue due to poor revenue collection performance. Just as other financially poor performing countries, the annual audit report of Borno state (2020) in Nigeria shows that out of the budgeted figure, 80.83% represents the actual collections while 19.17% of the budgeted Actual Internally Generated Revenue could not be accessed due to poor revenue collection performance which indicates poor performance

In addition, a scenario in Kenya according to (Ouko.E, 2015) indicates that there was a shortfall of 46% of the total development revenue collected in Kenya due to poor revenue collection

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