



**BUSITEMA  
UNIVERSITY**

*Pursuing Excellence*

**INTERNAL CONTROL SYSTEMS ON FINANCIAL MANAGEMENT IN PALLISA  
DISTRICT LOCAL GOVERNMENT**

**BY**

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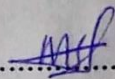
**A RESEARCH REPORT SUBMITTED TO THE DEPARTMENT OF ECONOMICS  
AND MANAGEMENT SCIENCES IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR AWARD OF A BACHELOR'S DEGREE OF  
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UNIVERSITY**

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## DECLARATION

I, **MUWANGUZI SARAH**, hereby declare that this research report is my original work and has not been submitted elsewhere for publication or credit. I have conducted this research under the guidance of **Ms. DOREEN KALEMBE** and have followed all ethical guidelines and regulations set by Busitema University and relevant professional bodies.

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## APPROVAL

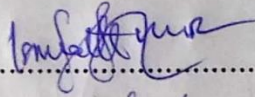
This is to clarify that **MUWANGUZI SARAH** of Registration **BU/UP/2021/3000** student of Busitema University has submitted this research report as a partial fulfillment for the award of Degree of Bachelors of in Business Administration (**Finance and Accounting option**) under designed academic supervisor.

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## **DEDICATION**

This work is dedicated to the family of Mr. Khaukha Stephen and Ms. Bulali Agatha for their moral support, encouragement and understanding. To all my friends, course mates, lecturers, and the Almighty God for his unceasing blessings without which it is impossible to ensure the proposal submission a reality

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## LIST OF ACRONYMS

<b>SPSS</b>	<b>Statistical package for the social sciences</b>
<b>FY</b>	<b>Financial Year</b>
<b>ICS</b>	<b>Internal control system</b>
<b>ANOVA</b>	<b>Analysis of Variances</b>
<b>FM</b>	<b>Financial management</b>
<b>CE</b>	<b>control Environment</b>
<b>IMF</b>	<b>International monetary Fund</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>SMEs</b>	<b>Small medium enterprises</b>
<b>AG</b>	<b>Auditor General</b>
<b>LG</b>	<b>Local Governments</b>
<b>PDLG</b>	<b>Pallisa District Local Government</b>

## **ABSTRACT**

This study examined the effect of internal control systems on financial management of PDLG. The study was guided by the following objectives notably, to examining the impact of control environment on financial management of PDLG, to establish the impact of control activities on financial management of PDLG and to establish the impact of monitoring and evaluation on financial management of PDLG. The study used a cross-sectional research design, and a quantitative approach. Data was collected from a target population of 60 employees of PDLG with accessible unit of 48 employees of PDLG, using simple random and purposive sampling techniques. Data were collected with the aid of closed ended questionnaire and Statistical Packages for Social Sciences was employed for analyzing data from which frequency tables, descriptive statistics (mean and standard deviation), reliability, validity, correlation, and regression results were obtained. The study findings revealed that there is a positive and a significant effect of control environment on financial management, control activities on financial management and monitoring and evaluation on financial management of PDLG. The study concludes that there is a strong predictive power that the dimensions of internal control systems contribute towards enhancing financial management of Local governments. Finally, the study recommends that efforts to improve on the financial management of local governments depends on internal control systems (control environment, control activities and monitoring and evaluation).

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

This chapter introduces the background, statement of the problem, purpose of the study, research objectives, research questions, and scope of the study, content scope, geographical scope, and time scope, Significance of the study, conceptual framework, and definition of key terms.

### 1.1 Background of the study

Financial management is critical to the development of public institutions as it helps in proper reporting, making prudent financial accountability, better decisions ensuring compliance with tax and accounting regulations ( Arinaitwe et al., 2020). However, despite of government mechanisms put in place, there's still poor financial management. (Sooriyakumaran et al; 2022).

Globally, Poor financial management is a widespread issue affecting various sectors and economies around the world. Countries like United States, according (Federal Reserve, 2023) have struggled with increasing debt levels, reports of irregular payments by federal agencies.US amounted \$26,236 billion debt held by the public at end of 2023 represent the increase of \$ 1,982 billion over the level in 2022. GDP grew from (97.0% to 97.3% , \$1,859 billion) in 2023.The increase is as a result of poor budgetary planning and accountability hence leading to austerity measures and economic instability at micro and macro levels,(IMF, 2023).

In African, According to (Flavio A Soares da Gama, 2020, Fraser et.al. 2021),South Sudan's prolonged years of conflict and political instability has led the severe institutional gaps particularly in the areas of public finance management. The government's expenditure of USD775 million, 71.3%) extra-budgetary expenditure due to discrepancies between the programmed and executed resources between 2018/2019 fiscal year and an average of 24% of the budget resource was unutilized.

In East Africa, Kenya multifaceted mismanagement of public funds, increasing level of debt during emergencies like COVID-19 according to (IMF, 2019) due to ineffective financial management .The management of public finances during COVID-19 pandemic has not been unimpeachable. The pandemic invited approved disbursement of US\$739 million to be drawn under credit to

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