



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

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REQUIREMENTS FOR THE AWARD OF A BACHELORS DEGREE
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DECLARATION

APPROVAL

This is to certify that the research report done by AUMA MILLICENT 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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APPROVAL

DECLARATION

I AUMA MILLICENT do state 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, for the award of a Bachelor in Business Administration Accounting and Finance option.

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DEDICATION

I have a pleasure to dedicate this work to, the family of Mr. and Mrs. Wabwire Jonathan and my beloved brother Bwire Charles for their financial and physical support towards the completion of this report. I also dedicate the report to my academic supervisor, Mr. Esuku Joseph and my beloved sisters.

If it was not for the support and guidance of those people, this research would not have been completed. I pray that God Almighty may bless them abundantly.

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LIST OF ACRONYMS AND ABBREVIATIONS

Bn	Billion
FP	Financial performance
LG	Local government
N	Naira
PDLG	Pallisa district local government
UGX	Uganda shillings

ABSTRACT

This study intended to examine the effect of Internal Control System (ICS) that affected financial performance (FP) in Uganda: a case of Pallisa district local government. The study population was 140 respondents and a sample size of 103 where Purposive sampling techniques was used to select administrative staff and political leaders and top-level administrators. Data was collected using a closed ended questionnaire and statistical package for social sciences was used for analyzing data from which frequency tables, descriptive statistics, reliability, validity, correlation and regression results were obtained. The study indicated that there was a positive relationship between control environment, risk assessment and information and communication on financial performance. The study recommended that management should put in place the control environment like integrity and risk assessment like fraud assessment in order to improve on the financial performance of PDLG. The study concluded that there is a strong predictive power that the dimensions of internal control system contributes towards enhancing financial performance of Pallisa District Local Government.

CHAPTER ONE

1.0 Introduction

This chapter comprised of the following areas, the background of the study, statement of the problem, 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, and budget transparency and information access. Despite of the above interventions, there is still a persistence of low 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 low 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

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