

**INTERNAL CONTROL SYSTEMS AND FINANCIAL MANAGEMENT
IN LOCAL GOVERNMENTS IN UGANDA: A CASE STUDY
OF BUSIA DISTRICT LOCAL GOVERNMENT.**

BY

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS
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DECLARATION

This dissertation is my original work and has not been presented in any other university or institution for academic recognition.

Sign..... Date.....

Wabwire Boniface (Student)

APPROVAL

This dissertation has been submitted for examination with my approval as
University supervisor.

Signature..... Date.....

Irene Nabutsale Ojambo

DEDICATION

I would like to dedicate this research dissertation to my mother Ms. Nafula Kethy Scalins family for her support and encouragement.

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My gratitude goes to Nkumba University for granting me the opportunity to pursue this course with the institution.

Specifically I wish to thank all my course work lectures at the University, with special thanks to my supervisor Mrs. Irene Nabutsale Ojambo for her consistent guidance, constructive feedback and helpful advice throughout this project.

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Special thanks also to my colleagues at work for their encouragement, time and moral support.

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LIST OF ABBREVIATIONS

ATM	Automated Machines
ANOVA	Analysis of Variance
BDLG	Busia District Local Government
COSO	Committee of Sponsoring Organizations
FMS	Financial Management System
GAAP	Generally accepted accounting principles
HR	Human Resource
IC	Internal Control
ICS	Internal Control System
I.T	Information Technology
LG	Local Governments
MoLG	Ministry of Local Government
PFM	Public Financial Management Reform
SPSS	Statistical Package for Social Scientist
UBOS	Uganda Bureau of Statistics
VAT	Value Added Tax

ABSTRACT

The study was set to examine how internal control systems improve financial management in local governments in Uganda, the study focused on Busia District Local Government as a case study. The study objectively concentrated on how Busia district has ensured that accounting and financial policies and procedures are adhered to for effective financial management; how Busia district has ensured that there is efficient management of resources and how Busia District LG has ensured that financial transactions are properly authorized to avoid misallocation of funds.

The study used a population of 70 selected from Busia District LG and a sample of 60 respondents was selected using Neumann's formula (2000). Descriptive design was employed and both quantitative and qualitative approaches of data collection were used. Data were analyzed using descriptive statistics, Pearson correlation, coefficient, regression analysis, and analysis of variance (ANOVA); where the statistics proved that $r^2=.760$; significance level was found and the hypothesis testing proved that there is a positive relationship between internal control systems and finance management in Busia District Local Government.

The study findings revealed that Busia district has ensured that accounting and financial policies and procedures are adhered to for effective financial management and control; the district has efficient managed resources and financial transactions are properly authorized to avoid misallocation of funds.

The study recommends that Ministry of Local Governments should monitor and supervise Local Governments to ensure that the accountants comply with accounting regulations and requirement as provided by the Institute of Certified Public Accountants to ensure proper implementation and compliance with accounting standards and principles. Local Governments should develop a mechanism to incorporate relevant feedback from the various stakeholders into their internal control system.

CHAPTER ONE

INTRODUCTION

Background to the study

This study is about the role of internal control systems on financial management in Local Governments in Uganda. It focuses on Busia District Local Government as a case study.

This study is important because of the need to ensure efficient and effective acquisition and utilization of financial resources for better financial management and control of public organizations.

The sample study was significant because Busia District is one of the districts in Eastern Uganda with a population of over 163,600 people. Busia District borders Tororo District to the north, Busia County, Kenya to the east, Tanzania to the south, Namayingo District to the south-west, and Bugiri District to the west (UBOS, 2002). According to Busia District budget estimates for 2016/17 financial year, the district operates an annual budget of about 32 billion Uganda shillings per year. The funds comprise the Governance of Uganda grants, local collections and receipts from central government by the district itself. Though the district is entrusted with such big sums of money, there have been inadequacies in the management of district funds, yet there are internal control systems that have been set by the government of Uganda and the district itself, all aimed at ensuring effective and efficient management and control of funds.

Aldridge and Colbert (2014) define internal control as the process designed and effected by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operation and compliance with applicable laws and regulations. While (2011) notes that internal controls are to be an integral part of any organization's financial and business policies and procedures. Internal controls consists of all the measures taken by the organization for the purpose of; protecting its resources against waste, fraud, and inefficiency; ensuring accuracy and reliability in accounting and operating data; securing compliance with the policies of the organization; and evaluating the level of management in all organizational units of the organization. Internal controls are simply good business practices.

According to the Local Governments Financial and Accounting manual (2007), internal control system are a whole system of controls, financial or otherwise established by council management to secure as far as possible the propriety of transactions and accuracy and reliability of a council's records and security of its assets.

Kim and Lim (2010:421) define financial management as the process of making important financial decisions. According to the Auditor General Survey Report (March, 2015), the Public Financial Management Reform (PFM) strategy aims to encourage effective service delivery, by removing barriers in PFM systems and

ensure capacities while reinforcing compliance with regulations and avoidance of leakages. Local governments are required to implement sound decentralization, good governance practices, and strong financial management systems in the Local Governments. It hinges on bringing systematic disciplined approach to evaluate and improve effectiveness of risk management, control and governance processes. It plays an important role of appraising the adequacy of internal controls, accountability for the collection, safeguarding and usage of public resources and compliance with the legal and operational requirements by spending units in the control and management of public resources. Corporate finance, Managerial finance and Business Finance are terms used to denote financial management. The fundamental goal of financial management is clearly to organize financial resources and thus increase the wealth of the company. This mission always comes underlined with short term objectives such as managing day to day financial flows and daily profits. Achieve great results in these short term goals is an indicator to meeting long term objectives that include business feasibility and profitability. Some of the duties of financial managers include financial management, financial accounting, risk management in finances, managerial accounting and financial investment among other roles which all focus on meeting the short and long term financial objectives of a company.

According to the Local Governments Financial and Accounting manual (2007:13), Local Governments are set to achieve the following objectives:

1. To ensure that the accounting policies and procedures are adhered to for proper financial management and control.
2. To ensure that there is efficient management of resources.
3. To ensure that all financial transactions are properly authorized to avoid misallocation of funds.
4. To ensure that all LGs have effective Management Control System that control over the operations of the council.

Thus, this study examined whether the above objectives are being achieved by Busia District Local Government.

Problem Statement

In spite of the above well stated objectives that Busia District Local Government is required to achieve, there are incidences of flaws arising out of non-compliance to laws, regulations and procedures. The district continues to face difficulties in financial management and control of its resources. A number of complaints have been raised as shown below:

During the district finance committee meeting decried about non-compliance of financial and accounting policies and regulations by accounts staff in handling financial transactions of receipts and expenditures. He called upon all the accounts staff to adhere to the set of financial policies and regulations in handling financial transactions.

Ineffective internal controls that have led to mismanagement and diversion of public funds to personal interest and benefits. It was established that funds to the tune of UGX 43 million intended for development programmes were diverted to complete other activities whose budget was under estimated. He called upon the district officials to ensure that funds are spent on intended programmes and avoid unnecessary expenditures for purposes of proper financial management.

According to Busia district Internal Audit Report for the financial year 2015/16, funds amounting to UGX 56,201,343 were claimed to have been spent on various district programmes but they lacked proper supporting documents as required by the Local government financial and accounting regulations Act. This implied that the district funds may have been spent on unproductive activities.

This study therefore, examines the extent to which the above set objectives have contributed to proper financial management and control in Busia district local government.

Purpose of the Study

The purpose of this study was to examine how the internal control systems have contributed to financial management of Busia District Local Government.

Objectives of the study

The following are the objectives that guided this study:

1. To establish how Busia District Local Government has ensured that accounting financial policies and procedures are adhered to for effective financial management.
2. To establish how Busia District Local Government has ensured that there is efficient management of resources to ensure effective financial management.
3. To establish how Busia District Local Government has ensured that all financial transactions are properly authorized to ensure effective allocation of funds.

Research Questions

The following are the research questions to the study:

1. How does Busia District Local Government ensure that accounting financial policies and procedures are adhered to for effective financial management and control?
2. How does Busia District Local Government ensure that there is efficient management and control of resources?
3. How does Busia District Local Government ensure that all financial transactions are properly authorized to ensure effective allocation of funds?

Research Hypotheses

The following were the research hypotheses of the study

Null Hypothesis

H₀: Internal control system does not enhance financial management in Busia District Local Government.

Alternative hypothesis

H₁: Internal control system enhances financial management in Busia District Local Government.

Scope of the study

Geographical scope

The study was conducted in Busia District. Busia District borders Tororo District to the north, Busia County, Kenya to the east, Tanzania to the south, Namayingo District to the south-west, and Bugiri District to the west. Busia, Uganda, the site of the district headquarters, is approximately 35 km (22 mi) by road south of Tororo, the nearest large town.

Content Scope

This study focused on the role of internal control systems in financial management and control in the public sector using Busia District LG as a case study. It particularly looked at compliance with accounting and finance policies and regulations, effective management of resources, and authorization of expenditures.

Time Scope

The study covered a period of three years from financial year 2015-2017. During this period there are incidences of flaws arising out of non-compliance of financial and accounting policies and regulations by accounts staff in handling financial transactions of receipts and expenditures; ineffective internal controls that have led to mismanagement and diversion of public funds.

Significance of the study.

The following stakeholders shall benefit from the study:

Ministry of Local Government

The findings of this study are also expected to provide technical guidance and support to MoLG to strength the internal control system in the Local Governments.

Busia district finance administrators

Findings and recommendations of the study may help Busia District finance administrators to identify their strengths and weaknesses and this help them to design corrective measures for desirable results to ensure proper financial management and control.

Policy makers

The government of Uganda may use the findings of the study to improve on the efficiency and effectiveness of the finance management systems in public organizations.

Other organizations

The study may be of great importance to other organizations to understand the importance of internal control systems in financial management and control of public organizations.

Academics and other researchers

This research is an additional component to the existing body of knowledge. The findings conclusions and recommendations of this study may act as a foundation for other researchers in the same discipline.

The Setting of the Study

Busia District borders Tororo District to the north, Busia County, Kenya to the east, Tanzania to the south, Namayingo District to the south-west, and Bugiri District to the west. Busia, Uganda, the site of the district headquarters, is approximately 35 km (22 mi) by road south of Tororo, the nearest large town. During the 1991 national population census, the population in the district was estimated at 163,600. In 2002, the national census estimated the population at 225,000. In 2012, the mid-year population of was estimated at 297,600.

The main points of interest in the district is Majanji landing site on Lake Victoria for fish, which is one of the main foods in the district and Busitema Forest is roughly 25 km² (10 sq mi); it is bisected by the main highway between Uganda and Kenya in Busia.

Arrangement of the report

The research report contains eight chapters. Chapter one is the introduction, chapter two is study literature, chapter three explores the methodologies employed in the study.

Chapter four presents findings on how Busia district has ensured that the accounting and finance policies and procedures are complied with.

Chapter five presents findings on how the district has ensured proper management of resources.

Chapter six presents findings on how the district has ensured that all financial transactions are properly authorized to ensure proper allocation of funds.

Chapter seven presents the ways and means of improving internal control system and financial management and control in Busia district.

Chapter eight presents the summary, conclusions and recommendations as well as areas for further research.

CHAPTER TWO

STUDY LITERATURE

Introduction

This chapter explores literature related to internal control and financial management. The study literature is in two sections, namely: literature survey and literature review.

Literature Survey

A survey of literature on internal control and financial management in Local Governments is carried out by different researchers in regard to different areas of research. However few researches have come out to go deep into internal control and financial management in Local Government.

Musoke (2009) studied about challenges in financial management of Local Government using Kayunga District as a case study. The findings of this study enlightened a number of challenges including the variable quality of auditors and accountants, inadequate auditing procedures and policies. However, Musoke (2009) in his study did not look at the adequacy of internal controls and accounting procedures in financial management of local government. Thus the current study seeks to fill the gap.

Kakooza (2008) conducted a study on financial management and accounting functions including budgeting; asset management; financial flow management; payroll; management reporting; financial, variance and accounts analysis; in accordance with generally accepted accounting principles, financial policies and procedures of Busia district, and all other applicable laws, rules and

guidelines. Ensure that invoices are sent out promptly and must be in line with the district's billing system. Kakooza further indicated that human resource management for all employees including but not limited to recruitment, induction, development and termination, in consultation with relevant organs of Busia district, management, facilitating the process of setting benefit and compensation packages, and working with employees' supervisors implement Board-approved employee policies in accordance with relevant employment law requirements. However, Kakooza in his study did not look at how Busia district has ensured that there is efficient management of resources. Thus the current study seeks to bridge the gap.

Muhirwe (2007) conducted a finance study on revenue collection in Local Governments of Uganda (2007) stated that revenue collection is one of the main functions of local governments. Local governments collect funds from a variety of revenue sources, including fines, fees, taxes, licenses, permits, and special assessments. Revenues should be received in a timely manner, credited to the proper fund, and deposited into the correct bank account as quickly as possible. In addition, governments should strive for high collection rates for all revenues owed and keep the payment-making process simple and easy for citizens. Local governments collect monies owed in a variety of forms, such as coin and currency, paper checks, credit card charges, or Automated Machines (ATM) credits (an electronic payment system that operates through a network of automated clearinghouses). In addition, accuracy and timeliness of reporting is one of the most important components of any collection system is accurate

and timely reporting. Local governments need financial management software that allows collection staff to update records frequently. Accurate, up-to-date information allows governments to pursue delinquent collections and avoid alienating citizens by eliminating outdated or inaccurate account information.

Ssali (2005) stated that risk assessment is needed in every Local Government in Uganda, because they face a variety of risks from external and internal sources that must be assessed. A precondition to risk assessment is establishment of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

According to Tonwe (2000) finance and its prudent management are the bedrock of effective functioning of local government. No one can doubt the need for efficient financial management in any modern system; local governments require finance to perform their statutory provisions which border on provision of services and bringing about development in their delimited areas. Availability of adequate fund, coupled with efficient financial management constitutes the required catalyst necessary for timely execution and completion of development projects by local government.

Ministry of Local Government (2007) report shows that the financial management function is generally housed in the finance office and can be the responsibility of a finance director or a treasurer, depending on the size and structure of the local government. One employee may handle the entire treasury function or several employees may be assigned to portions of this function. Larger local governments like Busia and Kampala may have treasury staff devoted to collecting revenues and other staff focused on investing funds, and assign disbursements and accounting and record-keeping functions to other staff members in the finance department.

Okot (2005) reported that Local governments need financial resources to carry out their constitutional responsibilities as regards providing social services as well as mobilizing available resources for effective rural development and good governance at the grass root level. However, investigation revealed that local government has performed below expectations as a result of poor fund management.

Literature Review

The issue of internal control and financial management in Local Government is not unique to Busia district in Uganda. The studies carried out by a number of researchers have left some gaps that this study seeks to cover. This section reviews models and theories that have been applied to solve similar problems in different areas of the world.

Theoretical Review

Theories and Models on Internal Control Systems and Financial Management.

Theories

The following are the theories on Internal Control Systems and Financial Management.

Agency Theory Approach

According to articles of Berle (2007), agency theory became an important framework to help researchers examine the nature of conflicts between owners and managers of an organization, thus finding the appropriate solutions to solve these conflicts. It is perceived as agency problems arise when the counterparties have different objectives and work assignment. Specifically, it focuses on agency relationships; in which, one party is the owner and the other is the manager (the agent). Fama (1980) defines an agency relationship is “a contract under which one or many parties hire another party (the agent) to perform some service on their behalf and authorize agent to make decisions” (delegate making-decision authorities to the agent).

According to Eisenhardt (2009), agency theory focuses on resolving two problems rising in agency relationship: agency problem and risk sharing problem. An agency problem arises when interests of the owner and the agent lead to conflict; this will lead to difficulties and cost of monitoring agents. On the other hand, the problem of sharing risk arises when the owner and the agent have different risk attitude.

Based on the agency theory by Jensen, M.C. & Meckling, W. (2006), separating ownership and control will lead to interest conflict; which often happens in most of individual activities in a decentralization system between owner and agent.

Consequently, corporate governance is necessary to help enterprises unify interest and share risks of all members (Hart, 1995). It is a system of regulations, rules and policies; to orient, function and control operations of an enterprise (Gillan, 2006). It includes relationships between various parties, not only with company insiders like shareholders, executive managers, board of directors, but also with outsiders who have relevant interest: governmental authorities, business partners and the environment, community and society. As a result, the mechanism of corporate governance can be divided into internal governance mechanism and external governance mechanism (Gillan, S., 2006; Rezaee, Z., 2007). The internal governance mechanisms originate from members of board of directors, executive managers, IC and internal audit functions. On the opposite, the external governance mechanisms originate from capital market, labor market, government situation, shareholders and investment activities. The quality of internal governance mechanism is closely relevant to the better management effectiveness corporate governance (Aman and Nguyen, 2008). Among the above internal governance mechanisms, the governance mechanism of IC is used in this study.

In summary, the agency theory states that the existing agency problems in the corporate are “the separation of ownership and control, which leads to conflicts in interests”, and ‘risk sharing’. Corporate governance helps balance the interests of company members. The corporate governance mechanism can be divided into internal governance and external governance mechanism. IC is one of the internal corporate governance mechanisms.

Contingency Theory Approach

Donaldson, (2001) has an approach to contingency quite soon in organization theory, he builds up three core factors of the research model applied in Internal Control (IC): (1) there is connection between contingency characteristics and IC structure; (2) contingency characteristics determines IC structure; (3) there is a fit of the level of the IC structure to each level of contingency characteristics. The interpretations about contingency are similar documents and IC framework. The IC framework affirms the requirement of IC is different due to organization characteristics. These differences are company size, culture, governance philosophy, objectives, operational environment (Girinjnias, 2012). This statement presented in the IC framework (COSO 1992 and Basel 1998) is analogous to contingency theory that claims that each organization has to choose the most suitable control system by taking into account contingency characteristics (Shields, M., 2003).

For the above reasons, contingency theory approach provides an explanation of the diversity of IC in reality (Jokipii, A., 2010). Contingency theory forms a new approach to examine IC. The basic fundamentals of contingency theory are chosen to be the foundation of IC framework COSO and Basel.

To conclude, IC is crucial to corporate operation, but it can change. Contingency theory provides an approach to research IC and its effectiveness. Contingency theory is a new method to examine IC (Jokipii, A., 2010).

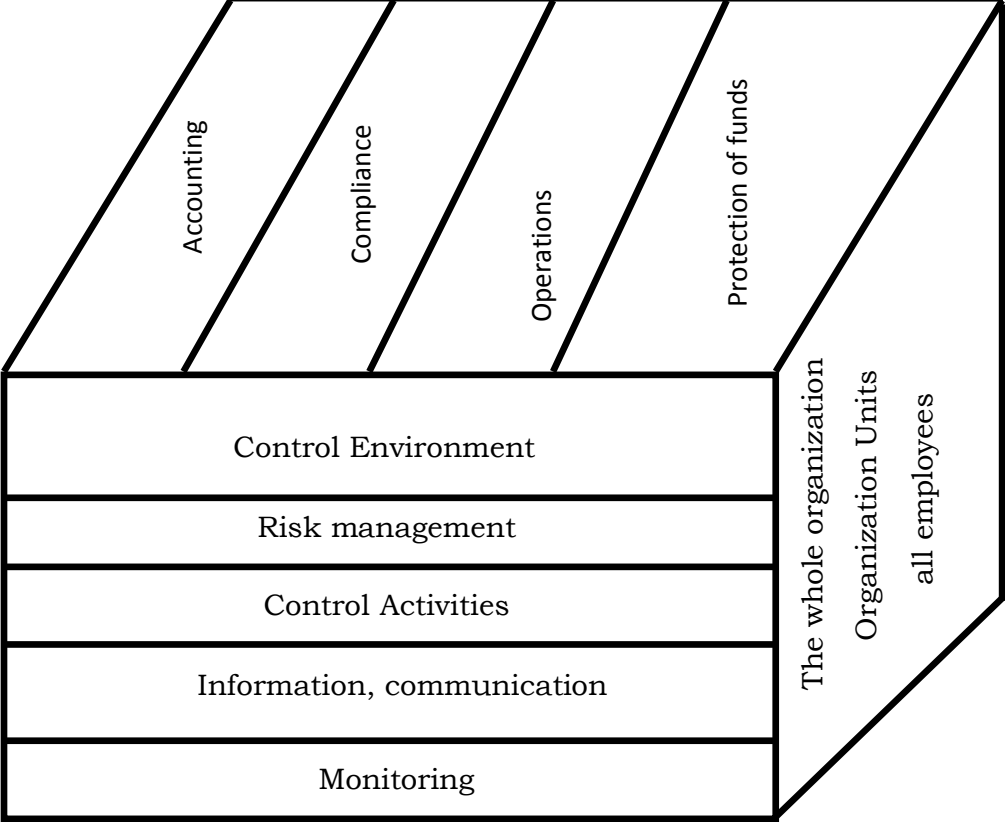
Models on Internal Control System and Financial Management

Internal Control - Three Dimension Model

The establishment, operation and development of local government internal control systems is prescribed by legal regulations (Act on the Local Governments of Hungary, Act on Public Finances, Government Decree on the Internal Control System and on the Internal Audit of Central Public Administration Bodies) the implementation of which is the responsibility of the head of the budgetary institution. The aim of the internal control system is to ensure that, in the course of their operation and financial management, institutions performing public functions carry out their activities economically, efficiently, effectively and in accordance with regulations. Meanwhile they naturally must meet their accounting obligations and protect their resources from loss, damage and improper use. On the basis of this we can define the internal control system in the case of local governments in the following way: "The internal control system includes all rules, procedures, practical methods,

organisational structures, risk management techniques and control activities which facilitate the organisation’s achievement of its goals (Ministry of Finance, 2010). Therefore this kind of model should be used in Local Government of Uganda.

Figure 2.1: Internal Control – Three Dimension Model



Source: Hungarian Ministry of Finance, 2010

Internal Control Model

Based on best operational risk management practices, Company has established and maintains an internal control model organized around three lines of defense (3LoD), as well as a governance scheme called Corporate Assurance. The Group's internal control model has two components.

1. The first one is the model based on three lines of defense, which guarantees compliance with the most advanced internal control standards and is organized as follows:

- The Company's business units constitute the first line of defense. They are responsible for managing current and emerging risks and implementing control procedures.
- The second line of defense is made up of the units specializing in control (Compliance, Global Accounting and Information Management –GA and IM- / Internal Financial Control, Internal Risk Control and Business Process Assurance). This line of defense identifies current and emerging risks, defines the control policies within the scope of its cross-sector specialty, ensures that they are implemented correctly, provides training and advice to the first line and is responsible for reporting to the management team.
- The third line of defense is made up of the Internal Audit unit, for which the Company assumes the guidelines of the Basel Committee on Banking Supervision and of the Institute of Internal Auditors. Its function is that of providing independent and objective assurance and consulting activity designed to add value and improve the Organization's operations. The duties and lines of work of this unit are described below.

A model based on best practices, organized around three lines of defense and with a well-designed governance scheme.

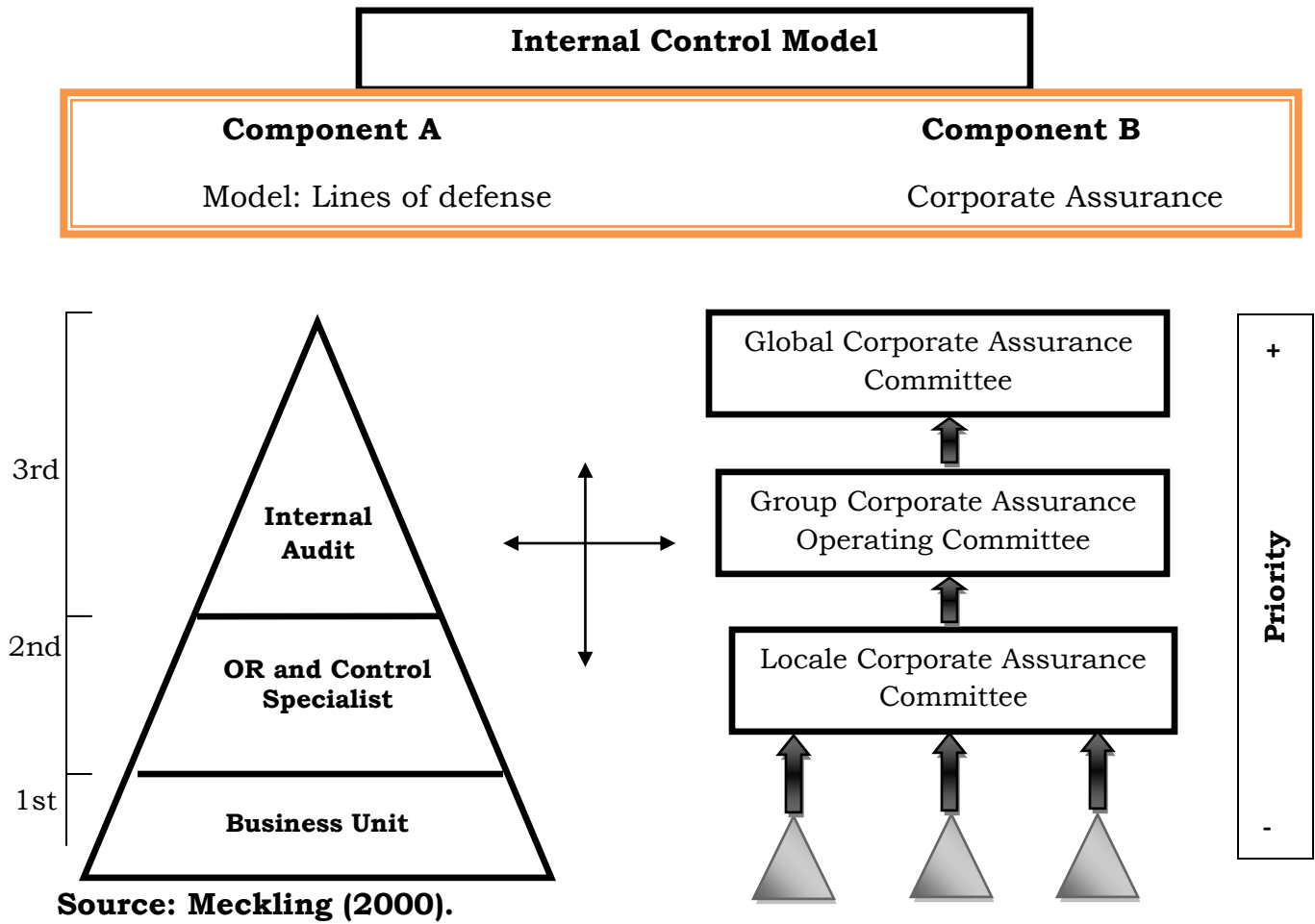


Figure 2.2: Internal Control Model

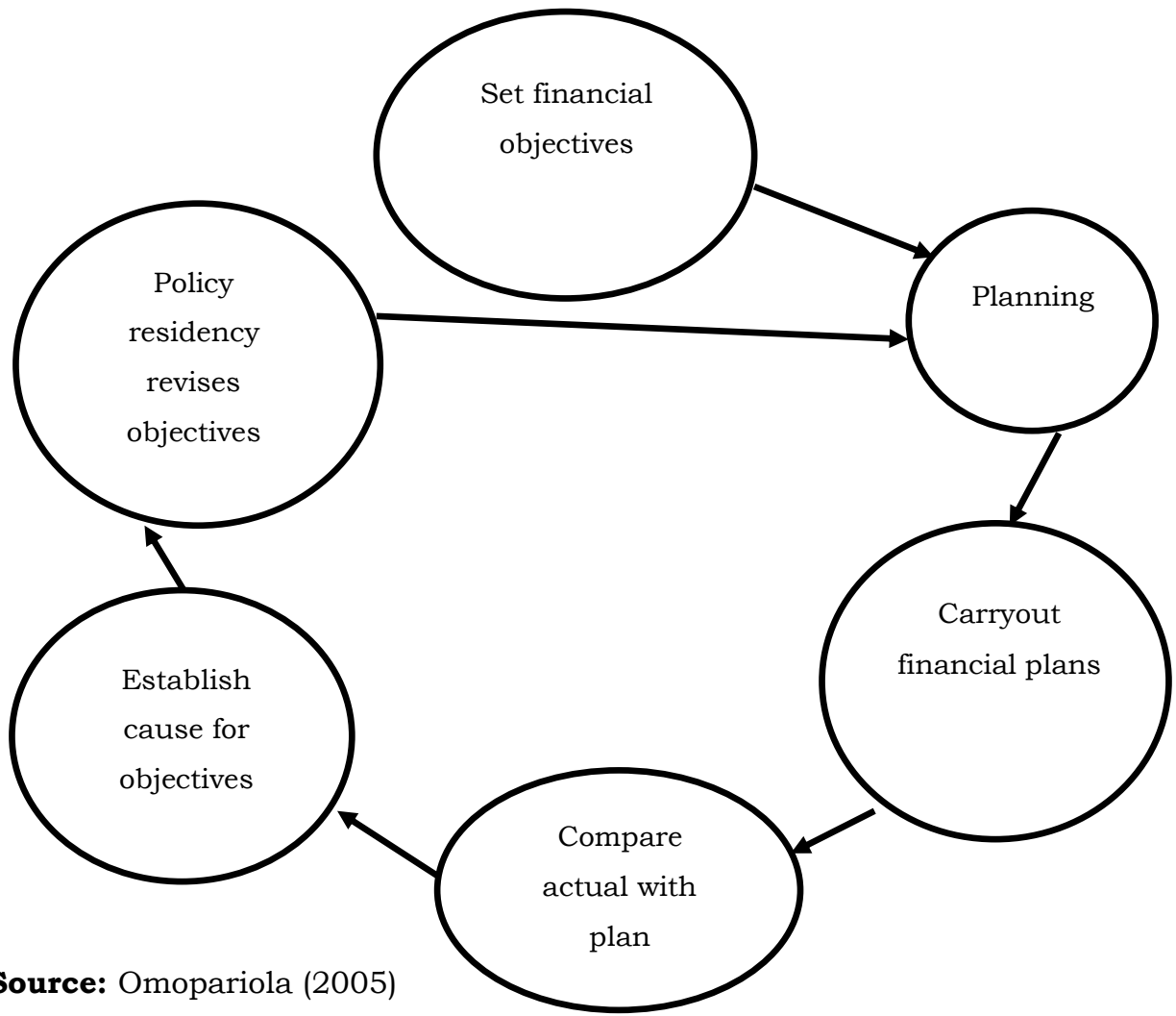
2. The second component is the Corporate Assurance scheme, which is tasked with providing a comprehensive and standardized approach to the Board of Directors and the management bodies on the Group's internal control situation. This provides timely information on the main control weaknesses that may arise in the different assurance processes and makes it possible to prioritize their solution and monitor the implementation of measures for mitigating them more effectively.

To perform its duties, the model is provided with an orderly mechanism for reporting to management. The mechanism is made up of a number of committees that meet every four months, in which members of the senior management of the Group and its subsidiaries take part. The committees seek to understand control issues and make decisions that will have a significant impact on the objectives of the various units, both at the local level and for the consolidated Group.

Financial Management Model

Omopariola (2005) argued that the funds of the local government councils are managed by the key officers of respective councils; financial management has to do with efficient use of funds. It is a method of showing and ascertaining the financial position of government or business from time to time. Financial Management can be envisaged as consisting of a cycle of activities as shown in Figure 2.3. The aim of this cycle of activities is to ensure that resources are allocated and monitored in such a way that they have the greatest beneficial impact on overall service objectives.

Figure 2.3: Financial Management Cycle



Source: Omopariola (2005)

In order to perform finance functions efficiently, the financial managers of the local government have to: Set the financial objectives of the local government, Prepare plans of action and select policies for achieving the objective, Develop financial plans and incorporate these into the overall plans of the local government, Check the achievement of the objectives and evaluate deviations from the plan, Establish causes for deviations, Take corrective action and/or redesign policy or revise the objectives to start a new cycle as illustrated in figure 2.3.

Accounting and financial policies and procedures are adhered to for effective financial management and control.

According to Marssie (2008) accounting and financial policies and procedures are the foundation of internal controls for organizations. Taking a complicated subject and breaking it into manageable components, enables you to hit the ground running and significantly accelerate your completion of a solid policies and procedures program. Effective policies and procedures in the accounts payable function are critical for any organization wishing to reduce or eliminate duplicate payments, prevent and detect fraud, and be cost effective and compliant with all regulatory issues affecting the payment function.

Stuart (2001) explains that proper financial management policies and procedures are critical to implementing any sound financial management process. Institutions should have the board-approved policies that define its philosophy on financial management and procedures to implement the policy parameters. As indicated previously, finance is a highly liquid asset that can be easily transferred, concealed, and converted into other assets. As a result, institutions should have policies and procedures in place to direct and control the flow of finance from the time it is received, through the various stages of use and custody, to its final disbursement. The board should establish policies that address the objectives and operating parameters for maintaining finance. Generally, this would include target cash balances and a periodic analysis of the institution's financial needs.

Aduka (2006) notes that the complexity of an institution's financial management-related policies and procedures will vary greatly, depending on the type of institution. Small associations may have relatively simplistic procedures because of the minimal amounts of financial transactions. However, larger and more complex associations may require policies and procedures that are more in depth. For example, a System bank may have a policy that requires management to review and evaluate the institution's financial management process on a periodic basis to determine if:

- Compensating balances or fees charged by depository institutions are cost-effective and comparable to the fees charged by other depository institutions.
- The financial condition of the depository institution is sound and deposits in excess of Federal deposit insurance are safe.
- New or alternative financial management services and techniques are available to further reduce costs.

System banks also would be expected to have extensive procedures in place, as they handle large financial transactions frequently.

Control activities are the specific policies and procedures management uses to achieve its objectives. The most important control activities involve segregation of duties, proper authorization of transactions and activities, adequate documents and records, physical control over assets and records, and independent checks on management. A short description of each of these control activities appears below.

Kenisho (2004) contend that internal controls are systems of policies and procedures that protect the assets of an organization, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations. These systems are not only related to accounting and reporting but also relate to the organization's communication processes, internally and externally, and include procedures for (1) handling funds received and expended by the organization, (2) preparing appropriate and timely financial reporting to board members and officers, (3) conducting the annual audit of the organization's financial statements, (4) evaluating staff and programs, (5) maintaining inventory records of real and personal property and their whereabouts and (6) implementing personnel and conflicts of interest policies.

Shapiro (2008) notes that internal controls are to be an integral part of any organization's financial and business policies and procedures. Internal controls consists of all the measures taken by the organization for the purpose of; (1) protecting its resources against waste, fraud, and inefficiency; (2) ensuring accuracy and reliability in accounting and operating data; (3) securing compliance with the policies of the organization; and (4) evaluating the level of management in all organizational units of the organization. Internal controls are simply good business practices.

Heinwek (2006) observe that discrete control procedures, or controls are a specific set of policies, procedures, and activities designed to meet an objective. A control may exist within a designated function or activity in a process. A control's impact may be entity-wide or specific to an account balance, class of transactions or application. Controls have unique characteristics – for example, they can be: automated or manual; reconciliations; segregation of duties; review and approval authorizations; safeguarding and accountability of assets; preventing or detecting error or fraud. Controls within a process may consist of financial reporting controls and operational controls (that is, those designed to achieve operational objectives).

Krishnan (2005) states that internal control represents an organization's plans, methods, and procedures used to meet its missions, goals, and objectives and serves as the first line of defense in safeguarding assets and preventing and detecting errors, fraud, waste, abuse, and mismanagement. Internal control is to provide reasonable assurance that an organization's objectives are achieved through (1) effective and efficient operations, (2) reliable financial reporting, and (3) compliance with laws and regulations. Safeguarding of assets is a subset of all these objectives. The term "reasonable assurance" is important because no matter how well-designed and operated, internal control cannot provide absolute assurance that agency objectives will be met. Cost-benefit is an important concept to internal control considerations. Internal control is very broad and encompasses all controls within an organization, covering the entire mission and operations, not just financial operations.

Efficient Management of Resources

Ferisina (2007) advice that local governments have to improve their administrative and financial management capacities for decentralization to produce better outcomes. The success of a fiscal decentralization program depends on strengthening the ability of local governments to manage revenues and expenditures more efficiently and to provide services more effectively. Furthermore, in countries where corruption, waste, and inefficiencies in public services are widespread, these problems are usually compounded at the local level. Contemporary internal controls and well-functioning internal audit systems are meant to deliver key assurances to all stakeholders against these problems. In the absence of a contemporary internal control system, with internal audit as a safeguard for checking efficiency and effectiveness of that system, local governments are vulnerable to waste, corruption, and inefficiencies.

Mwindi (2008) argues that internal controls are a set of policies and procedures adopted by an entity in ensuring that 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, management, and other personnel to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of the financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. It is worth noting that internal controls only provide reasonable but not absolute

assurance to an entity's management and board of directors that the organization's objectives will be achieved. "The likelihood of achievement is affected by limitations inherent in all systems of internal control" (Hayes *et al.*, 2005). Organizations establish systems of internal control to help them achieve management and organizational goals, prevent loss of resources, enable production of reliable reports and ensure compliance with laws and regulations.

Baltaci and Serdar (2006) state that internal controls and audit framework aims at improving financial and administrative management capacity by limiting fiscal behaviors that result in waste, misallocation, and corruption. While common in both the public and the private sectors, these financial management tools have been widely overlooked in the context of decentralization in developing countries. This study argues that to achieve efficiency and effectiveness at the local or sub-national governmental level that which is below the central level internal control and audit should be among the key components of a fiscal decentralization program.

Mwiru (2008) declared that pertinent information must be identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Information systems produce reports containing operational, financial and compliance-related information that make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions

necessary to informed decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across and up the Local Government. All personnel in district must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others in the district.

Seikowik (2009) advice that internal controls play an important role in corporate governance systems. Controls help a company prepare accurate and complete financial statements at the end of each month and quarter. A firm may also hedge, or protect against, operating risks by implementing functional controls. These risks may relate to manufacturing activities and technological processes. Corporate governance consists of all mechanisms, technological processes and physical systems that department heads and segment chiefs put into place to make sure a company operates effectively. Governance tools include human resources policies and guidelines, as well as departmental work specifications. These tools may also include external elements, such as laws and regulations.

Zabihollah (2001) argues that, there should be effective internal audit procedures to ensure reliability of financial statements, operational reports, safeguarding corporate assets and effective organizational controls. Benston (2003) further supplements that perception and ownership, organization and governance framework, legislation, improved professionalism and resources

were identified as functions in the public sector derived from the effectiveness of the internal audit procedures. How far internal audit procedures succeed in their effort of effectiveness is mainly judged by three factors that include; frequency of irregularities committed by the staff in the organization in form of errors or fraud, the promptness with which such irregularities are detected by the authorities and the planning which makes possible repetition of such irregularities in future more difficult (Reid and Ashelby, 2002).

Gupta (2001) drawing from Statements of Standard Auditing Practices No. 6 (SAP 6) defines Internal control as “the plan of organization and all the methods and procedures adopted by the management of an entity to assist in achieving management objectives of ensuring as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of accounting records and the timely preparation of reliable financial information”. It is therefore worth noting from the above that; properly instituted systems of internal control will ensure; completeness of all transactions undertaken by an entity, that the entity’s assets are safeguarded from theft and misuse, that transactions in the financial statements are stated at the appropriate amounts, and that the entity’s transactions are presented in the appropriate manner according to the applicable reporting framework. Internal control systems not only contribute to managerial effectiveness but are also important duties of corporate boards of directors (Verschoor, 1999).

Financial transactions are properly authorized to avoid misallocation of funds.

Tadaro (2002) observed that a system of effective internal controls is a critical component of financial management and a foundation for the safe and sound operation of any institution. In view of the potential for material loss, particularly through electronic activities, institutions must establish a strong internal control environment. The extent of an institution's internal control program should be commensurate with the complexity and sophistication of the activities in which it engages. As with many other aspects of institution operations, the type of controls used will vary but will likely consist of policies, procedures, operating parameters, monitoring activities, separation of duties, reporting, audit, and management information systems. For instance, policies and procedures should address the internal controls necessary to ensure financial is adequately safeguarded and recorded/reported to reflect actual balances on hand. Segregation of responsibilities is one control that can be used to safeguard financial and reasonably ensure the reliability of accounting records. For example, the same person should not be responsible for recording the financial received on account and for posting the receipts to the accounting records. Signatory authorities and an effective internal audit function can also be used to provide additional controls over the financial management function.

The success of any business enterprise depends on an effective system of internal control a company's plan to encourage adherence to company policies and procedures, promote operational efficiency, minimize errors and theft, and

enhance the reliability and accuracy of accounting data. *Internal control refers to a company's plan to (a) encourage adherence to company policies and procedures, (b) promote operational efficiency, (c) minimize errors and theft, and (d) enhance the reliability and accuracy of accounting data. From a financial accounting perspective, the focus is on controls intended to improve the accuracy and reliability of accounting information and to safeguard the company's assets.*

Marssie (2007), internal controls are good financial practices that consists of all measures taken by an organization for purposes of ensuring proper authorization of expenditure; accuracy and reliability in accounting and operating data; compliance with accounting policies and procedures; protecting resources against waste, fraud, and inefficiency; and proper organizational performance.

A framework for designing an internal control system is provided by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Formed in 1985, the organization is dedicated to improving the quality of financial reporting through, among other things, effective internal controls. COSO defines internal control as a process, undertaken by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations.
2. Reliability of financial reporting.
3. Compliance with applicable laws and regulations.

A critical aspect of an internal control system is the separation of duties. Individuals that have physical responsibility for assets should not also have access to accounting records. For example, if the same individual has control of both the supplies inventory and the accounting records, the theft of supplies could be concealed by a reduction of the supplies account.

As financial is the most liquid of all assets, a well-designed and functioning system of internal control must surround all financial transactions. Separation of duties is critical. Ideally, those who handle financial should not be involved in or have access to accounting records nor be involved in the reconciliation of financial book balances to bank balances. Consider the financial receipt process. Most nonretail businesses receive payment for goods by checks received through the mail. An approach to internal control over financial receipts might include the following steps:

1. Employee A opens the mail each day and prepares a multicopy listing of all checks including the amount and payer's name.
2. Employee B takes the checks, along with one copy of the listing, to the person responsible for depositing the checks in the company's bank account.
3. A second copy of the check listing is sent to the accounting department where the receipts are entered into the records.

The amount received should equal the amount deposited as verified by comparison with the bank-generated deposit slip and the amount recorded in the accounting records. This helps ensure accuracy as well as safeguard financial against theft.

Proper controls for financial disbursements should be designed to prevent any unauthorized payments and ensure that disbursements are recorded in the proper general ledger and subsidiary ledger accounts. Important elements of a financial disbursement control system include:

1. All disbursements, other than very small disbursements from petty financial, should be made by check. This provides a permanent record of all disbursements.
2. All expenditures should be *authorized* before a check is prepared. For example, a vendor invoice for the purchase of inventory should be compared with the purchase order and receiving report to ensure the accuracy of quantity, price, part numbers, and so on. This process should include verification of the proper ledger accounts to be debited.
3. Checks should be signed only by authorized individuals.

Responsibilities for check signing, check writing, check mailing, financial disbursement documentation, and recordkeeping ideally should be separated whenever possible.

An important part of any system of internal control of financial is the periodic reconciliation of book balances and bank balances to the correct balance. In addition, a petty financial system is employed by many business enterprises.

Financial Management

Usher (2007:97) states that financial management in Local Government supposed to be efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization. It includes how to raise the capital, how to allocate it i.e. capital budgeting. Not only about long term budgeting but also how to allocate the short term resources like current assets. It also deals with the dividend policies of the share holders.

Solomon (2005) describes financial management as an integral part of overall management. It is concerned with the duties of the financial managers in the District. Financial management is concerned with the efficient use of an important economic resource namely, capital funds and deals with procurement of funds and their effective utilization in the business". Howard (2007) defines financial management "as an application of general managerial principles to the area of financial decision-making, harmonizing individual motives and enterprise goals. Joseph (2010) states that financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operations. Thus, financial management is mainly concerned with the effective funds management in the

business. In simple words, financial management as practiced by business firms can be called as Corporation Finance or Business Finance.

Khan and Sondhi (2005) claims that financial management is the measurement of the results of a firm's policies and operations in monetary terms. These results are reflected in the firm's returns and value-added. This is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time. There are many different ways to measure financial management but all measures should be taken in aggregation. Line items such as revenue from operations, operating income or financial flow from operations can be used as well as total unit sales.

According to Greashin (1999:342), financial management is the system by which the financial aspects of a public body's business are directed and controlled to support the delivery and achievement of the organization's goals. The financial management processes within public organizations should provide information that can be used to: direct the activities of the organisation; control the activities of the organisation; report and discharge accountability; and ensure utilization of resources efficiently and effectively.

Malik (2008) states that the implementation of the financial accounting regulations and procedures has been slow and inconsistent across Local Governments, and officials and staff are overwhelmed and confused by many of the innovations and regulations prescribed. Inconsistent and sometimes

conflicting policies issued by the Ministry of Finance to regulate financial and accounting issues further complicate efforts to implement robust financial systems and transparent accounting practices in Local Governments. In addition to the complexity of the national regulations affecting budget and financial management, there are a variety of human resource issues that impede progress towards the development of sound financial management systems that support good local governance.

Mwishi (2009) in Tanzania explained three key elements to the process of financial management in Local Governments and these include;

Financial Planning: Management need to ensure that enough funding is available at the right time to meet the needs of the business. In the short term, funding may be needed to invest in equipment and stocks, pay employees and fund sales made on credit. In the medium and long term, funding may be required for significant additions to the productive capacity of the business or to make acquisitions.

Financial Control: Financial control is a critically important activity to help the business ensure that the business is meeting its objectives. Financial control addresses questions such as: are assets being used efficiently? Are the businesses assets secure? Does management act in the best interest of shareholders and in accordance with business rules?

Financial Decision-making: The key aspects of financial decision-making relate to investment, financing and dividends: Investments must be financed in some way – however there are always financing alternatives that can be considered. For example it is possible to raise finance from selling new shares, borrowing from banks or taking credit from suppliers, a key financing decision is whether profits earned by the business should be retained rather than distributed to shareholders via dividends. If dividends are too high, the business may be starved of funding to reinvest in growing revenues and profits further.

According to Jones (2007) Good financial management leads to a transparency of figures and supports a real understanding of the numbers in Local Government. It makes it much easier to find savings, to show others how profitable your business is and simply allows you to sleep much easier at night.

The stronger the LG's financial management, the easier it is for LG to raise finance, and probably at a lower cost.

Larry (2010) stresses that the advantages of financial management include having professional advice on managing a person's finances and investments, some of the others are accountability, knowledge, confidence, and an offset of the cost of services. In addition, good financial management help Local Government create a plan and reach financial goals and further defines that one of the primary advantages of financial management is access to a professional who is trained in all forms of personal finance. Many financial managers have a degree in finance and years of experience working with and

managing the personal finances of their clients. Accountability is also an advantage. When an individual has a professional financial manager handling his account, it forces him to pay attention to financial matters that he may otherwise ignore or not know about. Financial advisers help clients with anything from creating a budget and establishing an investment portfolio to buying a life insurance policy and obtaining a mortgage to buy a home. An individual can also tap into the financial manager's knowledge. These professionals have the research tools to gain the knowledge they need to help each client better his or her financial situation.

Mwikhi (2005) asserts that expenditure made at the local level may not only be centrally financed, but also centrally directed. Local Governments that act as central expenditure agents do not reflect expenditure decentralization in a meaningful sense, just as centrally collected but shared taxes do not imply proper revenue centralization (Musgrave, 2001). It is, therefore, important to distinguish various types of grants and transfers reflecting the extent to which central control of expenditures and revenues is involved.

Jensen (2001:34) stresses that public Sector controls cover all aspects of activities including financial, managerial and operational policies and are intended to safeguard assets, ensure the accuracy and reliability of financial information and promote operational efficiency. The internal auditing function is in a good position to help senior management of public institutions to identify risks, suggest risk management strategies and, ultimately, provide

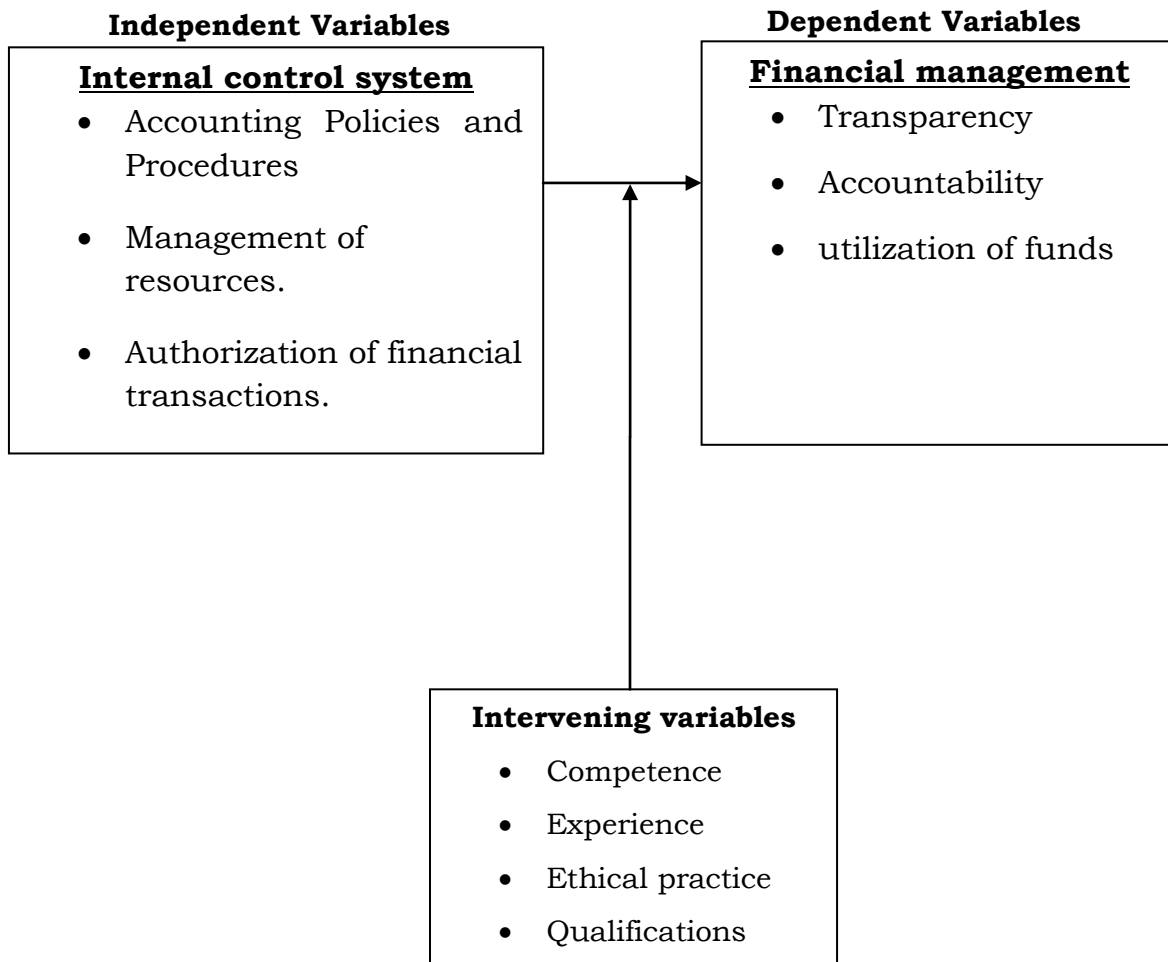
assurance that the risks are being appropriately managed. Thus, the internal auditing function evaluates the effectiveness of public institutions in achieving agreed objectives and thereby promoting strong governance and accountability regime. Internal auditing function also applies professional skills through the evaluation of the policies, procedures and operations that management put in place to ensure the achievement of the organization's objectives. The recommendations made by internal auditing for improvement helps management in public sector entities to improve their risk management, control and governance processes.

Conceptual framework

From the literature above, the researcher developed a conceptual model below which shows how the independent variable of the study influences the dependent variable. The moderating variables as portrayed in the model play a pivotal role in ensuring that the effective internal controls and financial management in Local Government.

According to Melbourne (2004), the literature reviewed shows that the conceptual framework model highlights the relationship between internal controls and financial management. It depicts a framework of the relationship between intervening variables, the independent variables, and the dependent variables.

Figure 2.4: Conceptual Framework



Source: Jensen (2001), Modified by the Researcher, 2018

The conceptual framework reflects that internal control system is independent variable while

Independent variable of the study is Internal Control Systems while the dependent variable is Financial Performance. Internal Control Systems consist of Accounting Policies and Procedures, Management of resources and authorization of financial transactions. Financial Performance as dependent variable consist of transparency, accountability and utilization of funds and intervening variables consist of competence, experience, ethical practice and staff qualification.

CHAPTER THREE

METHODOLOGY

Introduction

This chapter presents the methodology used in the study. It covered the research design, study population, sample population, size, sampling procedures, data collection methods and their corresponding data collection instruments, reliability and validity, data processing and analysis procedures.

Research Design

The research design was grouped into four i.e. research approach, research classification, research strategy and research duration.

Research Approach

Research approach is a plan and procedure that consists of steps of broad assumptions to detailed method of data collection, analysis and interpretation. There are basically three different approaches to research which are; positivism approach, phenomenological approach and combination approach. In this study, combination approach was used since they attach numerical values to respondents' views/ narratives and descriptions of the phenomena as it was observed by the respondents when it occurred.

Research Classification

This study was descriptive and explanatory; Descriptive research design was used in order to ascertain and be able to describe various characteristics of variables in the study. Explanatory research design was handy in explaining the variables by associating it with the study and this was used because it clearly describe why and how the variables behaved the way they did.

Research Strategy

The researcher planned to carry out this research in two months at Headquarters of Busia District. Questionnaires', interviews, focus group discussions and documentary reviews was done within this period and was focused on the research topic, research objectives research questions.

Research Duration

This study was longitudinal and a representation of events over a given period of time. This helped to gather data required from the administrators and the staff at large as indicated under the research schedule and covered a period of 3 years ranging from financial year 2015/17.

The Study Population

The study population consisted of officers and some selected stakeholders of the Busia district and the populations of 70 members, 60 were taken for the study.

Table 3.1: The Study Population

Category	Total population
Administration and Management	10
Internal auditors	8
Finance and accounting	8
District Finance Committee	15
Budgeting	10
Human Resource	19
Total	70

Source: Primary Data, 2018

Sample Size

The sample size of respondents was 60 as calculated using Neumann's formula as follows. Of which 8 were administrators, 7 were internal auditors, 7 were staff from finance and accounting department, 13 were District finance committee staff, 8 were staff from budgeting committee and 17 were from budgeting department.

$$n = \frac{N}{1 + N (e)^2}$$

Where:

n = sample size

N = target population

e = level of significance = e = 0.05 = e² = (0.05)² = 0.0025

$$n = \frac{70}{1 + 70(0.05)^2}$$

$$n = \frac{70}{1 + 70(0.0025)}$$

$$n = \frac{70}{1 + 0.175}$$

$$n = \frac{70}{1.175}$$

n = 59.5 approximately = 60

Table 3.2: Population and Sample size

Category	Population	Sample	Sampling method
Administration and Management	10	8	Purposive sampling
Internal auditors	8	7	Purposive sampling
Finance and accounting	8	7	Purposive sampling
District Finance Committee	15	13	Purposive sampling
Budgeting	10	8	Random sampling
Human Resource	19	17	Random sampling
Total	70	60	

Sampling Methods

Purposive, random and stratified sampling methods were used in selecting the respondents.

Purposive Sampling:

Purposive sampling was used to select respondents based on the nature of their work in relation to internal control and financial management of Busia District Local Government. This method was used to select samples from the departments of administration, internal auditors, finance and accounting, district finance committee and budgeting. Purposive sampling was considered appropriate because it involved the selection of respondents deemed to be in good position to provide data that was comprehensive enough to enable the researcher gain an insight into the problem being studied.

Purposive sampling method was used because it was convenient and time saving. The members were purposively selected depending on their ability to easily analyze and understand the problem of study. Also a fair representation from each office and the stakeholders were considered when sampling.

Random sampling was used in selecting the respondents from the population listing by chance. In this way every member of the population under the study had an equal chance of being selected. Random sampling was used to select samples from the production and breeding departments.

Data Collection Methods

The study used both primary and secondary methods to collect data. Primary data was collected and sorted specifically for this study through use of questionnaires and interview. Secondary data involved studying relevant literature on the local government's internal control systems and financial management.

Interviewing

Interview means face to face interaction between the interviewee and the interviewer. The interviews were held with those respondents identified purposely crucial to the provision of explanations to the topic under study. The questions for the interview were both open-ended and closed. The open-ended questions gave chance to more discussions, while the closed questions were asked for particular responses. The interview method helps the researcher to collect additional views from respondents on the theme of the study. The questions were filled on spot and the respondents were interviewed from their places of work to save time.

Questionnaires

This study used structured questionnaires designed by the researcher in order to collect relevant data. Open-ended questionnaires were used in order to supplement each other. The close-ended questionnaires were used to get information that is definite, while the open-ended questions were used in getting detailed information on internal control systems and financial management.

Review of related and existing documents

This instrument done in order to get data from records of the district on internal control system and financial management in Busia District LG. District official documents such as budgets, financial books, minutes of meetings, annual budget reports, and administrative reports, Office of the Auditor General Reports and management reports were used. The secondary data was gathered from published books, research reports, journal and newspaper articles and internet. The Local Government Act and Local Government Accounting and Financial regulations 2007 were reviewed in detail. These provided information needed in the study and writing of the final report.

Focus Group Discussion

Discussions with three focus groups were done comprising respondents who were drawn from the purposively selected samples. The first group comprised of the top administrators alone from various departments, the second group consisted of lower staff and the purposively selected divisions at the district. The third group comprised mainly beneficiaries who were also tax payers. Each group was brought in one place and chaired by the researcher who guided the discussion. The research assistant records all the discussion verbatim from the participants. Focus discussion allows people's views and feelings to merge on the topic under discussion.

Data Collection Instruments

The study was guided by the following data collections instruments.

Self-Administration of Questionnaires:

A questionnaire with close ended and open-ended questions using Likert Scale of measurement was used to collect data from the respondents. The scale ranged from 1 for Strongly Disagree to 5 for Strongly Agree. Each section in the questionnaire addressed a specific objective in the study. The questionnaire is selected because it is easy to administer, and if the respondents are literate it allows the respondent to give their views without fear (Mugenda, 1999). The researcher physically delivered the questionnaires to the selected respondents and picks them after one week.

Interview Guide

The researcher also used an interview guide to collect data .The interview guide was preferred because most respondents did not have fixed places where questionnaires could be delivered and picked later. This method was preferred because it generates a wide range of responses and hence facilitates the collection of rich data. The interview guide easily collected data from the primary source which was used to collect firsthand information for this study; secondary data collection was also be used to collect information that is already in existence.

Validity and Reliability of Instrument

Validity

Validity is the accuracy and meaningfulness of inferences, which are based on the research results (Mugenda, 1999). Validity of instruments was ascertained by first of all discussing the questionnaire drafts with the study supervisor. The researcher contacted other two experts in order to get expertise judgment on the validity.

Reliability

According to Mugenda (1999), reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials. The reliability of instrument was established basing on the preliminary results derived from the pilot study. The study instruments were set for the pilot run.

Results were discussed with the supervisor; the reliability of the questionnaire was established using Cronbach Alpha Coefficient

$$\alpha = \frac{K}{K-1} \left(1 - \frac{\sum \sigma^2 k}{\sigma^2} \right)$$

Where;

α = Reliability, Alpha Coefficient (Cronbach)

K = Number of items in the instrument

$\sum \sigma^2 k$ = Variance of individual items

σ^2 = Variance of the total instrument

\sum = Summation

Any cronbach alpha greater than 0.6 shows that the instruments used in data collection were consistent and reliable.

In order to determine the reliability of the scales, the instrument was presented to respondents and the results are given in the table below indicates the established CVI.

Table 3.3: Reliability of Instruments

No. of items	Section of the questionnaire	Cronbach's Alpha
1.	Financial Transaction Authorization	.797
2.	Management of Resources	.782
3	Accounting and financial Policies and procedures	.778
	Average	.785

Source: Primary Data, 2018

The reliability coefficient for each of the sections above exceeds 0.6. As can be seen from table 3.3, the lowest was 0.778 and the highest was 0.797. The average was 0.785 or 78.5%. According to Chadwick, Bahr and Aibrecht (1984: 250) as cited in Ehlers (2002:27) are of the opinion that reliability will be acceptable at a level of 0.6 or above, with absolute reliability of 1.0 implying that the scales on the questionnaire that were used to measure the three (3) sections were reliable and consistent.

Data Processing

The data obtained from the respondents were doubly checked to ensure its accuracy and processed for analysis. The data was edited, coded for completeness and processed using the Statistical Package for Social Scientists (SSPS) version 25 for the purpose of summarizing it.

Data Analysis

After the process of data collection, the researcher summarised the data and analyzed it to make good sense of it for consistence purposes. The data was categorized and entered into the computer and analyzed in SPSS program (version 25) using inferential statistics measures like: regression analysis and correlation coefficient to test hypotheses based on the study.

The particular descriptive statistics included frequencies and percentages while the particular inferential statistics included correlation analysis and regression. Correlation analysis established the association between the variables while a multiple linear regression model was used to test the significance of the influence of the independent variables on the dependent variable. The choice and justification of using multiple linear regression models is that it is useful in testing the causal/effect relationship between organization capabilities and water service delivery. The equation below shows the multiple linear regression models of the independent variables against the dependent variable.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where: Y = Financial Performance of Busia District Local Government

β_1, β_2 and β_3, β_4 , = Beta coefficients

β_0 = Constant Term

X_1 = Accounting and Financial Policies and Procedures

X_2 = Efficiency management of resources

X_3 = Authorization of financial transaction

e = Error term

In order to test for causal relationship between the dependent and independent variables, R^2 statistic, F-statistic, regression/beta coefficients were evaluated for significance using p values. The critical p value was set at 0.05. The results were presented in form of tables.

Limitation of the Study

The researcher encountered the problem of lack of cooperation by some respondents, as well as the bureaucratic procedures in the district. The researcher overcame this issue by being humble or and straight forward.

Financial resource constraints because of being a student and not having enough finance to effectively carryout the study. This was solved by soliciting for funds from friends and relatives as well as personal savings.

DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

The various biographical characteristics of the respondents were explored in this study and included, gender or sex, age bracket, current marital status, highest education level, designation and duration in service as discussed below:

Gender of respondents

The gender of the respondents is summarized in the table 3.4.

Table 3.4: Gender of respondents

	Frequency	Percent	Cumulative Percent
Valid Male	38	63.3	63.3
Female	22	36.7	100.0
Total	60	100.0	

Source: Primary Data, 2018

From the 3.4 table, the study revealed that gender of the respondents, where 38(63.3%) of them were male and 22(36.7%) were female, which as evidenced by the researcher was due to the fact that there were more males willing to take part in the study and also the most active members than the females in Busia District Local Government (BDLG).

Age Bracket of the Respondents

Respondents were asked to reflect their age brackets and the results are shown in table 3.5.

Table 3.5: Age Bracket of the Respondents

	Frequency	Percent	Cumulative Percent
Valid 20 - 30 years	11	18.3	18.3
31 - 40 years	13	21.7	40.0
41- 50 years	21	35.0	75.0
Above 51 years	15	25.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

Results in table 3.5 reveal that the majority 21(35%) of the respondents were between 41 and 50 years, 11(18.3%) were between 20 and 30 years, 13(21.7%) were between 31 and 40 years and 15(25%) were above 51 years. These are the most active dynamic group, and capable of providing reliable data on the operations of the district.

Current Marital Status

Respondents were asked to distribute their marital statuses and results are shown in table 3.6.

Table 3.6: Current Marital Status of Respondents

	Frequency	Percent	Cumulative Percent
Valid Single	18	30.0	30.0
Married	17	28.3	58.3
Divorced	16	26.7	85.0
Widowed	9	15.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

According to table 3.6, 81(30%) of respondents were single, 17(28.3%) were married, 16(26.7%) were divorced and 9(15%) were widowed. This implies that the respondents were responsible citizens and technically responsible for providing accurate and reliable information.

Highest Academic Qualification

The highest academic qualifications of the respondents were summarized in the table 3.7.

Table 3.7: Highest Academic Qualification

	Frequency	Percent	Cumulative Percent
Valid Certificate	9	15.0	15.0
Diploma	16	26.7	41.7
Degree	23	38.3	80.0
Masters	10	16.7	96.7
Doctorate	2	3.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

From table 3.7, 9(15%) of respondents had certificates in different courses, 16(26.7%) had diplomas from different accounting and finance courses, 23(38.3%) had undergraduate degrees, 10(16.7%) had masters and 2(3.3%) had doctorates. The respondents who involved in this study were technically capable of providing accurate and reliable information on the topic under study.

Designation in the Busia District LG

Respondents were asked to reflect their designation in the Busia District LG and results are shown in table 3.8.

Table 3.8: Designation in the Busia District LG

	Frequency	Percent	Cumulative Percent
Valid Administration and Management	8	13.3	13.3
Internal auditors	7	11.7	25.0
Finance and accounting	7	11.7	36.7
District Finance Committee	13	21.7	58.4
Budgeting	8	13.3	71.7
Human Resource	17	28.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

Results from table 3.8 indicate 8(13.3%) were administration and management 7(11.7%) were from internal audit department, 10(16.7%) were from finance and accounts, 13(21.7%) were district finance committee staff, 8(13.3%) were from budgets committee, and 17(18.3%) were from human resource district officials from other departments at Busia District Local Government headquarters.

Duration of Service by the respondents

The duration in service by the respondents were summarized in the table 3.9.

Table 3.9: Duration in Service

	Frequency	Percent	Cumulative Percent
Valid 1 – 2 years	10	16.7	16.7
3 - 5 years	32	53.3	70.0
6 - 8 yrs	12	20.0	90.0
9 yrs and above	6	10.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

Table 3.9 presents how long respondents served at Busia District Local Government Headquarters, where 10(16.7%) had spent 1-2 years, 32(53.3%) had spent 3-5 years, 12(20%) had spent 6 - 8 years and 6(10% had spent 9 and above working in Busia District Local Government (BDLG) respectively. The study revealed that the majority has experience in how the district operates, thus providing precise and concise information on internal control systems and financial management of the district.

CHAPTER FOUR
ACCOUNTING AND FINANCIAL POLICIES AND PROCEDURES ARE
ADHERED TO FOR EFFECTIVE FINANCIAL
MANAGEMENT

Introduction

This chapter focuses on the results of the first objective of the study which sought to establish how Busia District Local Government has ensured that accounting financial policies and procedures are adhered to for effective financial management. The chapter begins by reflecting brief information on accounting and financial policies and procedures and then presents, analyses and interprets the findings in respect to objective number one of the study.

Accounting and Financial policies and procedures provide written guidance for how local government management and staff should approach fiscal issues and core financial areas.

Effective accounting and financial policies, which are adopted by the legislative body, are essential to a local government's fiscal health. They provide stability and continuity over the years as staff and elected officials turn over by establishing what actions are acceptable and unacceptable, identifying who is responsible for taking certain actions, and providing standards to measure jurisdiction's performance. Financial policies should be designed by Local Government according to its needs.

Accounting /Finance Policy and Procedures Manual

When respondents were asked whether the district has accounting / finance policy and procedures manual, their responses were as reflected in table 4.1.

Table 4.1: Accounting /Finance Policy and Procedures Manual

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	7	11.7	11.7
Disagree	6	10.0	21.7
Neutral	4	6.7	28.3
Agree	32	53.3	81.7
Strongly Agree	11	18.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

Table 4.1 indicates that 43(71.6%) of the respondents agreed that Busia District Local Government has accounting / finance policy and procedures manual. This is implied that there is existing manual accounting and financial operations at Busia District Local Government, its primary purpose is to formalize accounting policies and selected procedures for the accounting staff and to document internal controls, thus improved financial management, though 4(6.7%) were not sure on the statement and 13(21.7%) of the respondents disagreed. This indicates that even though the district has this manual, some officials in accounts and finance department do not comply with it. *BDLG staff members should be bound by the policies. Any unauthorized deviation from these policies and procedures should be prohibited and may result in disciplinary action or termination, thus successful financial management (In-depth Interview with Staff in Accounts and finance department).*

Compliance with all applicable financial laws and regulations

Financial laws and regulations are form of regulation or supervision, which subjects an organization both public and private to certain requirements, restrictions and guidelines, aiming to maintain the integrity of the financial system. Responses on whether Busia District Local Government complies with all applicable financial laws and regulations were as summarised in table 4.2.

Table 4.2: Compliance with all applicable financial laws and regulations

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	6	10.0	10.0
Disagree	9	15.0	25.0
Agree	28	46.7	71.7
Strongly Agree	17	28.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

Research findings in table 4.2 present that 45(75%) of the respondents agreed that Busia District Local Government complies with all applicable financial laws and regulations. This is an implication that the district abide by Local Governments Financial and Accounting Manual, 2007, Local Government Act 1997, Uganda Public Finance and Accountability Act (2003) and others. However, 15(25%) of the respondents disagreed. This indicates that sometime, finance and budgeting committee prepare financial statement or reports without complying with all valid financial laws and regulations of Local Governments.

Maintenance of Financial Books and Records

The purpose of financial books is to create a permanent record of the financial transactions of the local government. Responses on whether accounting and finance department maintain financial books and records of Busia District Local Government were as reflected in table 4.3.

Table 4.3: Maintenance of Financial Books and Records

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	8	13.3	13.3
Disagree	7	11.7	25.0
Neutral	4	6.7	31.7
Agree	31	51.7	83.3
Strongly Agree	10	16.7	100.0
Total	60	100.0	

Source: Primary Data, 2018

According to table 4.3, 41(68.4%) of the respondents had the same opinion that accounting and finance department maintain financial books and records of Busia District LG. This is obvious that maintenance of books of accounts and necessary supporting and relevant records are highly essential requirements for proper management and control of Busia district operations. However, 4(6.7%) were not sure and 15(25%) of the respondents disagreed, this means that accounts and finance department still has minimal issues in maintaining financial books and records. Therefore, Busia District LG should maintain proper accounting records showing its transactions and should disclose at anytime the accurate financial position of the district. The Government through the Ministry of Local Governments should confirm that the books of accounts of the district are kept as per the provisions of the law.

Infrastructure to assure sound financial outcomes

Underpinning all financial management systems is a series of financial policies and procedures which guide operations and lay out how organisation (district) uses and manages its finances. Respondents were asked whether management realizes that financial policies and procedures establish the infrastructure that helps to assure sound financial outcomes, their responses were as shown in table 4.4.

Table 4.4: Infrastructure to assure sound financial outcomes

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	10	16.7	16.7
Disagree	11	18.3	35.0
Neutral	5	8.3	43.3
Agree	22	36.7	80.0
Strongly Agree	12	20.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

Findings in table 4.4 reveal that 34(56.7%) of the respondents had same mind that management of Busia District Local Government realizes that financial policies establish the infrastructure that helps to assure sound financial outcomes. This is a clear indicator that these policies reflect how district finances are supposed to be used and controlled to ensure efficiency in its operations. Though, 5(8.3%) were not sure and 21(35%) of the respondents disagreed. Therefore, the district should set detailed financial guidelines for the Financial Department and its employees to assist them in ensuring the orderly and efficient management and control of all district financial resources, and render proper accountability to all stakeholders.

Preparation of Accurate and Timely Financial Reports

When respondents were asked whether accounting and finance department prepare accurate and timely financial reports to ensure effective cash management and their responses were as depicted in table 4.5.

Table 4.5: Preparation of Accurate and Timely Financial Reports

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	7	11.7	11.7
Disagree	13	21.7	33.3
Agree	31	51.7	85.0
Strongly Agree	9	15.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

In table 4.5, 40(65.7%) of the respondents were in agreement that accounting and finance department prepare accurate and timely financial reports to ensure effective cash management. This reveals that financial reports prepared have good attributes such as accurate, complete, understandable, reliable, timely, comprehensive, and standardized for purposes of comparability and for ease of interpretation and analysis. However, 20(33.3%) of the respondents were in disagreement. *Basing on an interview held with Finance Department staff, they clearly argued that timely and accurate financial statements preparation creates confidence, credibility, reliability and awareness of the senior management in the eyes of government who provide cash and working capital to the Busia District Local Government.*

Busia District LG develops and monitors budgets

Budgets for Local Government are an important for governments to carry out their programs. Responses on whether Busia District Local Government develops and monitors budgets were as indicated in table 4.6.

Table 4.6: Busia District LG develops and monitors budgets

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	8	13.3	13.3
Disagree	7	11.7	25.0
Neutral	3	5.0	30.0
Agree	28	46.7	76.7
Strongly Agree	14	23.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

Result of findings in table 4.6 indicate that 42(70%) of the respondents agreed that Busia District Local Government develops and monitors budgets. This is a clear indication that accounts and finance department, in order to manage budgets effectively and efficiently, monitor, control, and record all the finances (income and expenditure) of the district, know how to minimise costs in the areas that they are responsible for, able to investigate or identify problematic areas and rectify them, and efficiently manage and authorise expenditures, thus increase financial management. Though, 3(5%) were neutral on the statement and 15(25%) of the respondents disagreed. Therefore, managing budget should be an ongoing process for the district and requires continuous monitoring, controlling and reporting, which is the financial manager's responsibility.

Electronic Financial Management System

When respondents were asked whether Busia District Local Government has a strong electronic financial management system tailored to its operations and their responses were as included in table 4.7.

Table 4.7: Electronic Financial Management System (EFMS)

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	5	8.3	8.3
Disagree	4	6.7	15.0
Neutral	3	5.0	20.0
Agree	29	48.3	68.3
Strongly Agree	19	31.7	100.0
Total	60	100.0	

Source: Primary Data, 2018

From table 4.7, the majority 48(80%) of the respondents have the same opinion that Busia District LG has a strong electronic financial management system (FMS) tailored to its operations. This is a clear implication that the district has an electronic FMS that oversees and governs its income, expenses, and assets with the objectives of maximizing profits and ensuring sustainability. Though, 3(5%) were not sure and 9(15%) of the respondents disagreed. This reveals that even though the district has effective electronic FMS, it was found out that some financial officials cannot utilise it. *In an interview held with administrators and internal auditors, they emphasised that an FMS improves short- and long-term district performance by streamlining invoicing and bill collection, eliminating accounting errors, minimizing record-keeping redundancy, ensuring compliance with tax and accounting regulations, helping personnel to quantify budget planning, and offering flexibility and expandability to accommodate change and growth.*

Financial Systems are routinely reviewed and updated

Respondents were asked whether financial systems are routinely reviewed and updated to assure the district remains financial sound and competitive and their response are presented in table 4.8.

Table 4.8: Financial Systems are routinely reviewed and updated

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	10	16.7	16.7
Disagree	11	18.3	35.0
Neutral	4	6.7	41.7
Agree	22	36.7	78.3
Strongly Agree	13	21.7	100.0
Total	60	100.0	

Source: Primary Data, 2018

Table 4.8 present that 35(58.4%) of the respondents agreed that financial systems are routinely reviewed and updated to assure the district remains financial sound and competitive. This implies that financial system(s) are designed, developed, maintained, and managed by the Department of Finance to fulfill its responsibilities and these systems are reviewed and updated with adequate and cost-effective internal controls to ensure proper financial management. However, 4(6.7%) were not sure and 21(35%) of the respondents were in disagreement. Therefore, the Department of Finance of the district should ensure that qualified and adequately trained staffs are available in their financial operation areas to effectively utilize system facilities and to properly carry out their functions in financial operations.

Interaction between District Auditors and External Auditors

An auditor is a person or a firm appointed by a company to execute an audit.

Responses on whether there is an interaction between district auditor and external auditors were as reflected in table 4.9.

Table 4.9: Interaction between District Auditors and External Auditors

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	10	16.7	16.7
Disagree	6	10.0	26.7
Neutral	4	6.7	33.3
Agree	28	46.7	80.0
Strongly Agree	12	20.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

Findings in table 4.9 reflect that 40(66.7%) of the respondents agreed that there is an interaction between district auditor and external auditors. This implies that auditors (both internal and external) help top leadership of the district manage various affairs, providing guidance on various issues ranging from financial accuracy to internal controls and regulatory compliance. Though 4(6.7%) were neutral on the statement and 16(26.7%) of the respondents disagreed. This means that sometime internal auditors of Busia District Local Government do not cooperate with externals due to the apprehension of revealing their mistakes or blunders in auditing process.

Effective Management of Grants

Grants are non-repayable funds or products disbursed or gifted by one party (grant makers), often a government department, corporation, foundation or trust, to a recipient, often (but not always) a nonprofit entity, educational institution, business or an individual. Respondents were asked whether there is effective management of grants.

Table 4.10: Effective Management of Grants

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	8	13.3	13.3
Disagree	8	13.3	26.6
Agree	39	65.1	91.7
Strongly Agree	5	8.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

Table 4.10 indicate that 44(73.4%) of the respondents were in agreement that there is effective management of Grants. This implies that there are effective grant designs, strategic planning and program development which are essential elements for successful grants management in Busia District Local Government. However, 16(26.6%) of the respondents disagreed. This is a clear indication that some administrators and financial officials at the district involved in embezzling grants from central government and non government organizations, thus poor financial management.

Chief Financial Officer (CFO) Provide Financial Information to the Board

In the district, the chief financial officer (CFO) is the officer of that has primary responsibility for managing the district's finances, including financial planning, management of financial risks, record-keeping, and financial reporting. When respondents were asked whether Chief Financial Officer (CFO) provide financial information to the Board in conjunction with the management and their responses were as summarised in table 4.11.

Table 4.11: CFO Provide Financial Information to the Board

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	7	11.7	11.7
Disagree	8	13.3	25.0
Neutral	4	6.7	31.7
Agree	31	51.7	83.3
Strongly Agree	10	16.7	100.0
Total	60	100.0	

Source: Primary Data, 2018

Result of findings in table 4.11 presents that the majority 41(68.4%) of the respondents have similar opinions that Chief Financial Officer (CFO) provides financial information to the Board in conjunction with the management. It was found out that CFO is capable of providing input on a broad range of strategic, operational, administrative and financial issues. On the other hand, 4(6.7%) were not sure and 15(25%) of the respondents disagreed. Therefore, CFO should be responsible for ensuring the financial well-being of BDLG, monitoring and managing district risks, and overseeing the district's legal financial activities, hence proper financial management.

CHAPTER FIVE

MANAGEMENT OF RESOURCES IN BUSIA DISTRICT LOCAL GOVERNMENT

Introduction

This chapter focuses on the results of the second objective of the study which sought to establish how Busia District Local Government has ensured that there is efficient management of resources. The chapter begins by giving brief introduction on efficient management of resources and then presents, analyses and interprets the findings in respect to objective number one of the study.

Resource management is the efficient and effective development of an organization's resources when they are needed. Such resources may include financial resources, inventory, human skills, production resources, or information technology (IT).

Resource management is the process by which businesses manage their various resources effectively. Those resources can be intangible – people and time – and tangible – equipment, materials, and finances. It involves planning so that the right resources are assigned to the right tasks. Managing resources involves schedules and budgets for people, projects, equipment, and supplies.

A district, in particular, pay attention to resource management in a number of areas, including: Human, Finances, Staffing, Equipment and Technology Resources.

Systematic Approach in Managing District Resources

There is a systematic approach in managing district resources and their responses were as indicated in table 5.1.

Table 5.1: Systematic Approach in Managing District Resources

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	6	10.0	10.0
Disagree	5	8.3	18.3
Neutral	3	5.0	23.3
Agree	14	23.3	46.7
Strongly Agree	32	53.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

Table 5.1 present that 46(76.6%) of the respondents have similar opinion that there is a systematic approach in managing district resources. This implies that the district has a system that bringing people, processes, and tools together to accomplish a common objective. It was also found out that, the administration and management understand how to combine project resource management tools and the people working to create a collaborative, transparent, and productive environment, thus efficient financial management. However, 3(5%) were not sure and 11(18.3%) of the respondents were in disagreement. This indicates that even though the district has systematic approach but there is still existence of poor management of resources such as physical assets and technology at headquarters of Busia District LG.

Proper Planning in Management of Resources

Resource planning is simply the process of managing district available resources. On the question whether there is proper planning in management of resources to ensure improved financial management and their responses were as summarised in table 5.2.

Table 5.2: Proper planning in management of resources

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	10	16.7	16.7
Disagree	22	36.7	53.3
Agree	16	26.7	80.0
Strongly Agree	12	20.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

From table 5.2, 32(53.3%) of the respondents disagreed that there is proper planning in management of resources to ensure improved financial management. This indicates that the administration and management has not properly designed adequate plans and strategies to manage district resources. It was also found out that inadequate resource management led to resources being under-utilised or over exhausted, thus underperformance resources. However 28(46.7%) of the respondents were in disagreement. This means that the district is trying so hard to set effective strategies of resource management.

Track, Manage and Secure all Resources

Effective management of resources is an essential task for companies that are managing different activities. Respondents were asked whether Busia District LG administrators efficiently track, manage and secure all resources, their responses were as presented in table 5.3.

Table 5.3: Track, manage and secure all resources

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	8	13.3	13.3
Disagree	8	13.3	26.7
Agree	24	40.0	66.7
Strongly Agree	20	33.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

Findings in table 5.3 present that 44(73.3%) of the respondents were in agreement that Busia District LG administrators efficiently track, manage and secure all resources. This means that all district resources are well managed and align to the specific duties which have increased performance. However, 16(26.7%) of the respondents were in disagreement. This reveals that sometime resources are not properly track and managed accordingly. *In an interview held with HR Manager of BDLG, argued that ineffective or suboptimal resource management will certainly lead to negative consequences such as poor productivity, delays, decreased quality, increased costs, missed opportunities, and low morale.*

Management monitors and oversees activities

Respondents were asked whether management monitors and oversees activities to assure staff is executing based on the written guidance, their responses were as presented in table 5.4.

Table 5.4: Management monitors and oversees activities

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	7	11.7	11.7
Disagree	10	16.7	28.3
Neutral	9	15.0	43.3
Agree	23	38.3	81.7
Strongly Agree	11	18.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

Research findings in table 5.4 above indicate that 34(56.6%) of the respondents were in agreement that BDLG management monitors and oversees activities to assure staff is executing based on the written guidance. This is a clear indication that district has policies and procedures used to arrange, manage all duties performed in the district and make sure all staff comply with them. Administrators, managers and employees work together to plan, monitor and review objectives and overall performance of Busia District Local Government. Though, 9(15%) were not sure on the statement and 17(28.3%) of the respondents disagreed. This reveals that sometime the management fails to monitor and oversee activities carried by district officials.

Maximize usage and defer unnecessary spending

Respondents were asked whether effective resource management allows district to maximise usage and defer unnecessary spending and their responses were as presented in table 5.5.

Table 5.5: Maximize usage and defer unnecessary spending

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	10	16.7	16.7
Disagree	9	15.0	31.7
Agree	18	30.0	61.7
Strongly Agree	23	38.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

According to findings in table 5.5, 41(68.3%) of the respondents were in agreement that effective resource management allows district to maximise usage and defer unnecessary spending. Districts opt to save that money or deploy it toward other categories. Good asset management allows district to spend money in other areas – perhaps purchasing more resources that directly impact financial outcomes. However, 19(31.7%) of the respondents were in disagreement. Therefore, an efficient asset management system should provide district with a higher level of confidence in asset inventories while showing a clear accountability trail to individual staff, thus effective financial management.

Technological Resources

Technological resources help private and public organizations become more effective. When respondents were asked whether Busia District Local Government has technological resources to improve its performance, their responses were as indicated in table 5.6.

Table 5.6: Technological Resources

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	7	11.7	11.7
Disagree	6	10.0	21.7
Neutral	3	5.0	26.7
Agree	36	60.0	86.7
Strongly Agree	8	13.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

Result of findings in table 5.6 present that 44(73.3%) of the respondents have similar mind that Busia District Local Government has technological resources to improve its performance. This is implication that the district has technological such as computers used to prepare accurate financial reports. However, 3(5%) were neutral on the statement and 13(21.7%) of the respondents differed. This means that the district still has inadequate technological resources to run its activities.

Proper Management of Human Resource

In this context, human resources is used to describe both the people who work for a district and the department responsible for managing resources related to employees. When respondents were asked whether human resource is properly managed to ensure productivity, their responses were as indicated in table 5.7

Table 5.7: Proper Management of Human Resource

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	9	15.0	15.0
Disagree	13	21.7	36.7
Agree	26	43.3	80.0
Strongly Agree	12	20.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

Findings in table 5.7 indicate that 38(63.3%) of the respondents agreed that human resource is properly managed to ensure productivity in Busia District Local Government. This means that the district has managed to practice effective staffing, compensation and benefits, and defining/designing work. The main purpose of HRM is to maximize the productivity of the district by optimizing the effectiveness of its employees. However, 22(36.7%) of the respondents were in disagreement. Therefore, proper human resource management should include conducting job analyses, planning personnel needs, recruiting the right people for the job, orienting and training, managing wages and salaries, providing benefits and incentives, evaluating performance, resolving disputes, and communicating with all employees at all district levels.

Administrative and Financial Systems which Safeguards Assets

Respondents were asked whether Busia District Local Government maintains administrative and financial systems which safeguards assets and their responses were as presented in table 5.8.

Table 5.8: Administrative and Financial Systems which Safeguards Assets

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	7	11.7	11.7
Disagree	9	15.0	26.7
Neutral	10	16.7	43.3
Agree	27	45.0	88.3
Strongly Agree	7	11.7	100.0
Total	60	100.0	

Source: Primary Data, 2018

According to findings in table 5.8, the 34(56.7%) of the respondents were in agreement that Busia District Local Government maintains administrative and financial systems which safeguards assets. This indicates that assets were protected from loss or unauthorized use and annual equipment inventory reviews documenting adjustments to asset records are conducted at the district. However, 10(16.7%) were not sure whether the administration or financial department are working hand in hand to maintain district assets and 16(26.7%) of the respondents were in disagreement. Therefore, administrative officials should manage resources in an efficient, cost-effective manner, to ensure successful financial management.

Administrators Demonstrate Good Stewardship of Scarce Resources

On the question whether administrators demonstrate good stewardship on scarce resources by efficiently managing supply and demand, their responses are reflected in table 5.9.

Table 5.9: Administrators Demonstrate Stewardship of Scarce Resources

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	9	15.0	15.0
Disagree	11	18.3	33.3
Neutral	5	8.3	41.7
Agree	18	30.0	71.7
Strongly Agree	17	28.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

Result of findings in table 5.9 indicate that 35(58.3%) of the respondents agreed that administrators demonstrate good stewardship on scarce resources by efficiently managing supply and demand. This implies that that there is a comprehensive asset management program that provides administrators with the data they need to ensure accountability, and to make accurate budgeting and purchasing decisions based on asset utilization, condition, and demand. However, 5(8.3%) were not sure on the statement and 20(33.3%) of the respondents disagreed. This indicates that administrators still have issues in managing supply and demand of their scarce resources.

Administrators ensure proper asset maintenance by setting schedules

When respondents were asked Busia District LG administrators ensure proper asset maintenance by setting schedules, their responses were as reflected in table 5.10.

Table 5.10: Proper asset maintenance by setting schedules

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	9	15.0	15.0
Disagree	10	16.7	31.7
Neutral	4	6.7	38.3
Agree	28	46.7	85.0
Strongly Agree	9	15.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

Table 5.10 indicates that the majority 37(61.7%) of the respondents were in agreement that Busia District Local Government administrators ensure proper asset maintenance by setting schedules. This reveals that there is an efficient asset management system that has provided district with higher level of confidence in asset inventories while showing a clear accountability trail to staff. Though, 4(6.7%) were not sure and 19(31.7%) of the respondents were in disagreement. Therefore, the district officials should comply with policies and procedures in line with asset management.

Financial Reports generated and reviewed by the management

Responses on whether financial reports generated and reviewed by the management and board of directors on a regular basis to ensure efficient management of district were as summarised in table 5.11.

Table 5.11: Financial Reports generated and reviewed by the management

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	9	15.0	15.0
Disagree	20	33.3	48.3
Agree	22	36.7	85.0
Strongly Agree	9	15.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

Findings in table 5.11 presents that 31(51.7%) of the respondents were in agreement that financial reports generated and reviewed by the management and board of directors on a regular basis to ensure efficient management of district. Though 29(48.3%) of the respondents were in disagreement. This implies that sometime the Board of Directors are sluggish in reviewing financial reports, thus improper management of Busia District Local Government resources, such as physical assets and human resource.

CHAPTER SIX
FINANCIAL TRANSACTIONS ARE PROPERLY AUTHORISED
TO ENSURE ALLOCATION OF FUNDS

Introduction

This chapter focuses on the results of the third objective of the study which sought to establish how Busia District Local Government has ensured that financial transactions are properly authorised to ensure effective allocation of funds. The chapter begins by reflecting brief information on authorization of financial transactions and then presents, analyses and interprets the findings in respect to objective number one of the study.

In Local Government, authorisation of financial transactions can be done either electronically, through the financial system, or by signing paper documents which are then processed by finance/administrative officer. The principles relating to authorisation of financial transactions apply to both electronic and manual approval processes.

Good financial transaction and management help district to make effective and efficient use of resources achieve objectives and fulfill commitments to stakeholders, become more accountable to donors and other stakeholders and gain the respect and confidence of funding agencies, partners and beneficiaries and prepare for long-term financial sustainability.

Appropriate and knowledgeable staff on Financial Management

On the question whether Busia District Local Government hires appropriate and knowledgeable staff on financial management, their responses were as indicated in table 6.1.

Table 6.1: Appropriate and knowledgeable staff on Financial Management

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	9	15.0	15.0
Disagree	20	33.3	48.3
Agree	19	31.7	80.0
Strongly Agree	12	20.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

Focusing on the research findings in table 6.1, the majority 31(51.7%) of the respondents were in agreement that Busia District Local Government hires appropriate and knowledgeable staff on financial management. This is a clear implication that these financial officials involved in planning, organising, controlling and monitoring financial resources in order to achieve district objectives, thus improved financial management. However, 29(48.3%) of the respondent disagreed. This indicates that there is still presence of inadequate skills and intelligence in managing finances of the district; it was also found some finance officials operate without complying with accounting and financial laws and regulations.

The financial Manager is Responsible for Cash Flow Management

A financial manager is responsible for providing financial guidance and support to clients and colleagues so they can make sound business decisions. Respondents were asked whether the financial manager is responsible for cash flow management and their responses were as indicated in table 6.2.

Table 6.2: financial Manager is Responsible for Cash Flow Management

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	9	15.0	15.0
Disagree	11	18.3	33.3
Neutral	5	8.3	41.7
Agree	18	30.0	71.7
Strongly Agree	17	28.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

Findings in table 6.2 above present that 35(58.3%) of the respondents who involved in this study agreed that financial manager is responsible for cash flow management, cost allocation, cost analysis and asset management in the district. However, 5(8.3%) were neutral and 20(33.3%) of the respondents disagreed. Thus, the financial managers should always responsible for the financial health of the district by produce financial reports, direct investment activities, and develop strategies and plans for the long-term financial goals of the district.

Proper Authorization of Payments

On the question whether there is proper authorization of payments in Busia District Local Government, their responses were as depicted in table 6.3.

Table 6.3: Proper Authorization of Payments

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	14	23.3	23.3
Disagree	14	23.3	46.6
Agree	28	46.7	93.3
Strongly Agree	4	6.7	100.0
Total	60	100.0	

Source: Primary Data, 2018

Result of findings in table 6.3 reflect that 32(53.4%) of the respondent have similar opinions that there is proper authorization of payments in Busia District Local Government. This means that the district has qualified and skilled financial officials who manages purchasing sector and 28(46.6%) of the respondents disagreed. Therefore, authorisation for payments should be separated from the process of making payments, with appropriate validation and recording at each step. This separation of duties should also be maintained for receiving goods and services, a function that should be separate from the process of making the payment.

Timely and Accurate Recording of Financial Reports

Financial statements (or financial report) are formal records of the financial activities and position of a business, person, or other entity. When respondents were asked whether there is timely and accurate recording of financial reports at the district, their responses were as presented in table 6.4.

Table 6.4: Timely and Accurate Recording of Financial Reports

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	9	15.0	15.0
Disagree	13	21.7	36.7
Agree	26	43.3	80.0
Strongly Agree	12	20.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

Findings in table 6.4 indicate that the majority 38(63.3%) of the respondents generally agreed that there is timely and accurate recording of financial reports at the district. However, 22(36.7%) of the respondents disagreed. Therefore, financial reports should be available in time to inform decision making and should be published as soon as possible after the end of the reporting period. In an interview with staff in finance department, they argued that the recording of all financial transactions must be timely, accurate and clearly identify the true business nature of the transaction. Specific guidance pertaining to the timely posting of transactions for fiscal year-end is provided in a memorandum to all departments from the Financial Services in June of each year.

Compliance with Generally Accepted Accounting Principles (GAAP)

Generally accepted accounting principles (GAAP) is a collection of commonly followed accounting rules and standards for financial reporting. When respondents were asked the district ensure compliance with Generally Accepted Accounting Principles applicable to Local Government, their responses were as presented in table 6.5.

Table 6.5: Compliance with GAAP

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	9	15.0	15.0
Disagree	10	16.7	31.7
Neutral	5	8.3	40.0
Agree	21	35.0	75.0
Strongly Agree	15	25.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

From table 6.5, 36(60%) of the respondents were in agreement that the district ensure compliance with GAAP applicable to Local Government. This implies that the district finance committees use GAAP to improve the clarity of the communication of financial information. GAAP covers such things as revenue recognition, balance sheet item classification and outstanding share measurements. Though, 5(8.3%) were neutral on the statement and 19(31.7%) of the respondents disagreed. This indicates that sometime finance officials do not use comply with GAAP when they are preparing financial statement, thus misallocation of funds.

Effective System for effective planning and budgeting

Planning and budgeting are essential for management control. Respondents were asked whether the Busia District Local Government has effective system for planning and budgeting of its financial activities, their responses were as indicated in table 6.6.

Table 6.6: Effective System for planning and budgeting

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	7	11.7	11.7
Disagree	11	18.3	30.0
Agree	19	31.7	61.7
Strongly Agree	23	38.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

According to findings in table 6.6, the majority 42(70%) of the respondents agreed that Busia District Local Government has effective system for planning and budgeting of its financial activities. This implies that planning consists of developing the objectives, timetables, and performance standards needed to implement the district's strategy and assigning individual accountability for results and budgeting involves identifying, prioritizing, acquiring, and allocating the resources needed to carry out the plan. However, 18(30%) of the respondents were in disagreement. Therefore, planning and budgeting should be a lengthy, resource-intensive, and error-prone process.

Effective transaction handling and recordkeeping at the district

Transaction handling and record-keeping is the bookkeeping/accounting area of financial activities. When respondents were asked whether there is effective transaction handling and record keeping at the district and their responses were as summarised in table 6.7.

Table 6.7: Effective transaction handling and recordkeeping at the district

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	12	20.0	20.0
Disagree	6	10.0	30.0
Agree	25	41.7	71.7
Strongly Agree	17	28.3	100.0
Total	60	100.0	

Source: Primary Data, 2018

Result of findings in table 6.7, the majority 42(70%) of the respondents generally agreed that there is effective transaction handling and record keeping at the district. This implies that good record provides the financial data that help district operate more efficiently, thus increasing profitability and performance. Accurate and complete records enable district, to identify all assets, liabilities, income and expenses. However, 18(30%) of the respondents disagreed. Therefore, district administrators should be familiar with, and recognize the importance of, proper recordkeeping requirements and cash flow planning to ensure effective financial management.

Financial manager oversees and directs the accounting process

Respondents were asked whether the financial manager oversees and directs the accounting process and participates in budget development and revision. Their responses were as presented in table 6.8.

Table 6.8: Financial manager oversees and directs the accounting process

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	6	10.0	10.0
Disagree	8	13.3	23.3
Neutral	5	8.3	31.7
Agree	19	31.7	63.3
Strongly Agree	22	36.7	100.0
Total	60	100.0	

Source: Primary Data, 2018

According to findings in table 6.8, the majority 41(68.4%) of the respondents were in agreement that financial manager oversees and directs the accounting process and participates in budget development and revision. This implies that in Busia District LG, financial manager anticipate financial problems; maximize the use of financial resources; ensure tax compliance; ensure compliance with funder requirements; and provide meaningful information to administrators and stakeholders. However, 5(8.3%) were not sure and 14(23.3%) of the respondents disagreed. This means that sometime financial manager fails to perform entitled activities. Therefore, a Finance Manager should distribute the financial resources, responsible for the budget planning, and supports the executive management team by offering insights and financial advice that allow them to make the best decisions for the district.

Administrators suggest strategies for financial stability

The goal for all districts is to maintain financial stability and develop strategies to maintain profitability for long-term sustainability. When respondents were questioned whether the district administrators suggest strategies for financial stability and their responses were as summarized in table 6.9.

Table 6.9: Administrators suggest strategies for financial stability

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	9	15.0	15.0
Disagree	16	26.7	41.7
Neutral	6	10.0	51.7
Agree	10	16.7	68.3
Strongly Agree	19	31.7	100.0
Total	60	100.0	

Source: Primary Data, 2018

In table 6.9, the majority 29(48.4%) of the respondents were in agreement that the district administrators suggest strategies for financial stability. This implies that the district has financial enhancing strategies such as proactive strategies. The proactive strategies are on increasing revenue through expansion, innovation, increased efficiencies, and cost reductions, this has helped the district to avoid misallocation of funds. However, 6(10%) were not sure and 25(41.7%) of the respondents disagreed. This reveals that even though, the administration implemented financial stability strategies, it was evidenced that sometime finance department do their activities without consulting them.

Finance department provide meaning information to district managers

Finance department is considered a resource to assist managers in the running of the district. Responses on whether finance department provide meaning information to district managers were as reflected in table 6.10.

Table 6.10: Provision of meaning information to district managers

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	9	15.0	15.0
Disagree	20	33.3	48.3
Agree	22	36.7	85.0
Strongly Agree	9	15.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

Result of findings in table 6.10 indicate that 31(51.7%) of the respondents agreed that finance department provide meaning information to district managers. This is a clear indication that the finance department provides information to assist managers in making key strategic decisions. Though, 29(48.3%) of the respondents disagreed. This presents that sometime the department do not provide accurate and concise financial information. Therefore, the finance department should be responsible for management of the district's cash flow and ensuring there are enough funds available to meet the day-to-day operations.

Compliance with Funder Requirements

Respondents were asked whether the district administrators ensure compliance with funder requirements and their responses were indicated in table 6.11.

Table 6.11: Compliance with Funder Requirements

	Frequency	Percent	Cumulative Percent
Valid Strongly Disagree	9	15.0	15.0
Disagree	10	16.7	31.7
Neutral	5	8.3	40.0
Agree	21	35.0	75.0
Strongly Agree	15	25.0	100.0
Total	60	100.0	

Source: Primary Data, 2018

Findings in table 6.11 presents that 36(60%) of the respondents were in agreement that the district administrators ensure compliance with funder requirements. This implies the department monitors and coordinates all phases of grants and restricted contributions from award through close-out, including grants administration, reporting, and compliance with approved budgets, contract terms, and legal or regulatory requirements, thus increased financial management. Though, 5(5.3%) were not sure and 19(31.7%) of the respondents were in disagreement. This means that sometimes, the department operates without following funder requirements in several activities or operations.

MULTIPLE REGRESSION ANALYSIS

To establish the combined effect of the three constructs of internal control system (that's to say; Accounting Financial Policies and procedures, management Resources and proper authorization of financial transactions) on financial management, multiple correlation and regression analysis were done and the following is a discussion of the results.

Model Summary

The model summary shows the summary of the regression analysis as shown in the regression model. Below are the results of findings in the table 6.12.

Table 6.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.872 ^a	.760	.758	.35237

a. Predictors: (Constant), Accounting and financial policies and Procedures, efficient management of resources and authorization of financial transactions.

In order to explain the percentage of variation in the dependent variable (financial management) as explained by the independent variables. From the results of the analysis, the findings show that the independent variables contributed to 87.2% of the variation in financial management as explained by adjusted R Square of 76% which shows that the model is a good prediction. This indicates that the existing internal control systems have improved financial management in Busia District Local Government.

Correlations

Correlation is a statistical technique that can show whether and how strongly pairs of variables are related. Results of the correlation analysis indicates that there is a significant and positive relationship between internal control system (ICS) and financial management, the result of correlations ($r=0.872$, $P<0.005$) indicates that Busia District Local Government has ensured that accounting and financial policies and procedures are adhered to, efficient management of resources and financial transactions are properly authorised to avoid misallocation of funds, hence, increased financial management in Busia District Local Government.

Table 6.13: Correlations between ICS and Financial Management

		Internal Control Systems	Financial management
Internal Control Systems	Pearson Correlation	1	.872**
	Sig. (2-tailed)		.000
	N	60	60
Financial Management	Pearson Correlation	.872**	1
	Sig. (2-tailed)	.000	
	N	60	60

** . Correlation is significant at the 0.01 level (2-tailed).

Analysis of Variance (ANOVA)

Analysis of variance (ANOVA) is a collection of statistical models and their associated estimation procedures (such as the 'variation' among and between groups) used to analyze the differences among group means in a sample. The study conducted Analysis of Variance, in order to test the relationship between Internal Controls Systems and financial management of Busia District Local Government. The findings were as shown below:

Table 6.14: ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	120.817	1	120.817	624.345	.001 ^a
Residual	6.953	59	.124		
Total	127.770	60			

a. Predictors: Accounting and financial policies and Procedures, efficient management of resources and authorization of financial transactions.

b. Dependent Variable: Financial Management

The findings in table 6.14 revealed that the level of significance is .001(a) this implies that the regression model is significant in predicting the relationship between internal control systems and financial management in Busia District Local Government. By the help of an F-test table, the tabulated value for (F=624.354) meaning that the model was statistically significant.

The ANOVA results indicate that there is a significant positive relationship between internal control system and financial management (F = 624.345, P<0.001). Therefore, the null hypothesis that there is no significant relationship between internal control system and financial management is rejected and the alternative is accepted.

Coefficients

In a statistical equation, a coefficient is a constant by which a variable is multiplied. Findings in the table 6.15 below show the level of significance on the variables, it also provides the standardized and unstandardized are shown below.

Table 6.15: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.596	.169		2.929	.005
Accounting and financial Policies and procedures	.507	.367	.435	1.383	.172
Efficient Management of Resources	.261	.457	.229	.573	.569
Financial Transaction Authorization	.321	.182	.314	1.764	.003

a. Dependent Variable: Financial Management

From the above table 6.15, the researcher sought to establish the extent to which internal control system improves financial management of Busia District Local Government. From the above regression model holding all the other factors constant, financial management is measured by the effective implementation of internal control systems in the district. The results of the multiple regression model shows that there is a positive relationship between internal control systems and financial management of Busia District LG.

The regression analysis was undertaken at 5% significance level. The criteria for comparing whether the predictor variables were significant in the model was through comparing the corresponding probability value obtained and $\alpha=0.05$. If the probability value was less than α , then the predictor variable was significant but from the above analysis. The results above shows that the variables were significant since their corresponding predictor values were below 5% apart from financial transaction authorization which had 3% meaning that an opposite relationship existed between internal control System and financial management of Busia District Local Government.

CHAPTER SEVEN
HARMONIZATION TOWARDS INTERNAL CONTROL SYSTEMS
AND FINANCIAL MANAGEMENT IN BUSIA
DISTRICT LOCAL GOVERNMENT

Introduction

This chapter focuses on ways and means to improve the internal control systems and financial management in Busia District Local Government.

Internal Control System

Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control-Integrated Framework is a widely used framework not only in the United States but around the world. They defined internal control as a process effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. The COSO definition relates to the aggregate control system of the organization, which is composed of many individual control procedures. In the past, many controls were being enforced in the Accounting and Finance section of the organization and at the end of every financial period, the auditors could verify if the controls are effective.

Internal controls can be defined as the whole system of controls, financial or otherwise established by Council Management to secure as far as possible the propriety of transactions and accuracy and reliability of a Council's records and security of its assets. It is about separation of duties and responsibilities, such that the works and actions of one person are independently checked by

another person. Council structure, management and financial control systems are essential of a sound internal controls system.

In line with argument of Shield (2003), internal control is at the core of State government fulfilling its mission and accomplishing its goals. The resources below assist department management with meeting their responsibility for having internal controls in place that provide reasonable assurance in achievement of the following objectives: operations are effective and efficient; compliance with applicable laws, regulations and best business practices; financial and management data and reports are accurate, reliable and timely; assets are safeguarded against fraud, waste and abuse.

According to Walter and William (2002), the role and purpose of internal control system is meritable because internal control consists of the measures, record procedures and plan of an organization that deals mainly with safeguarding asset and ensuring financial records are accurate and reliable. They further explained that the need for internal control can be seen in its roles and purposes which are financial internal control and administrative internal control.

The Internal Control system should be evaluated periodically to expose any lapses present, to know how strong or weak the system is. Management is in the position to override controls, which it has established, for its own interest. The role of management in internal control is explained as follows; it is the management of an organization that put in place the Internal Control system

for smooth running and continuity of the enterprise. However, management has a way of affecting the Internal Control system and vice versa. When an Internal Audit system is set up by the management, it will be arranged in such a way that any misconduct or lapses in the system will be noticed.

The effect of management on internal control will be obvious from the way in which they handle misbehaviors or misconducts among workers. If management deals with the misconduct with levity, the whole organization will relax, i.e. people will begin to work at will and at their own pace, knowing that nothing will be done to them. It should be noted that with this kind of management, fraudulent act would thrive very well. Also in a case whereby the management shows favoritism to some workers and turn blind eyes to their misconduct, fraud thrives.

Accounting and financial Policies and procedures

Financial policies provide written guidance for how local government management and staff should approach fiscal issues and core financial areas. Effective financial policies, which are adopted by the legislative body, are essential to a local government's fiscal health. They provide stability and continuity over the years as staff and elected officials turn over by establishing what actions are acceptable and unacceptable, identifying who is responsible for taking certain actions, and providing standards to measure jurisdiction's performance.

Policies and procedures are the foundation of internal controls for organizations. Accounting policies applied would be based on International Public Sector Accounting Standards. In the absence of an International Public Sector Accounting Standard that specifically applies to a transaction, other event or condition, management shall use its judgment in developing and applying an accounting policy that results in information that is reliable and relevant to the decision making needs of users.

Financial policies clarify the roles, authority, and responsibilities for essential financial management activities and decisions. In the absence of an adopted policy, staff and Board members are likely to operate under a set of assumptions that may or may not be accurate and productive.

Financial policies commonly used by nonprofits include a policy that describes how cash is handled; whether and how a board member or an employee's travel expenses will be reimbursed; and the board's role to review the executive director's compensation. Another example of a financial policy is one that addresses how the nonprofit's assets are invested.

The documentation of accounting policies and procedures should be readily available to all employees who need it ((Beeler, Hunton and Wier, 2009).). It should delineate the authority and responsibility of all employees, especially the authority to authorize transactions and the responsibility for the safekeeping of assets and records. Likewise, the documentation of accounting policies and procedures should indicate which employees are to perform which

procedures. Procedures should be described as they are actually intended to be performed rather than in some idealized form. Also, the documentation of accounting policies and procedures should explain the design and purpose of control related procedures to increase employee understanding of and support for controls.

Regulation 58(1) of the Local Governments Financial and Accounting Regulations, 2007, provides that the accounting procedures, methods, forms, formats of accounting records and other requirements to be used by local Governments and Administrative Units shall be set out in the Accounting Manual but in conformity with the provisions of the Local Governments (Financial and Accounting) Regulations, 2007. This Local Governments Financial and Accounting Manual, 2007 has been developed in fulfillment of this requirement.

Currently the rural Local Governments maintain their books of accounts on a Cash Accounting Basis while the Urban Councils maintain their books on Accrual Accounting Basis. The two systems have been incorporated in this Manual particularly in the preparation of the monthly and annual financial statements. It is anticipated that the rural Local Governments will gradually adopt the Accrual concept for their accounting. In order to guide the preparation and production of final financial statements under the two systems, worked examples have been provided in the Manual. These examples are extremely useful, particularly to the accounts staff with little experience in

Public Sector Accounting. Also to ensure uniform and standard application of this manual, the Chart of Accounts has been included in the Manual.

Accounting Principles (GAAP), The Finance Division is responsible for the accuracy, integrity, and overall management of the LG's financial system and should therefore be consulted on any matters relating to accounting policies and procedures.

Efficient Management of Resources

According to Gillan (2006), resource management is the efficient and effective development of an organization's resources when they are needed. Such resources may include financial resources, inventory, human skills, production resources, or information technology.

In line with argument of Greashin (1999), resource management is the process of using a company's resources in the most efficient way possible. These resources can include tangible resources such as goods and equipment, financial resources, and labor resources such as employees. Resource management can include ideas such as making sure one has enough physical resources for one's business, but not an overabundance so that products won't get used, or making sure that people are assigned to tasks that will keep them busy and not have too much downtime.

Omopariola (2005) avows that human resources are important to organizations in myriad areas, ranging from strategic planning to company image. HR practitioners in a small business who have well-rounded expertise provide a

number of services to employees. The areas in which HR maintains control can enhance an employees' experience throughout the workforce while strengthening business operations.

In any local government there is the need to utilize available resources for better performance. The term, management of LG resources, refers to proper utilization of such resources as assets, information, human and financial resources (Ssali, 2005). Many LGs fail to reach their set targets due to lack of proper management of these resources. The following describes how to manage Local Government resources.

- **Human Resources:** - Human resource is a key resource in any organization. As such, the motivation of the employees in Local Government is essential in improving productivity and attitude. Employee motivation can be achieved by giving good remuneration, medical allowances and bonuses. It is fundamentally established that employees embrace a company that caters for their well being as people. Mutual and cordial relationship between the employer and the employee translates into better performance. Further, proper planning in an organization greatly contributes to productivity of the human resource. Planning ensures that the staff are not overwhelmed with tight schedules and assigned duties. Therefore, investment in a policy framework that outlines a working plan for the employees would ease their frustrations.

- **Time Resources** – Time and human resources can be argued to be the most crucial resources in contemporary time. Time is an infinite resource. If not properly managed in an organization, it can have a negative impact on both employers and employee’s productivity. Local Government should ensure that workers are well equipped to manage time in their duties. Some of the ways time can be managed in an organization include but not limited to ensuring that there is a routine measure of time by workers and having a master calendar. The culture of public organization can also have a major impact on the time productivity of the employees. Such should be changed by continued positive culture of managing time.
- **Financial Resources** – Local Government can also establish a proper plan to manage its financial resource. For example budgets are established, funding gaps identified and costs are tracked and documented. With this, the company is able to assign resources to the resilience activities and the rest can be invested to improve the organization’s revenue.

Effective management of assets is also another important component which contributes to organizational performance (Solomon, 2005). Assets include both physical and intellectual property that belongs to a particular Local Government. Public organizations such as Local Governments can maximize output by ensuring that its assets are properly catered for in terms of servicing and even patents for its intellectual property.

The impact of effective resource management in local government can never be underestimated (Melbourne, 2004). It is one major source of organizational stability. Financial sustainability in Local Government for instance, cannot be achieved without sound resource management systems that are put in place. Such systems include but not limited to the management of not only financial resources, but also other associated resources like human skills, production resources.

It is also commonly established that large Local Governments have well defined resource management systems which mainly guarantee that resources are evenly allocated in order enhance the overall LG performance. Thus, since an organization's productivity is tied to its ability to effectively and efficiently manage, there is a need for organizations to put effective resource management systems in place.

Authorization of Financial Transaction to avoid misallocation of funds

To establish a sound internal control environment where only employees with formally assigned or delegated signature authority are able to obligate the Local Government with external parties and only authorized employees and their formal designees approve financial transactions at the Local Government.

Depending on the type of transaction involved, authorization of financial transactions can be done either electronically, through the financial system, or by signing paper documents which are then processed by finance / administrative support staff. The principles relating to authorization of

financial transactions apply to both electronic and manual approval processes. An over-riding principle in relation to any financial transaction is that an individual must not authorise transactions in which s/he has a personal interest, for example an expense claim or payroll related adjustment relating to them.

According to Shapiro (2008), there are five overall principles to managing the financial transactions of sponsored project funds. Policies and procedures within the Local Government have been developed in support of these principles. The five principles are:

- **Consistency:** Transactions must be handled in a consistent manner. That is, policies and procedures have been established to address similar types of transactions in a routine manner.
- **Timeliness:** Transactions must be handled within a reasonable period of time consistent with time frames outlined by Local Governments and other stakeholders.
- **Justification:** There must be a reason for the transaction that supports the project's goals, and adheres to guidelines outlined by Local Governments and other stakeholders.
- **Documentation:** Sufficient documentation to support the transaction must exist. The documentation must be retained, organized, and complete enough to stand up to an audit.

- **Certification:** Transactions must be approved and carry all the correct authorizing signatures.

In Local Government, the recording of all financial transactions must be timely, accurate and clearly identify the true business nature of the transaction. Specific guidance pertaining to the timely posting of transactions for fiscal year-end is provided in a memorandum to all departments from the Office of Financial Services in July of each year.

No transaction, whether recorded directly into the general ledger or through a subsystem, nor any supporting documentation, shall be deliberately left incomplete or distorted. No payment made by the LG should be approved with the understanding that any part of such payment is for any purpose other than that described in the supporting document(s). Well designed documents help ensure the proper recording of transactions. Consistent use of standard forms or templates should be considered whenever possible.

Responsibility for the propriety, regularity and accuracy of financial transactions cannot be avoided by relying on the work of internal or external auditors. Public sector organisations are therefore required to carry out appropriate checks at operational area level. "Checking" includes checking the arithmetical accuracy of invoices raised / received, claims or other vouchers, fulfillment of the terms of a contract, professional verification for validity, physical checking of goods invoiced, checking of invoices against orders,

application of VAT etc. Checking should be undertaken by persons with no direct involvement in entering into commitments for related goods and services.

Public sector organisations should review their checking procedures by operational area on a regular basis. Such reviews should consider the extent of and the need for checks carried out in a particular system by following each process stage by stage. Analysis of the results may suggest underlying inadequacies in the procedures or supporting systems which need to be addressed separately.

Business stakeholders like managers, investors and funders need relevant and timely information to help them make financial decisions about the business resources under their control. This information is supplied by financial reports that inform stakeholders of the current financial position and performance of the business. By recording financial transactions that impact on the assets, liabilities and owners equity of a business, stakeholders are able to stay constantly informed of the changes taking place in the financial position and performance of the business.

Financial Management

According to financial growth solutions UK (2014), financial management is defined as the careful tracking and prudent management of a company's financial resources and cash-flow, without financial management, information can be wrong or absent, decision-making is flawed, and minor issues can become serious problems that put the business itself at risk . In this study

however, financial Management is seen as the adequate utilization of organizational financial resources to achieve organizational objectives which are measured in terms of Budget adherence and reduction or outright elimination of financial loss in the organization.

Financial management refers to the efficient and effective management of money (funds) in such a manner as to accomplish the objectives of the organization. It is the specialized function directly associated with the top management. Part of effective strategic financial management may thus involve sacrificing or re-adjusting short-term goals in order to attain the company's long-term objectives more efficiently.

There are several measures of financial management by organisation both private and public. According to Fairfax County publication (2008), the following are typical of how financial management is looked at: Planning Policy adherence, Annual Budgets, cash balances stability, debt ratios, cash management, internal controls, inventory management as well as creditors' management. Furthermore, financial resources must be optimally planned and allocated between required outputs (National Treasury Publication, 2003).

In Local Government, financial management involves precisely defining a company's business objectives or goals, identifying and quantifying its available or potential resources, and devising a plan for utilizing finances and other capital resources to achieve its goals. After the initial planning phase, strategic management requires establishing ongoing procedures for collecting and

analyzing data, making consistent financial decisions, and tracking and analyzing variance, or differences, between budgeted and actual results to identify problems and take appropriate corrective actions as a dynamic process of adjustment and fine-tuning.

Financial management involves understanding and properly controlling, allocating, and obtaining all of a company's assets and liabilities, including monitoring operational financing items such as expenditures, revenues, accounts receivable and accounts payable, cash flow, and profitability. Strategic financial management encompasses all of the above, along with ongoing evaluation, planning, and adjustment in order to keep the local government focused and on track long-term goals with an overarching focus on maximizing the LG's profitability and value, while dealing with short-term issues on a more tactical or ad-hoc basis in a way that does not derail the long run vision.

Financial management is applied throughout LG's operations and involves elements designed to make the maximum efficient use of the LG's financial resources. Key elements of financial management include budgeting, risk management, and ongoing review and evaluation. Financial management also involves risk assessment and risk management, evaluating the potential financial exposure a company incurs by making capital expenditures (CAPEX) or by instituting certain workplace policies.

CHAPTER EIGHT

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the summary of findings, conclusion and recommendations derived and drawn from the research after having presented, analyzed and discussed the findings of the study.

Summary of Findings

The study focused on the Internal Control Systems and Financial Performance of Local Governments in Uganda, a case study of Busia District Local Government, and a descriptive study design was used and both qualitative and quantitative techniques were used. The findings from the study were as follows:

How Busia district has ensured that accounting and financial policies and procedures are adhered to for effective financial management.

Study findings on objective one highlighted that 71.6% of the respondents agreed that Busia District Local Government has accounting / finance policy and procedures manual; 75% of the respondents accepted that Busia District Local Government complies with all applicable financial laws and regulations and 68.4% of the respondents had the same opinion that accounting and finance department maintain financial books and records of Busia District LG. though, 56.7% of the respondents had same mind that management of Busia

District Local Government realizes that financial policies establish the infrastructure that helps to assure sound financial outcomes.

Findings further elaborated that 65.7% of the respondents were in agreement that accounting and finance department prepare accurate and timely financial reports to ensure effective cash management; 70% of the respondents agreed that Busia District Local Government develops and monitors budgets; 80% of the respondents have the same opinion that Busia District LG has a strong electronic financial management system (FMS) tailored to its operations; 58.4% of the revealed that financial systems are routinely reviewed and updated to assure the district remains financial sound and competitive; 66.7% of the respondents agreed that there is an interaction between district auditor and external auditors and 73.4% of the respondents reflected that there is effective management of Grants in Busia District Local Government.

How Busia district has ensured that there is efficient management of resources.

Research findings on second objective presented that 76.6% of the respondents have similar opinion that there is a systematic approach in managing district resources; 53.3% of the respondents disagreed that there is proper planning in management of resources to ensure improved financial management; 73.3% of the respondents positively accepted that Busia District LG administrators efficiently track, manage and secure all resources and 56.6% of the respondents were in agreement that BDLG management monitors and oversees activities to assure staff is executing based on the written guidance.

Findings further revealed that 68.3% of the respondents were in agreement that effective resource management allows district to maximise usage and defer unnecessary spending; 73.3% of the respondents have similar mind that Busia District Local Government has technological resources to improve its performance; 63.3% of the respondents agreed that human resource is properly managed to ensure productivity in Busia District Local Government; 56.7% of the respondents were in agreement that Busia District Local Government maintains administrative and financial systems which safeguards assets; 58.3% of the respondents agreed that administrators need to demonstrate good stewardship of their scarce resources by efficiently managing supply and demand; 61.7% of the respondents were in agreement that Busia District Local Government administrators ensure proper asset maintenance by setting schedules and results further revealed that 51.7% of the respondents were in agreement that financial reports generated and reviewed by the management and board of directors on a regular basis to ensure efficient management of district.

How Busia district has ensured that financial transactions are properly authorized to ensure effective allocation of funds.

Focusing on the research findings on third objective 51.7% of the respondents were in agreement that Busia District Local Government hires appropriate and knowledgeable staff on financial management; 58.3% of the respondents who involved in this study agreed that financial manager is responsible for cash

flow management, cost allocation, cost analysis and asset management in the district; 53.4% of the respondent have similar opinions that there is proper authorization of payments in Busia District Local Government; 63.3% of the respondents generally agreed that there is timely and accurate recording of financial reports at the district and 60% of the respondents were in agreement that the district ensure compliance with GAAP applicable to Local Government. This implies that the district finance committees use GAAP to improve the clarity of the communication of financial information.

The study further findings 70% of the respondents agreed that Busia District Local Government has effective system for planning and budgeting of its financial activities; 70% of the respondents generally agreed that there is effective transaction handling and record keeping at the district; 68.4% revealed that financial manager oversees and directs the accounting process and participates in budget development and revision; 48.4% of the respondents were in agreement that the district administrators suggest strategies for financial stability. This implies that the district has financial enhancing strategies such as proactive strategies; 51.7% of the respondents agreed that finance department provide meaning information to district managers and 60% of the respondents were in agreement that the district administrators ensure compliance with funder requirements.

Conclusions

The conclusions were drawn from the above study findings;

Accounting and financial policies and procedures are adhered to for effective financial management.

The study concluded that the district has accounting / finance policy and procedures manual; Busia District Local Government complies with all applicable financial laws and regulations; it was revealed that Accounting and Finance Department maintain financial books and records of Busia District Local Government; management realizes that financial policies and procedures establish the infrastructure that helps to assure sound financial outcomes.

It was further found out that Accounting and Finance Department prepare accurate and timely Financial Reports to ensure effective cash management; Busia District Local Government develops and monitors budgets; the district has strong Electronic Financial Management System tailored to its operations; Financial systems are routinely reviewed and updated to assure the district remains financial sound and competitive; it was also discovered that there is an interaction between district auditors and external auditors; there is effective Management of Grants and the Chief Financial Officer provide financial information to the Board in Conjunction with the Management Team to ensure effective financial management.

Efficient Management of Resources

The study concluded that there is a systematic approach in managing district resources; it was revealed that there is proper planning in management of resources to ensure improved financial management; administrators efficiently track, manage, and secure all resources; management monitors and oversees activities to assure staff is executing based on the written guidance; effective resource management allows district to maximize usage and defer unnecessary spending.

It was further found out that Busia District Local Government has technological resources to improve its performance; Human resource is properly managed to ensure productivity; the District maintains administrative and financial systems which safeguards assets; administrators need to demonstrate good stewardship of their scarce resources by effectively managing supply and demand; Busia District administrators ensure proper asset maintenance by setting schedules; Financial reports generated and reviewed by the management and board of directors on a regular basis to ensure efficient management of district resources.

Financial transactions are properly authorized to ensure effective allocation of funds.

The financial manager is responsible for cash flow management, cost allocation, cost analysis and asset management in the district; The district

hires appropriate and knowledgeable staff on financial management; There is proper authorization of payments; There is timely and accurate recording of financial transactions at the district; The district ensures compliance with generally accepted accounting principles (GAAP) applicable to Local Governments.

Lastly the study findings revealed that the district has effective system for planning and budgeting of its activities; There is no effective transaction handling and record-keeping at the district; The financial manager failed to oversee and direct the accounting process and participates in budget development and revision; The district administrators suggest strategies for financial stability; providing meaningful information to program managers and the district administrators ensure compliance with funder requirements.

Recommendations

The study recommends that an internal audit function, in order to be efficient, must be based on the internal control and management system within the entity because it represents the object of internal audit's activity. In the situation in which the internal control system within the entity it is not organized and doesn't function, accordingly to the international standards, then neither the internal audit function will be efficient.

The study also recommends that internal audit will achieve its goals only in the situation in which there is a well organized internal control system, formalized and, periodically, consisted of: standards and procedures, professional guides, deontological/ethical codes, which can sustain the ethics of the audit

profession, bearing in mind the fact that the internal auditor has to be above any suspicions.

The study further recommends that the governing body, possibly supported by the audit committee, should ensure that the internal control system is periodically monitored and evaluated. The actual assessment can be executed by the LG's management. A staff person who is sufficiently independent from those responsible for the system, such as the internal auditor, could provide additional assurance on the effectiveness and cost efficiency of the internal control system.

Local Governments in Uganda should develop and organize constant seminars and workshops to train and educate auditors and accountant on matters pertaining proper implementation of accounting policies and procedures to enhance their skills and expertise in their practice as professionals.

Local Governments should transparently report on the structure and performance of their governance, risk management, and internal control system in their various reports to internal and external stakeholders, such as through their periodic accountability reports or on the LG's website.

Ministry of Local Governments should monitor and supervise Local Governments to ensure that the accountants comply with accounting regulations and requirement as provided by the Institute of Certified Public Accountants to ensure proper implementation and compliance with accounting standards and principles. Local Governments should develop a mechanism to

incorporate relevant feedback from the various stakeholders into their internal control system.

Lastly, the study recommends that both internal and external auditor should be constantly updated and well grounded on international financial reporting standards (IFRS) and principles in order to enhance their knowledge and skills in application of accounting practices and to keep them updated on the contemporary issues.

Areas for the Research

The current study focused on how internal control systems improve financial management in local governments in Uganda, taking Busia District Local Government as a case study, therefore the current study should focus on;

- Credit management systems and firms profitability.
- Impact of cash management and service delivery.
- Internal controls and credit management.

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APPENDICES

APPENDIX 1: SELF ADMINISTERED QUESTIONNAIRE

Dear respondent,

RE: REQUEST TO COMPLETE THE QUESTIONNAIRE BELOW

I am **Wabwire Boniface**, a student of Nkumba University in Entebbe Uganda doing a Master’s Degree in Business Administration. According to the National Education Policy for Higher Institutions in Uganda, I am supposed to do research before I can be allowed to graduate. This is to request you to kindly complete the attached questionnaire. There is no right or wrong answer. You just need to indicate how much you agree or disagree with each item by marking the answer that best represents your views on every statement. Please answer all the items on the questionnaire.

I am therefore conducting research on the topic, “Internal Control Systems and Financial Management in Local Governments in Uganda”. A case study of Busia District Local Government.

The information you provide will be used anonymously and for academic purposes only.

Thank you very much for accepting to complete the attached questionnaire.

.....

Wabwire Boniface

Candidate

SECTION A: RESPONDENTS' PERSONAL VARIABLES

Tick/ fill against the alternative you most agree with		
1.	What is your gender or sex?	Male <input type="checkbox"/> Female <input type="checkbox"/>
2.	In which age bracket do you belong?	1. 20-30 <input type="checkbox"/> 2. 31-40 <input type="checkbox"/> 3. 41-50 <input type="checkbox"/> 4. 51+ <input type="checkbox"/>
3	What is your current marital status?	1. Married <input type="checkbox"/> 2. Single <input type="checkbox"/> 3. Divorced <input type="checkbox"/> 4. Widowed <input type="checkbox"/>
4	Your highest education level attained	1. Certificate <input type="checkbox"/> 2. Diploma <input type="checkbox"/> 3. Bachelors <input type="checkbox"/> 4. Masters <input type="checkbox"/> 5. Doctorate <input type="checkbox"/>
5.	Designation in the Local government	1. Administration <input type="checkbox"/> 2. Internal Audit <input type="checkbox"/> 3. Finance and Accounting <input type="checkbox"/> 4. District Finance Committee <input type="checkbox"/> 5. Budgeting <input type="checkbox"/>
6.	For how long have you served in the district LG administration	1-2 years <input type="checkbox"/> 3-5 years <input type="checkbox"/> 6-8 years <input type="checkbox"/> 9 and above <input type="checkbox"/>

For each of the statements in the subsequent sections B, C and D, indicate your level of agreement by ticking one of the given statements using the following five-point scale:

Strongly disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly agree (5)

SECTION B: TO ESTABLISH HOW BUSIA DISTRICT HAS ENSURED THAT ACCOUNTING AND FINANCIAL POLICIES AND PROCEDURES ARE ADHERED TO FOR EFFECTIVE FINANCIAL MANAGEMENT AND CONTROL.

No.	Statement	1	2	3	4	5
7.	The district has accounting / finance policy and procedures manual.					
8.	Busia District Local Government complies with all applicable financial laws and regulations.					
9.	Accounting and Finance Department maintain financial books and records of Busia District Local Government.					
10.	Management realizes that financial policies and procedures establish the infrastructure that helps to assure sound financial outcomes.					
11.	Accounting and Finance Department prepare accurate and timely Financial Reports to ensure effective cash management.					
12.	Busia District Local Government develops and monitors Budgets.					
13.	Busia District LG has strong Electronic Financial Management System tailored to its Operations.					
14.	Financial systems are routinely reviewed and updated to assure the district remains financial sound and competitive.					
15.	There is an interaction between district auditors and external auditors.					
16.	There is effective Management of Grants.					
17.	Chief Financial Officer Provide Financial Information to the Board in Conjunction with the Management Team.					

**SECTION C: TO ESTABLISH HOW BUSIA DISTRICT HAS ENSURED THAT
THERE IS EFFICIENT MANAGEMENT OF RESOURCES**

No.	Statement	1	2	3	4	5
18.	There is a systematic approach in managing district resources.					
19.	There is proper planning in management of resources to ensure improved financial management.					
20.	Busia District administrators efficiently track, manage, and secure all resources.					
21.	Management monitors and oversees activities to assure staff is executing based on the written guidance.					
22.	Effective resource management allows district to maximize usage and defer unnecessary spending.					
23.	The district has technological resources to improve its performance.					
24.	Human resource is properly managed to ensure productivity.					
25.	Busia District maintains administrative and financial systems which safeguards assets.					
26.	Administrators demonstrate good stewardship on scarce resources by effectively managing supply and demand.					
27.	Busia District administrators ensure proper asset maintenance by setting schedules.					
28.	Financial reports generated and reviewed by the management and board of directors on a regular basis to ensure efficient management of district resources.					

SECTION D: TO ESTABLISH HOW BUSIA DISTRICT HAS ENSURED THAT FINANCIAL TRANSACTIONS ARE PROPERLY AUTHORIZED TO AVOID MISALLOCATION OF FUNDS.

No.	Statement	1	2	3	4	5
29.	The district hires appropriate and knowledgeable staff on financial management.					
30.	The financial manager is responsible for cash flow management, cost allocation, cost analysis and asset management in the district.					
31.	There is proper authorization of payments.					
32.	There is timely and accurate recording of financial transactions at the district.					
33.	The district ensures compliance with generally accepted accounting principles (GAAP) applicable to Local Governments.					
34.	The district has effective system for planning and budgeting of its activities.					
35.	There is effective transaction handling and record-keeping at the district.					
36.	The financial manager oversees and directs the accounting process and participates in budget development and revision.					
37.	The district administrators suggest strategies for financial stability.					
38.	Providing meaningful information to program managers					
39.	The district administrators ensure compliance with funder requirements.					

SECTION E: FINANCIAL MANAGEMENT

1. Accounting policies and procedures are adhered to for effective financial management and control in Busia District Local Government.

Strongly Disagree Disagree Neutral Agree Strongly Agree

2. Efficient management and control of resources result into effective financial management in Busia District Local Government.

Strongly Disagree Disagree Neutral Agree Strongly Agree

3. Busia district ensure that all financial transactions are properly authorized to avoid misallocation of funds.

Strongly Disagree Disagree Neutral Agree Strongly Agree

APPENDIX II
INTERVIEW GUIDE

1. What is internal control system?
2. What is financial management?
3. Does the district have proper designed accounting / finance policy and procedures manual?
4. Does Busia District Local Government comply with all applicable financial laws and regulations?
5. Does the district have written guidance used by the management to monitor and oversee activities of the district?
6. Is there a proper planning in management of resources to ensure improved financial management?
7. There is timely and accurate recording of financial transactions at the district.
8. How does the financial manager oversee and direct the accounting process and participate in budget development and revision?

Thanks for your Time and Cooperation